Preliminary Placement Document
Subject to Completion
Not for Circulation and Strictly Confidential
Serial Number: _____

The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for Eligible QIBs under Chapter VI of the SEBI ICDR Regulations on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe to or buy the Equity Shares in any jurisdiction where such offer, solicitation, sale or subscription is not permitted. This Preliminary Placement Document is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be Allotted pursuant to the Placement Document.

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE FEDERAL BANK LIMITED

Registered Office and Corporate Office: Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
Tel: +91 484 2622 263 | Fax: +91 484 2623 119 | **Contact Person**: Samir Pravinbhai Rajdev, Company Secretary and Compliance Officer| **Email:** secretarial@federalbank.co.in|
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CIN: L65191KL1931PLC000368

Our Bank was incorporated as 'The Travancore Federal Bank Limited' Nedumpram on April 23, 1931, under the Travancore Companies Regulation, 1916. Our Bank's name was changed to 'The Federal Bank Limited' on December 2, 1949. Subsequently, our Bank was registered under the Companies Act, 1956 on April 1, 1956. Our Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959, and is a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

Our Bank is issuing up to [●] equity shares of face value of ₹2 each (the "**Equity Shares**") at a price of ₹[●] per Equity Share (the "**Issue Price**"), including a premium of ₹[●] per Equity Share, aggregating to approximately ₹[●] million (the "**Issue**"). For further details, see "*Summary of the Issue*" on page 27.

THIS ISSUE IS BEING UNDERTAKEN IN RELIANCE UPON CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES FRAMED THEREUNDER EACH AS AMENDED.

The Equity Shares are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on BSE and NSE as on July 18, 2023 was ₹ 134.80 and ₹ 134.90 per Equity Share. Our Bank has received in-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "**SEBI Listing Regulations**") for listing of the Equity Shares to be issued pursuant to the Issue, from BSE and NSE on July 19, 2023. Our Bank shall make applications to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed, or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Bank or the Equity Shares.

A copy of this Preliminary Placement Document, which includes disclosures prescribed under Form PAS-4 (as defined hereinafter), has been delivered to the Stock Exchanges. A copy of the Placement Document (which shall also include disclosures prescribed under Form PAS-4) shall be delivered to the Stock Exchanges. Our Bank shall also make the requisite filings with the RoC, each within the stipulated period as required under the Companies Act, 2013 (as defined hereinafter) and the PAS Rules (as defined above). This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority, and is intended only for use by Eligible QIBs (as defined hereinafter). This Preliminary Placement Document has not been and shall not be filed as a prospectus with the RoC, shall not be circulated or distributed to the public in India or any other jurisdiction, and the Issue shall not constitute a public offer in India or any other jurisdiction.

OUR BANK HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE ISSUE. THE PROPOSED ISSUE AND DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO ELIGIBLE QIBS IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES PRESCRIBED THEREUNDER, AND CHAPTER VI OF THE SEBI ICDR REGULATIONS. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PROSPECTIVE INVESTOR OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN ELIGIBLE QIBS. THIS PRELIMINARY PLACEMENT DOCUMENT SHALL BE CIRCULATED ONLY TO SUCH ELIGIBLE QIBS WHOSE NAMES ARE RECORDED BY OUR BANK PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO THE EQUITY SHARES.

YOU MAY NOT AND ARE NOT AUTHORISED TO: (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE COMPANIES ACT, 2013, AS AMENDED, THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OF OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY SEE "*RISK FACTORS*" ON PAGE 37 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT AND THE PLACEMENT DOCUMENT. PROSPECTIVE INVESTORS SHALL CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND THE BANK.

Invitations offers and sales of Equity Shares to be issued pursuant to the Issue shall only be made pursuant to this Preliminary Placement Document, together with the Application Form, the Placement Document and the Confirmation of Allocation Note (each as defined herein). For further details, see "*Issue Procedure*" on page 728. This Preliminary Placement Document and the Placement Document relate to an issue made to Eligible QIBs under Chapter VI of the SEBI ICDR Regulations and no offer is being made to the public or any other class of investors. The distribution of this Preliminary Placement Document or the disclosure of its contents without our Bank's prior consent to any person other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state in the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**") and referred to in this Preliminary Placement Document as a "**U.S. QIB**") in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (b) outside the United States, in offshore transactions, as defined in and in reliance on Regulation S under the Securities Act ("**Regulation S**") and the applicable laws of the jurisdictions where those offers and sales occur. See "*Selling Restrictions*" on page 741 for information about eligible offerees for the Issue and "*Transfer Restrictions*" on page 748 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

The information on our Bank's website, any website directly or indirectly linked to our Bank's website or on the respective websites of the Book Running Lead Managers (as defined hereinafter) or of their respective affiliates does not form part of this Preliminary Placement Document and prospective investors should not rely on any such information contained in or available through any such websites for their investment in this Issue.

BOOK RUNNING LEAD MANAGERS			
AXIS CAPITAL LIMITED	**BOFA SECURITIES INDIA LIMITED**	**J.P. MORGAN INDIA PRIVATE LIMITED**	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED**
AXIS CAPITAL	BofA SECURITIES	J.P.Morgan	kotak® Investment Banking

This Preliminary Placement Document is dated July 19, 2023.

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NOTICE TO INVESTORS

Our Bank has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Group and the Equity Shares, which we consider material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Group and the Equity Shares are in all material respects, true, accurate and not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to our Group and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to our Bank. There are no other facts in relation to our Group and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, our Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

Axis Capital Limited, BofA Securities India Limited, J.P. Morgan India Private Limited and Kotak Mahindra Capital Company Limited (the "**Book Running Lead Managers**" or "**BRLMs**") have not separately verified all of the information contained in this Preliminary Placement Document (financial, legal, or otherwise). Accordingly, neither the Book Running Lead Managers, nor any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, associates or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers or any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, associates or affiliates as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Issue of the Equity Shares or their distribution.]

Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on any of the Book Running Lead Managers or on any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, associates or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Group, including, the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Bank, or by or on behalf of the Book Running Lead Managers. Unless otherwise stated, all information in this Preliminary Placement Document is provided as of the date of this Preliminary Placement Document, and neither our Bank nor the BRLMs have any obligation to update such information to a later date. Accordingly, the delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state securities laws. Accordingly, the Equity Shares offered in the Issue are being offered and sold (a) in the United States only to persons reasonably believed to be U.S. QIBs in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (b) outside the United States in "offshore transactions", as defined in and in reliance on Regulation S and the applicable laws of the jurisdictions where those offers, and sales are made. See "*Selling Restrictions*" on page 741 for information about eligible offerees for the Issue and "*Transfer Restrictions*" on page 748 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

Subscribers and purchasers of the Equity Shares will be deemed to make the representations, warranties, acknowledgements and agreements set forth in "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 3, 741 and 748 respectively of this Preliminary Placement Document.

The information contained in this Preliminary Placement Document has been provided by our Bank and from other sources identified herein. Within the United States, this Preliminary Placement Document is being provided only to persons who are reasonably believed to be U.S. QIBs. The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than Eligible QIBs whose names are recorded by our Bank prior to the invitation to subscribe to the Issue in consultation with the Book Running Lead Managers or their representatives and those retained by Eligible QIBs to advise them with respect to their subscription of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document. Any reproduction or distribution of this Preliminary Placement Document in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares may be restricted in certain jurisdictions by applicable laws. As such, this Preliminary Placement Document does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Bank and the Book Running Lead Managers which would permit an offering of the Equity Shares or distribution of this Preliminary

Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document, nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. For further details, see "*Selling Restrictions*" on page 741.

The prospective investor should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. The prospective investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Bank nor the Book Running Lead Managers are making any representation to any investor, purchaser, offeree or subscriber to the Equity Shares in relation to this Issue regarding the legality of an investment in the Equity Shares by such investor, purchaser, offeree or subscriber under applicable legal, investment or similar laws or regulations. The prospective investors of the Equity Shares should conduct their own due diligence on the Equity Shares and our Bank.

Each Bidder is deemed to have acknowledged, represented and agreed that it is an Eligible QIB and it is eligible to invest in India and in our Bank under Indian law, including under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, read with Rule 14 of the PAS Rules and that it is not prohibited by SEBI or any other statutory, regulatory or judicial authority in India or any other jurisdiction from buying, selling or dealing in the securities including the Equity Shares or otherwise accessing the capital markets in India.

Each subscriber of the Equity Shares also acknowledges that it has been afforded an opportunity to request from our Bank and review information pertaining to our Bank and the Equity Shares.

This Preliminary Placement Document does not purport to contain all the information that any Eligible QIB may require. This Preliminary Placement Document contains summaries of certain terms of documents, which summaries are qualified in their entirety by the terms and conditions of such documents. Further, this Preliminary Placement Document has been prepared for information purposes in relation to this Issue only and upon the express understanding that it will be used for the purposes set forth herein.

The information on our Bank's website, www.federalbank.co.in, and any website directly and indirectly linked to the website of our Bank or on the respective websites of the Book Running Lead Managers and of their affiliates, does not constitute nor form part of this Preliminary Placement Document. The prospective investors should not rely on any such information contained in, or available through, any such websites.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see "*Selling Restrictions*" and "*Transfer Restrictions*" on page 741 and 748.

REPRESENTATIONS BY INVESTORS

All references to "you" and "your" in this section are to the prospective investors in the Issue. By Bidding for and/or subscribing to any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Bank and the Book Running Lead Managers, as follows:

1. Your decision to subscribe to the Equity Shares to be issued pursuant to the Issue has not been made based on any information relating to our Bank which is not set forth in this Preliminary Placement Document;

2. You are a "Qualified Institutional Buyer" as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to (i) acquire, hold, manage or dispose of any Equity Shares that are Allotted (hereinafter defined) to you in accordance with Chapter VI of the SEBI ICDR Regulations, the Companies Act, 2013 and all other applicable laws; and (ii) comply with all requirements under applicable law in this relation, including reporting obligations, requirements/ making necessary filings, if any, in connection with the Issue;

3. You are eligible to invest in India under applicable law, including the FEMA Rules (as defined hereinafter) and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI, RBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities or otherwise accessing capital markets in India;

4. If you are not a resident of India, but are an Eligible QIB, (i) you are a foreign portfolio investor, and you confirm that you are an Eligible FPI as defined in this Preliminary Placement Document and have a valid and existing registration with SEBI under the applicable laws in India, or (ii) a multilateral or bilateral development financial institution and can participate in the Issue only under Schedule II of FEMA Rules and you are eligible to invest in India under applicable law, including FEMA Rules, and any other notifications, circulars or clarifications issued thereunder. You will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws. You have not been prohibited by SEBI, RBI or any other regulatory authority, from buying, selling or dealing in securities or otherwise accessing the capital markets. Since FVCIs are not permitted to participate in the Issue, you confirm that you are not a FVCI;

5. You are eligible to invest in and hold the Equity Shares of the Bank in accordance with the FDI Policy, read along with the press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India and the related amendments to the FEMA Rules, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules;

6. You will provide the information as required under the Companies Act, 2013 and the PAS Rules for record keeping by our Bank, including your name, complete address, phone number, e-mail address, permanent account number and bank account details and such other details as may be prescribed or otherwise required even after the closure of the Issue;

7. If you are Allotted Equity Shares pursuant to the Issue, you shall not sell the Equity Shares so acquired, for a period of one year from the date of Allotment (hereinafter defined), except on the Stock Exchanges. Please note additional requirements or requirements apply if you are within the United States. For details, see "*Selling Restrictions*" and "*Transfer Restrictions*" on page 741 and 748respectively;

8. You are aware that this Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC under the Companies Act, 2013, the SEBI ICDR Regulations or under any other law in force in India and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs. This Preliminary Placement Document has not been reviewed, verified or affirmed by SEBI, the RBI, the RoC, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Eligible QIBs. The Placement Document shall be filed with the Stock Exchanges for record purposes only and be displayed on the websites of our Bank and the Stock Exchanges;

9. You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions applicable to you and that you have fully observed such laws and you have all necessary capacity and have obtained all necessary consents and authorities, as may be required and complied with and shall comply with all necessary formalities to enable you to participate in the Issue and to perform your obligations in relation thereto (including without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honor such obligations;

10. Neither our Bank, the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment of the Equity Shares, be a client of the

Book Running Lead Managers. Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates has any duty or responsibility to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;

11. All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Preliminary Placement Document. Neither our Bank, nor the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates assumes any responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

12. You are aware that the Equity Shares are being offered only to Eligible QIBs on a private placement basis and are not being offered to the general public, or any other category of investors other than the Eligible QIBs and the Allotment shall be on a discretionary basis at the discretion of our Bank in consultation with the Book Running Lead Managers;

13. You have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgments and undertakings as set out under "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 741 and 748, respectively and you warrant that you will comply with such representations, warranties, acknowledgments and undertakings;

14. You have been provided a serially numbered copy of this Preliminary Placement Document, and have read it in its entirety, including the "*Risk Factors*" on page 37;

15. You are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the U.S. Securities Act) or directed selling efforts (as defined in Regulation S) and you understand and agree that offers and sales (a) in the United States, are being made in reliance on an exemption to the registration requirements of the Securities Act provided by Section 4(a)(2) under the Securities Act, Rule 144A or another available exemption from registration under the Securities Act, and the Equity Shares may not be eligible for resale under Rule 144A thereunder; and (b) outside the United States, are being made in "offshore transactions" as defined in and in reliance on Regulation S;

16. In making your investment decision, you have (i) relied on your own examination of our Group and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of our Group the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) consulted your own independent counsels and advisors or otherwise have satisfied yourself concerning, the effects of local laws (including tax laws), (iv) relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Bank or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Bank and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

17. Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, has provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including the Issue and the use of proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, when evaluating the tax consequences in relation to the Equity Shares (including, in relation to the Issue and the use of proceeds from the Equity Shares). You waive, and agree not to assert any claim against, either of the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

18. You are a sophisticated investor and have such knowledge and experience in financial business and investment matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any managed accounts for which you are subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Bank and/or the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, for all or part of any such loss or losses that may be suffered in connection with the Issue, including losses arising out of non-performance by the Bank of any of its respective obligations or any breach of any representations and warranties by the Bank, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to

anticipate any change in your or their circumstances or any accounts for which you are subscribing, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

19. If you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and make the representations, warranties, acknowledgements, undertakings and agreements herein for and on behalf of each such account, reading the reference to 'you' to include such accounts;

20. You are not a 'promoter' of our Bank (as defined under the SEBI ICDR Regulations or the Companies Act, 2013);

21. You are eligible to Bid for and hold Equity Shares so Allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;

22. To the best of your knowledge and belief, your aggregate holding, together with other Eligible QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    a. Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIBs, its subsidiary or holding company and any other Eligible QIB; and

    b. 'Control' shall have the same meaning as is assigned to it under the SEBI Takeover Regulations.

23. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023, dated January 16, 2023 and the Guidelines On Acquisition and Holding of Shares or Voting Rights in Banking Companies, dated January 16, 2023, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

    a. after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert; or

    b. after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in our Bank of you, your relatives, your associate enterprises or persons acting in concert with you, shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI.

24. You are aware that (i) applications for in-principle approval, in terms of Regulation 28 of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) final applications will be made for obtaining listing and trading approvals from the Stock Exchanges, and that there can be no assurance that such approvals will be obtained on time or at all. Neither our Bank nor the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates shall be responsible for any delay or non-receipt of such final listing and trading approvals or any loss arising therefrom;

25. You shall not undertake any trade in the Equity Shares credited to your beneficiary account with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

26. You are aware that in terms of the requirements of the Companies Act, 2013 upon Allocation, the Bank will be required to disclose names and percentage of post-Issue shareholding of the proposed Allottees in the Placement Document. However, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the Book Running Lead Managers;

27. You agree in terms of Section 42 of the Companies Act, 2013 and Rule 14 of the PAS Rules, that our Bank shall make necessary filings with the RoC as may be required under the Companies Act, 2013;

28. You acknowledge that this Preliminary Placement Document does not, and the Placement Document shall not confer upon or provide you with any right of renunciation of the Equity Shares offered through the Issue in favour of any person;

29. You are aware that if you, together with any other Eligible QIBs belonging to the same group or under common control, are Allotted 5% or more of the Equity Shares in this Issue, our Bank shall be required to disclose the name of such Allottees and the number of Equity Shares Allotted to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures being made by our Bank;

30. You are aware and understand that the Book Running Lead Managers have entered into a Placement Agreement with our Bank, whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, undertaken to use their reasonable efforts to seek to procure subscription for the Equity Shares on the terms and conditions set out therein;

31. The contents of this Preliminary Placement Document are exclusively the responsibility of our Bank and that neither the Book Running Lead Managers nor any person acting on its or their behalf or any of the counsels or advisors to the Issue has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting participation in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, and you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the Book Running Lead Managers or our Bank or any other person and neither the Book Running Lead Managers nor our Bank or any of their respective affiliates, including any view, statement, opinion or representation expressed in any research published or distributed by them, and the Book Running Lead Managers and their respective affiliates will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

32. Neither the Book Running Lead Managers nor any of their respective affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Bank of any of its obligations or any breach of any representations and warranties by our Bank, whether to you or otherwise;

33. You acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

34. You are a sophisticated investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribute. You are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as amended, and the Companies Act, 2013;

35. Either (i) you have not participated in or attended any investor meetings or presentations by our Bank or its agents with regard to our Bank or this Issue; or (ii) if you have participated in or attended any Bank presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have the knowledge of the statements that our Bank or its agents may have made at such Bank presentations and are therefore unable to determine whether the information provided to you at such meetings or presentations included any material misstatements or omissions, and, accordingly you acknowledge that Book Running Lead Managers have advised you not to rely in any way on any such information that was provided to you at such meetings or presentations, and (b) you confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

36. You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

37. If you are within the United States, you are a U.S. QIB, who is or are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the definition of a U.S. QIB, for investment purposes only, and not with a view to, or for reoffer or resale in connection with, the distribution (within the meaning

of any United States securities laws) thereof in whole or in part, are not an affiliate of our Bank or a person acting on behalf of such an affiliate;

38. If you are outside the United States, you are subscribing for the Equity Shares in an "offshore transaction" as defined in and in reliance on Regulation S and in compliance with laws of all jurisdictions applicable to you, and are not our Bank's or the BRLMs' affiliate or a person acting on behalf of such an affiliate;

39. You are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act) or "directed selling efforts" (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the U.S. Securities Act;

40. You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described under the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 741 and 748, respectively. Particularly, you represent and agree that you will only reoffer, resell, pledge or otherwise transfer the Equity Shares only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A under the Securities Act, (ii) in an "offshore transaction" complying with Regulation S under the Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States, you understand that the transfer restrictions will remain in effect under the Bank determines, in its sole discretion, to remove them;

41. You confirm that neither is your investment as an entity of a country which shares land border with India nor is the beneficial owner of your investment situated in or a citizen of such country (in each which case, investment can only be through the Government approval route), and that your investment is in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, and Rule 6 of the FEMA Rules;

42. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue. You agree to indemnify and hold our Bank and the Book Running Lead Managers and their respective affiliates and their respective directors, officers, employees and controlling persons harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements, agreements and undertakings made by you in this Preliminary Placement Document. You agree that the indemnity set out in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

43. Our Bank, the Book Running Lead Managers, their respective affiliates, directors, officers, employees and controlling persons and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of our Bank, and are irrevocable;

44. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Mumbai, India shall have sole and exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

45. The Bid made by you would not result in triggering a tender offer under the SEBI Takeover Regulations; and

46. You have no right to withdraw your Application Form or revise your Bid downwards after the Issue Closing Date (as defined hereinafter).

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines, and approvals in terms of Regulation 21 of the SEBI FPI Regulations, FPIs, including the affiliates of the Book Running Lead Managers, who are registered as category I FPIs can issue, subscribe and deal in offshore derivative instruments (as defined under the SEBI FPI Regulations, i.e., as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) (all such offshore derivative instruments are referred to herein as "**P-Notes**") and persons who are eligible for registration as category I FPIs can subscribe to or deal in such P-Notes, provided that in the case of an entity that has an investment manager who is from the Financial Action Task Force member country, such investment manager shall not be required to be registered as a Category I FPI. The above-mentioned category I FPIs may receive compensation from the purchasers of such instruments. In terms of Regulation 21 of SEBI FPI Regulations, P-Notes may be issued only by such persons who are registered as Category I FPIs and they may be issued only to persons eligible for registration as Category I FPIs, subject to exceptions provided in the SEBI FPI Regulations and compliance with 'know your client' requirements, as specified by SEBI and subject to compliance with such other conditions as may be specified by SEBI from time to time. An Eligible FPI shall also ensure that no transfer of any instrument referred to above is made to any person unless such FPIs are registered as Category I FPIs and such instrument is being transferred only to persons eligible for registration as Category I FPIs subject to requisite consents being obtained in terms of Regulation 21 of SEBI FPI Regulations. P-Notes have not been, and are not being offered, or sold pursuant to this Preliminary Placement Document and the Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Subject to certain relaxations provided under Regulation 22(4) of the SEBI FPI Regulations, investment by a single FPI including its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control) is not permitted to be 10% or more of our post-Issue Equity Share capital on a fully diluted basis. The SEBI has, vide a circular dated November 5, 2019, issued the operational guidelines for FPIs, designated depository participants and eligible foreign investors (the "**FPI Operational Guidelines**"), to facilitate implementation of the SEBI FPI Regulations. In terms of such FPI Operational Guidelines, the above-mentioned restrictions shall also apply to subscribers of offshore derivative instruments and two or more subscribers of offshore derivative instruments having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single subscriber of the offshore derivative instruments. Further, in the event a prospective investor has investments as an FPI and as a subscriber of offshore derivative instruments, these investment restrictions shall apply on the aggregate of the FPI and offshore derivative instruments investments held in the underlying company. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, read with the FDI Policy, issued by the Department for Promotion of Industry and Internal Trade, Government of India, investments where the entity is of a country which shares land border with India or where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route, as prescribed in the FDI Policy and FEMA rules. These investment restrictions shall also apply to subscribers of offshore derivative instruments.

Affiliates of the BRLMs which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof. Any P-Notes that may be issued are not securities of our Bank and do not constitute any obligation of, claims on or interests in our Bank. Our Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by and are the sole obligations of, third parties that are unrelated to our Bank. Our Bank, and, the BRLMs do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and does not constitute any obligations of or claims on the BRLMs.

Bidders interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes, or any disclosure related thereto. Bidders are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

Also see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 741 and 748, respectively.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES AND RBI

Disclaimer clause of the Stock Exchanges

As required, a copy of this Preliminary Placement Document has been submitted to each of the Stock Exchanges. The Stock Exchanges do not in any manner:

(1) warrant, certify or endorse the correctness or completeness of the contents of this Preliminary Placement Document;

(2) warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

(3) take any responsibility for the financial or other soundness of our Bank, its management or any scheme or project of our Bank,

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

Disclaimer clause of RBI

A license authorizing the Bank to carry on business had been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949 and thereafter, a licence authorizing the Bank to carry on the business as a scheduled commercial bank under the second schedule of the Reserve Bank of India Act, 1934 was obtained. It must be distinctly understood, however, that in issuing the license, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the Eligible QIBs who are the prospective investors in the Equity Shares issued pursuant to the Issue, references to "the Bank" or "our Bank" are to The Federal Bank Limited, on a standalone basis. References herein to "we", "our" and "us" are to the Bank on a consolidated basis (except for references to "our" or "our Bank's" financial or operational metrics, which are on a standalone basis).

In this Preliminary Placement Document, references to 'INR', '₹', 'Rs.', 'Indian Rupees' and 'Rupees' are to the legal currency of India and to 'USD', 'U.S. Dollars' and 'US$' are to the legal currency of the United States. All references herein to 'India' are to the Republic of India and its territories and possessions and the 'Government' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. Our Bank publishes its Financial Statements in Indian Rupees.

The standalone financial statements as at and for the years ended March 31, 2023, March 31, 2022, and March 31, 2021 have been prepared in accordance with Indian GAAP and the provisions of Banking Regulation Act, 1949 read with relevant guidelines and directions issued by the RBI and the Companies Act, 2013 read along with rules thereunder (the "**Audited Standalone Financial Statements**"). The audited consolidated financial statements as at and for the years ended March 31, 2023, March 31, 2022, and March 31, 2021, have been prepared in accordance with Indian GAAP and the provisions of Banking Regulation Act, 1949 read with relevant guidelines and directions issued by the RBI and the Companies Act, 2013 read along with rules thereunder (the "**Audited Consolidated Financial Statements**"), the Unaudited Interim Consolidated Financial Statements and the Unaudited Interim Standalone Financial Statements.

The fiscal year of our Bank commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise, all references to a particular 'financial year', 'Fiscal Year' or 'FY' are to the twelve month period ended on March 31 of that year and references to a particular 'year' are to the calendar year ending on December 31 of that year.

In this Preliminary Placement Document, we have included the (a) Audited Consolidated Financial Statements for Fiscal 2023, 2022 and 2021, (b) Audited Standalone Financial Statements for Fiscal 2023, 2022 and 2021, (c) Unaudited Interim Consolidated Financial Statements for the three months ended June 30, 2023, and June 30, 2022, and the (d) Unaudited Interim Standalone Financial Statements for the three months ended June 30, 2023 and June 30, 2022. In terms of the RBI guidelines dated April 27, 2021, our Bank is required to appoint a minimum of two joint statutory auditors. The Bank has appointed Varma & Varma, Chartered Accountants, and Borkar & Muzumdar, Chartered Accountants as its joint statutory auditors (collectively, the "**Joint Statutory Auditors**") pursuant to a shareholders' resolution dated July 16, 2020. For details, see "*Our Statutory Auditors*" on page 772. Our Unaudited Interim Consolidated Financial Statements, Audited Standalone Financial Statements and Audited Consolidated Financial Statements have been prepared in accordance with the Indian GAAP and Companies Act, 2013.

All amounts are in INR millions, thousands, or crores except share data which are given in absolute numbers.

There are significant differences between Indian GAAP, Ind AS, U.S. GAAP and IFRS. The Financial Information included in this Preliminary Placement Document comprise of our audited financial statements for Fiscals 2023, 2022, 2021 and the Unaudited Interim Condensed Consolidated Financial Statements prepared by the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 as amended, read with Companies (Indian Accounting Standards) Rules, 2015, as amended in so far as they apply to the Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time.

The MCA (defined hereinafter) has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release was issued by MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards ("**IND AS**") converged with International Financial Reporting Standards (**IFRS**) for banks. Banks in India were required to comply with the 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.

On April 5, 2018, the RBI has announced deferment of implementation date by one year for scheduled commercial banks. Subsequently, the RBI, through its notification dated March 22, 2019, decided to further defer the implementation of Ind AS until further notice for all scheduled commercial banks. Further, there may be regulatory guidelines and clarifications in some critical areas of Ind AS application, which the Bank will need to suitably incorporate in its implementation project as and when those are issued. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the financial information we currently prepare. For further information, see "*Risk Factors 55 – We have presented certain supplemental information of our performance and liquidity which is not prepared under or required under Indian GAAP"* on page 59.

Non-GAAP Financial Measures

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance such as risk adjusted NIM, return on average equity, return on equity, average cost to deposit, dividend payout ratio, cost to average asset, net interest income, slippage rate/ratio, book value per share, cost of funds ratio, casa, casa ratio, yield on advances ratio, credit cost ratio, loan to deposit ratio, cost/income ratio, return on risk weighted assets have been included in this Preliminary Placement Document. These may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other companies and are not measures of operating performance or liquidity defined by Indian GAAP and may not be comparable to similarly titled measures presented by other companies**.**

INDUSTRY AND MARKET DATA

The statistical information, industry and market data, information regarding our position in the market, growth rates and other industry data pertaining to our business included in this Preliminary Placement Document relating to the industry in which we operate has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the Reserve Bank of India, the National Payments Corporation of India and the Indian Banks' Association. The accuracy and completeness of the industry sources and publications referred to by us, and the underlying assumptions on which such sources and publications are based, are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information.

Statements in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to materially differ. For further details, see "*Forward-Looking Statements*" on page 13.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so we have relied on internally developed estimates.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends solely on the reader's familiarity with and understanding of the methodologies used in compiling such data. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors 57 – Statistical and industry data in this document may be incomplete or unreliable*" on page 59. The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. Accordingly, investment decisions should not be based solely on such information.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute 'forward-looking statements'. The prospective investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'goal', 'intend', 'may', 'objective', 'plan', 'potential', project', 'pursue', 'shall', 'seek to', 'should', 'will', 'will continue', 'will pursue', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Bank are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

The forward-looking statements appear in a number of places throughout this Preliminary Placement Document and include statements regarding the intentions, beliefs or current expectations of our Bank concerning, amongst other things, the expected results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of our Bank and the industry in which we operate. In addition, even if the result of operations, financial conditions, liquidity and dividend policy of our Bank, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Preliminary Placement Document, those results or developments may not be indicative of results or developments in subsequent periods.

All statements regarding our expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Bank's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements contained in this Preliminary Placement Document (whether made by our Bank or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Bank that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Bank to be materially different from any of the forward-looking statements include, among others:

- We are vulnerable to interest rate risk, and volatility in interest rates for any reason including increased inflation, could materially adversely affect our net interest margin and our financial performance;
- We are exposed to non-uniform movement in interest rate benchmarks;
- A substantial portion of our Bank's branches are located in the state of Kerala, making us vulnerable to risks associated with having geographically concentrated operations;
- We are exposed to borrower and industry concentrations, and a default by any large borrower, a deterioration in the performance of any of the industry sectors in which we have significant exposure would adversely affect the quality of our portfolio, and our ability to meet capital requirements could be jeopardized; and
- A decline in NRI deposits or loan repayments could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Additional factors that could cause actual results, performance or achievements of our Bank to differ materially include, but are not limited to, those discussed under the sections titled "*Risk Factors*", "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 37, 648, 664 and 607, respectively.

By their nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, any future gains, losses or impact on net income and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Bank. Although our Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure the prospective investors that such expectations will prove to be correct. Given these uncertainties, the prospective investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and our Bank or the Book Running Lead Managers undertake no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward-looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Bank is a public limited liability company incorporated under the laws of India. All the Directors, Key Managerial Personnel and Senior Management Personnel of our Bank named herein are resident citizens of India and a substantial portion of the assets of our Bank and of such persons are located in India. As a result, it may be difficult or may not be possible for the prospective investors outside India to affect service of process upon our Bank or such persons in India, or to enforce against them judgments of courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Civil Procedure Code. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except:

(a) where the judgment has not been pronounced by a court of competent jurisdiction;

(b) where the judgment has not been given on the merits of the case;

(c) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable;

(d) where the proceedings in which the judgment was obtained were opposed to natural justice;

(e) where the judgment has been obtained by fraud; and

(f) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India. Under Section 14 of the Civil Procedure Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record, but such presumption may be displaced by proving want of jurisdiction. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Each of the United Kingdom, Singapore, United Arab Emirates and Hong Kong, amongst others has been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the foreign judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the number of damages awarded as excessive or inconsistent with public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws. Our Bank cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per USD). The exchange rates are based on the reference rates released by the RBI and Financial Benchmark India Private Limited ("**FBIL**"), which are available on the website of FBIL. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On July 19, 2023, the exchange rate (the RBI reference rate) was ₹ 82.07 to USD 1. (*Source: www.fbil.org.in*)

(₹ per USD)

	Period end (1)	**Average (2)**	**High (3)**	**Low (4)**
Fiscal:				
2023	82.22	80.39	83.20	75.39
2022	75.81	74.51	76.92	72.48
2021	73.50	74.27	76.81	72.29
Month ended:				
June 2023	82.04	82.23	82.64	81.88
May 2023	82.68	82.34	82.80	81.74
April 2023	81.78	82.02	82.39	81.65
March 2023	82.22	82.29	82.68	81.74
February 2023	82.68	82.61	82.91	81.85
January 2023	81.74	81.90	82.91	81.22

(Source: https://www.fbil.org.in/)

(1) *The price for the period end refers to the price as on the last trading day of the respective fiscal year or monthly periods.*

(2) *Average of the official rate for each working day of the relevant period.*

(3) *Maximum of the official rate for each working day of the relevant period.*

(4) *Minimum of the official rate for each working day of the relevant period.*

Notes:

If the RBI reference rate is not available on a particular date due to a public holiday, exchange rates of the previous working day have been disclosed.

The RBI reference rates are rounded off to two decimal places.

DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. The following list of certain capitalised terms used in this Preliminary Placement Document is intended for the convenience of the reader/ prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Preliminary Placement Document shall have the meaning as defined hereunder. Further any references to any agreement, document, statute, rules, guidelines, regulations or policies shall include amendments made thereto, from time to time.

The words and expressions used in this Preliminary Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, 2013 the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in the sections titled "Taxation", "Industry Overview", "Financial Information" and "Legal Proceedings" on pages 756,648, 95 and 768, respectively, shall have the meaning given to such terms in such sections.

Bank Related Terms

Term	Description
Our "Bank", the "Bank", the "Issuer", or "we", "us" or "our"	The Federal Bank Limited, a public limited company incorporated under the Travancore Companies Regulation, 1916 and subsequently registered under the Companies Act, 1956 and having its registered office at Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
Articles or Articles of Association	The articles of association of our Bank, as amended from time to time
Associates	Collectively, Equirus Capital Private Limited and Ageas Federal Life Insurance Company Limited
Audit Committee	The audit committee constituted by the Board of our Bank, as disclosed in "*Board of Directors and Senior Management*" on page 713
Audited Consolidated Financial Statements	Collectively, the Audited Consolidated Financial Statements for Fiscal 2021, Audited Consolidated Financial Statements for Fiscal 2022 and Audited Consolidated Financial Statements for Fiscal 2023
Audited Consolidated Financial Statements for Fiscal 2021	The audited consolidated financial statements as at and for the year ended March 31, 2021 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Accounting Standards prescribed under the Companies Act, 2013 read along with other relevant provisions and rules thereunder and Indian GAAP
Audited Consolidated Financial Statements for Fiscal 2022	The audited consolidated financial statements as at and for the year ended March 31, 2022 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Accounting Standards prescribed under the Companies Act, 2013 read along with other relevant provisions and rules thereunder and Indian GAAP
Audited Consolidated Financial Statements for Fiscal 2023	The audited consolidated financial statements as at and for the year ended March 31, 2023 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Accounting Standards prescribed under the Companies Act, 2013 read along with other relevant provisions and rules thereunder and Indian GAAP
Audited Standalone Fiscal Statement	Collectively, Audited Standalone Financial Statement for Fiscal Year 2021, Audited Standalone Financial Statement for Fiscal Year 2022 and Audited Standalone Financial Statement for Fiscal Year 2023
Audited Standalone Financial Statement for Fiscal 2021	The audited standalone financial statements as at and for the year ended March 31, 2021 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Accounting Standards prescribed under the Companies Act, 2013 read along with other relevant provisions and rules thereunder and Indian GAAP
Audited Standalone Financial Statement for Fiscal 2022	The audited standalone financial statements as at and for the year ended March 31, 2022 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Accounting Standards prescribed under the Companies Act, 2013 read along with other relevant provisions and rules thereunder and Indian GAAP
Audited Standalone Financial Statement for Fiscal 2023	The audited standalone financial statements as at and for the year ended March 31, 2023 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Accounting Standards prescribed under the Companies Act, 2013 read along with other relevant provisions and rules thereunder and Indian GAAP
Board of Directors / Board	The board of directors of our Bank, including any duly constituted committee thereof
Credit Committee	The credit, investment and raising capital committee constituted by our Board and as described in "*Board of Directors and Senior Management*" on page 713
CSR Committee	The corporate social responsibility committee constituted by our Board and as described in "*Board of Directors and Senior Management*" on page 713

Term	Description
Directors	The directors of our Bank
Equity Shares	The equity shares of our Bank of a face value of ₹2 each
ESOS 2010	Federal Bank – Employee Stock Option Scheme 2010
ESOS 2017	Federal Bank – Employee Stock Option Scheme 2017
Fedfina	Fedbank Financial Services Limited
Financial Statements	Collectively, the Audited Consolidated Financial Statements, the Audited Standalone Financial Statements, the Unaudited Interim Consolidated Financial Statements and the Unaudited Interim Standalone Financial Statements
Group	Collectively, our Bank, its Subsidiaries and Associates
Joint Statutory Auditors	Collectively, Varma & Varma, Chartered Accountants, and Borkar & Muzumdar, Chartered Accountants
IFC Investors	Collectively, International Finance Corporation, IFC Financial Institutions Growth Fund, LP, and IFC Emerging Asia Fund, LP
Key Managerial Personnel/KMP	Key managerial personnel shall have the meaning as set out under Regulation 2(1)(bb) of the SEBI ICDR Regulations
Memorandum or Memorandum of Association	The memorandum of association of our Bank, as amended from time to time
Nomination Committee	The nomination, remuneration, ethics and compensation committee constituted by our Board of our Bank and as described in "*Board of Directors and Senior Management*" on page 713
Registered and Corporate Office	The registered and corporate office of our Bank, being, Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
Risk Management Committee	The risk management committee constituted by our Board
Senior Management Personnel/ SMP	The Senior Management Personnel of our Bank in terms of Regulation 2(1)(bbbb) of the SEBI ICDR Regulations. For details, see "*Board of Directors and Senior Management*" on page 713
Shareholders	Shareholders of our Bank
Stakeholder Relationship Committee	The stakeholder relationship committee constituted by our Board and as described in "*Board of Directors and Senior Management*" on page 713
Subsidiaries	Collectively, Fedbank Financial Services Limited and Federal Operations and Services Limited
Unaudited Interim Consolidated Financial Statements	Our unaudited limited reviewed interim consolidated financial statements comprising of the unaudited condensed interim consolidated balance sheet as at June 30, 2023 and June 30, 2022 and March 31, 2023, the unaudited condensed interim consolidated statement of profit and loss and the unaudited condensed interim consolidated cash flow statement for the quarter ended June 30, 2023 and June 30, 2022 including selected explanatory notes of our Bank prepared in accordance with the Accounting Standard - 25 'Interim Financial Reporting' ("**AS-25**") as prescribed under Section 133 of the Companies Act, 2013 as amended, read with Companies (Accounting Standards) Rules, 2021, as amended, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by Reserve Bank of India from time to time and other recognized accounting principles generally accepted in India
Unaudited Interim Standalone Financial Statements	Our unaudited limited reviewed interim standalone financial statements comprising of the unaudited condensed interim standalone balance sheet as at June 30, 2023 and June 30, 2022 and March 31, 2023, the unaudited condensed interim standalone statement of profit and loss and the unaudited condensed interim standalone cash flow statement for the quarter ended June 30, 2023 and June 30, 2022 including selected explanatory notes of our Bank prepared in accordance with the Accounting Standard - 25 'Interim Financial Reporting' ("**AS-25**") as prescribed under Section 133 of the Companies Act, 2013 as amended, read with Companies (Accounting Standards) Rules, 2021, as amended, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by Reserve Bank of India from time to time and other recognized accounting principles generally accepted in India

Issue Related Terms

Term	Description
"Allocated" or "Allocation"	Allocation of Equity Shares, in consultation with the Book Running Lead Managers, following the determination of the Issue Price to Eligible QIBs on the basis of Application Forms submitted by them, in compliance with Chapter VI of the SEBI ICDR Regulations
"Allotment" or "Allotted"	Allotment and issue of Equity Shares pursuant to the Issue
Allottees	Eligible QIBs to whom Equity Shares of our Bank are issued pursuant to the Issue
Application Form	Form (including any revisions thereof) which will be submitted by the Eligible QIBs for registering a Bid in the Issue

Term	Description
Application Amount	With respect to a Bidder shall mean the aggregate amount paid by such Bidder at the time of submitting a Bid in the Issue, including any revisions thereof
Bid(s)	Indication of an Eligible QIB's interest including all revisions and modifications of interest, as provided in the Application Form, to subscribe for the Equity Shares pursuant to the Issue. The term "Bidding" shall be construed accordingly
Bidder(s)	Any prospective investor, being an Eligible QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form
"Book Running Lead Managers" or "BRLMs"	Axis Capital Limited, BofA Securities India Limited, J.P. Morgan India Private Limited and Kotak Mahindra Capital Company Limited
"CAN" or "Confirmation of Allocation Note"	Note, advice or intimation confirming the Allocation of Equity Shares to Successful Bidders confirming Allocation of Equity Shares to such Successful Bidders after determination of the Issue Price
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e., on or about [●], 2023
Designated Date	The date on which the Equity Shares issued pursuant to the Issue, are listed on the Stock Exchanges pursuant to receipt of the final listing and trading approvals for the Equity Shares from the Stock Exchanges or the date on which Form PAS-3 is filed by our Bank with the RoC, whichever is later
Eligible FPIs	FPIs that are eligible to participate in this Issue in terms of applicable laws, other than individuals, corporate bodies and family offices
Eligible QIBs	QIBs, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations that are eligible to participate in the Issue and which are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations. However, FVCIs are not permitted to participate in the Issue. In addition, QIBs, outside the United States in "offshore transactions" in reliance on Regulation S under the U.S. Securities Act
Escrow Account	Special non-interest bearing, no-lien, current bank account without any cheque or overdraft facilities, opened with the Escrow Bank, subject to the terms of the Escrow Agreement
Escrow Bank	The Federal Bank Limited, acting in its capacity as the escrow agent to the Issue, in accordance with the Escrow Agreement and applicable law.
Escrow Agreement	Agreement dated July 19, 2023, entered into by and amongst our Bank, the Escrow Bank and the Book Running Lead Managers for collection of the Application Amount and remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	Floor price of ₹132.59, for each Equity Share, calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Our Bank may offer a discount on the Floor Price in accordance with the approval of our Shareholders accorded on July 27, 2022, and in terms of Regulation 176(1) of the SEBI ICDR Regulations
Issue	Offer, issuance and Allotment of the Equity Shares to Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations and the applicable provisions of the Companies Act, 2013 and the rules made thereunder
Issue Closing Date	[●], 2023, the date after which our Bank (or Book Running Lead Managers on behalf of our Bank) shall cease acceptance of Application Forms and the Application Amount
Issue Opening Date	July 19, 2023, the date on which our Bank (or the Book Running Lead Managers on behalf of our Bank) shall commence acceptance of the Application Forms and the Application Amount
Issue Period	Period between the Issue Opening Date and the Issue Closing Date, inclusive of both days during which Eligible QIBs can submit their Bids along with the Application Amount
Issue Price	A price per Equity Share of ₹[●]
Issue Size	Aggregate size of the Issue, up to ₹[●] million
Mutual Fund	A mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Placement Agreement	Placement agreement dated July 19, 2023 entered into by and among our Bank and the Book Running Lead Managers
Placement Document	Placement document to be issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
Preliminary Placement Document	This preliminary placement document along with the Application Form, dated July 19, 2023 issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
"QIB" or "Qualified Institutional Buyer"	Qualified institutional buyer, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VI of the SEBI ICDR Regulations and applicable provisions of the Companies Act, 2013 read with the applicable rules of the PAS Rules

Term	Description
Refund Amount	The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all, or part of the Application Amount submitted by such Bidder pursuant to the Issue
Refund Intimation	The intimation from the Bank to relevant Bidders confirming refund of the Refund Amount to their respective bank accounts
Relevant Date	July 19, 2023, which is the date of the meeting in which the Credit Committee decided to open the Issue
Successful Bidders	The Bidders who have Bid at or above the Issue Price, duly paid the Application Amount and who will be Allocated Equity Shares in the Issue
Stock Exchanges	BSE and NSE
Working Day	Any day other than second and fourth Saturday of the relevant month or a Sunday or a public holiday or a day on which scheduled commercial banks are authorised or obligated by law to remain closed in Mumbai, India

Business and Industry Related Terms

Term	Description
ALCO	Asset Liability Management Committee
ANBC	Adjusted net bank credit as defined
ATM	Automated teller machine
BaaP	Bus vehicles as a distribution platform
BC	Business Correspondent
CAAT	Computer Aided Audit Tools
CAGR	Compound Annual Growth Rate
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Savings Accounts
CDM	Cash Deposit Machines
CEOBE	Credit equivalent amount of off-balance sheet exposure
CGSL	Constituent Subsidiary General Ledger
CIB	Corporate institutional banking
CMO	Chief Marketing Officer
CoB	Commercial banking
CoMO	Compliance Monitoring Office
CRAR	Capital to Risk weighted Assets Ratio
CRM	Customer Relationship Management
CRMC	Credit Risk Management Committee
CRO	Chief Risk Officer
CRR	Cash Reserve Ratio
CV/CE	Commercial Vehicles / Construction Equipment
DCPS	Defined Contributory Pension Scheme
Demat	Dematerialized
DGV	Digivriddhi Technologies Private Limited
DSA	Direct Sales Agent
EMI	Equated Monthly Instalment
Epifi	Epifi Technologies Private Limited
Equirus Capital	Equirus Capital Private Limited
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
FEC	Federal Experience Center
FedFina	Fedbank Financial Services Limited
FedServ	Federal Operations and Services Limited
GIFT City	Gujarat International Finance Tec-City
Gratuity Plan	Our Bank provides for gratuity, which is a defined benefit retirement plan
GST	Goods and Services Tax
HUF	Hindu Undivided Families
IBU	IFSC Banking Unit
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IRMD	Integrated Risk Management Department
Jupiter	Application owned by Amica Financial Technologies Private Limited
LAP	Loans Against Property
LCR	Liquidity Coverage Ratio
LTV	Loan-to-Value ratio
March Baseline	The 3.49% of our Bank's gross advances, which were "coal-related sub-project exposures" (as defined in our Bank's ESMS policy) as of March 31, 2021
Mashreq	Mashreqbank PSC

Term	Description
Master Direction	The Master Direction – Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016
MFI	Microfinance Institution
MSME	Medium, Small and Micro Enterprise
NEFT	National Electronic Funds Transfer
NPA	Net Non-Performing Assets
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OneConsumer	OneConsumer Services Private Limited
Paisabaazar	Paisabazaar Marketing and Consulting Private Limited
Pension Plan	Our bank provides for pension, which is a defined benefit retirement plan
PMLA	Prevention of Money Laundering Act, 2002
PSL	Priority Sector Lending
PSU	Public Sector Undertaking
RIDF	Rural Infrastructure Development Fund
RMC	Risk Management Committee
RoA	Return on Assets
RoRWA	Return on Risk Weighted Assets
SLR	Statutory Liquidity Ratio
TWO	Technically written-off
Valocity	Valocity India LLP
VaR	Value at Risk
Y-o-Y	Year-on-Year

Conventional and General Terms/ Abbreviations

Term	Description
AGM	Annual General Meeting
Banking Regulation Act	The Banking Regulation Act, 1949
BSE	BSE Limited
CAGR	Compound annual growth rate
Calendar Year	Year ending on December 31
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identity Number
Civil Procedure Code	The Code of Civil Procedure, 1908
Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the sections of the Companies Act, 2013) along with the relevant rules made thereunder
Companies Act, 2013	The Companies Act, 2013, to the extent in force pursuant to the notification of sections of the Companies Act, 2013, along with the relevant rules made thereunder
FDI Policy	The FDI Policy (effective from October 15, 2020), issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India
CrPC	The Code of Criminal Procedure, 1973
Depositories	CDSL and NSDL
Depositories Act	The Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DP ID Number	Depository participant identification number
EGM	Extraordinary general meeting
EPS	Earnings per share
EU	European Union
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations issued thereunder
FEMA Rules	The Foreign Exchange Management (Non-debt Instruments) Rules, 2019, as amended
FIIs	Foreign Institutional Investors as defined under the SEBI FPI Regulations
“Financial Year” or “Fiscal Year” or “Fiscal”	The period of 12 months ended March 31 of that particular year, unless otherwise stated
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who held a valid certificate of registration was deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees had been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
FVCI	Foreign Venture Capital Investors, as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, registered with SEBI
GAAP	Generally Accepted Accounting Principles

Term	Description
GDP	Gross Domestic Product
GDR	Global Depository Receipt
General Meeting	AGM or EGM
“GoI” or “Government”	Government of India
GST	Goods and Services Tax
GVA	Gross Value Added
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
Indian GAAP	Indian Generally Accepted Accounting Principles (GAAP) as applicable to the respective entities in accordance with the regulations under which they operate and in relation to our Bank, as applicable to banking companies in India.
IPC	The Indian Penal Code, 1860
IPO	Initial Public Offering
IRDAI	Insurance Regulatory and Development Authority of India
I.T. Act	The Income-tax Act, 1961
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs, GoI
MoF	Ministry of Finance, GoI
MoU	Memorandum of Understanding
NEFT	National Electronic Fund Transfer
Net Worth	Net worth shall mean the aggregate of the paid-up share capital, share premium account, and reserves and surplus (excluding revaluation reserve and foreign currency translation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off), deferred tax asset and the debit balance of the profit and loss account
NRI	Non-resident Indian, as defined under applicable law
“Non-Resident” or “NR”	A person resident outside India, as defined under the FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
“OCB” or “Overseas Corporate Body”	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in the Issue
Official Gazette	The official gazette issued by the Government of India, including any state
“P.A.” or “p.a.”	Per annum
PAS Rules	Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended
PAN	Permanent Account Number allotted under the I.T. Act
PMLA	Prevention of Money Laundering Act, 2002
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
“RoC” or “Registrar”	Registrar of Companies, Kerala at Ernakulam
RoE	Return on Equity
“Rs.” or “₹” or “INR” or “Rupees”	Indian Rupees
RTGS	Real Time Gross Settlement
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SBI	State Bank of India
SCRA	The Securities Contracts (Regulation) Act, 1956
SCRR	The Securities Contracts (Regulation) Rules, 1957
SCR (SECC) Regulations	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations), Regulations, 2018
SEBI	The Securities and Exchange Board of India established under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
Stock Brokers Regulations	Securities and Exchange Board of India (Stock-Brokers) Regulations, 1992
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
U.S.	United States of America including its territories and possessions, any State of the United States, and the District of Columbia
U.S. Securities Act	U.S. Securities Act of 1933, as amended
U.S. GAAP	Generally accepted accounting principles in the United States of America
VCF	A venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996

Notwithstanding the foregoing, defined terms in the sections entitled "*Taxation*" and "*Financial Information*" on pages 756 and 95, respectively, shall have the meaning given to such terms in such sections.

SUMMARY OF BUSINESS

The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. You should read the "Forward Looking Statements" on page 13 for a discussion of the risks and uncertainties related to those statements, "Risk Factors" on page 37 for a discussion of certain factors that may affect our business, financial condition and results of operations and "Our Business" on page 664 for more information about our Bank's strengths, strategies and a description of its banking operations. Our actual results may differ materially from those anticipated in these forward-looking statements.

The manner in which some of the operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculations, may vary from those used by other banks in India and other jurisdictions. Our fiscal year ends on March 31 of every year, so all references to a particular fiscal are to the twelve-month period ended March 31 of that year. The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Preliminary Placement Document, including the information contained in "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Our Business" and "Financial Information" on pages 37, 648, 607, 664 and 95, respectively.

*Certain information from this section includes extracts from publicly available information, data and statistics, and has been derived from various publications and industry sources, including the Reserve Bank of India ("**RBI**"). Neither the Bank, nor the Book Running Lead Managers, nor any other person connected with the Issue has independently verified such information. Certain non-GAAP measures are presented in this section are a supplemental and useful measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, or IFRS. In addition, these non-GAAP measures are not standardised terms, hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting its usefulness as a comparative measure.*

Unless stated otherwise, references to "the Bank" or "our Bank" are to The Federal Bank Limited, on a standalone basis. References herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis.

Overview

Our Bank is a leading private sector bank in India in Fiscal 2023, based on its net advances as of March 31, 2023 *(Source: RBI, Statistical Tables Relating to Banks in India: Liabilities and Assets of SCBs, 2021-2022; Company filings for Fiscal 2023)*. Our Bank was originally incorporated in 1931 as the "Travancore Federal Bank Limited Nedumpram" under the Travancore Companies Regulation. On December 2, 1949, its name was changed to The Federal Bank Limited. In 1959, our Bank was licensed under the Banking Regulation Act, 1949, and thereafter our Bank became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

Our Bank offers a wide range of products and services, mainly through its retail banking and wholesale banking business units. Our Bank offers several products and services to its retail customers, such as deposits (including term deposits, savings accounts and current accounts), banking services for non-resident Indians ("**NRIs**"), housing loans and top-ups, loans against property ("**LAP**"), automobile loans, retail gold loans, personal loans, cards and payment services, agricultural loans, business banking loans and commercial vehicles / construction equipment ("**CV/CE**") loans. These products are offered with certain variations as customized products to certain target groups such as senior citizens, students and salaried employees. Our Bank's wholesale banking business unit provides several commercial banking ("**CoB**") and corporate institutional banking ("**CIB**") products and services such as working capital, term loans, documentary letters of credit, bank guarantees, supply chain finance and foreign exchange services. In addition, our Bank markets wealth management products and services in collaboration with its associate, Equirus Capital, such as mutual funds. Our Bank has also entered into bancassurance partnerships with various insurance companies to offer different types of insurance products, such as life insurance, general insurance and health insurance. For further details of our Bank's retail and wholesale banking offerings, see *"Our Business – Description of our Bank's Banking Operations – Business activities"* on page 672.

As of March 31, 2023, our Bank had 1,355 bank branches, 1,916 ATMs (including cash recyclers and mobile automated teller machines ("**ATMs**")), 941 relationship managers and 11 business correspondents ("**BCs**"). In addition, our Bank distributes its products and services through direct sales agents ("**DSAs**") and connectors, i.e., individuals or entities who identify potential customers for our Bank. Our Bank's multi-pronged distribution approach involves a 'lite branch heavy distribution' model that is complemented by alternate distribution channels. Our Bank adopted the 'lite branch heavy distribution' model in Fiscal 2022 and under this model, our Bank's branches have a lean employee structure with a strong focus on fintech collaborations, and our Bank's branches have been integrated with our Bank's relationship manager network. Our Bank's robust presence across India is complemented by its international footprint. Our Bank is developing its international presence by building a network outside India to cater to the NRI market, with representative offices in Dubai and Abu Dhabi. Our Bank has also opened an international banking unit in the Gujarat International Finance Tec-City ("**GIFT City**"). Our Bank's physical distribution network is complemented by its digital initiatives that enable our Bank to provide its customers with access to on-demand banking services. Our Bank has also invested in innovative solutions such as "BankOnTheGo", using bus vehicles as a distribution platform ("**BaaP**"), wherein our Bank uses buses to boost its footprint where our Bank does not have a significant branch presence, and these buses have, among other things, cash recyclers and multi-functional kiosks to help the public to carry out several routine banking transactions. Our Bank's other digital offerings include "SoftPOS", a mobile application-based solution available on android platforms and a form of "Mobile as POS" that enables merchants to accept cash, card, QR or UPI transactions on their mobile phones without the need of additional hardware and "FedMi", a technology platform for microlending. For further details in relation to our Bank's other digital offerings, see "*Our Business – Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Digital initiatives*" on page 681.

In addition, due to its digital readiness and robust information technology infrastructure that supports an open banking ecosystem, our Bank has been able to onboard multiple fintech collaborators including Paisabazaar Marketing and Consulting Private Limited ("**Paisabazaar**"), OneConsumer Services Private Limited ("**OneConsumer**") (for its "OneCard" application), Digivriddhi Technologies Private Limited ("**DGV**"), Mashreqbank PSC ("**Mashreq**"), Epifi Technologies Private Limited ("**Epifi**") (for its "Fi" platform) and Amica Financial Technologies Private Limited (for its "**Jupiter**" application) as of March 31, 2023. Our Bank's fintech collaborators are served through a dedicated vertical that has specialized skills and capabilities for risk management, and our Bank has an API gateway to support its fintech partners. Our Bank's fintech collaborations generate cross-selling opportunities, enable access to customers that are new to banking, including customers with an existing credit history and digitally native customers. Our Bank generates higher return on assets ("**RoA**") through customers accessing high margin lending products, such as credit cards, through the Bank's fintech collaborations, as the cost of acquisition of these customers is relatively lower compared to branch customers. Our Bank's fintech collaborations further help it to establish its presence in markets at a faster pace and expand its distribution footprint in India without requiring a physical presence. For further details in relation to our Bank's fintech collaborations, see "*Our Business – Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Fintech collaborations*" on page 686.

Our Bank has had a sustained business growth in the last three Fiscals. Our Bank's total deposits have grown from ₹1,726,444.80 million as of March 31, 2021, to ₹1,817,005.86 million as of March 31, 2022, and to ₹2,133,860.39 million as of March 31, 2023, at a compound annual growth rate ("**CAGR**") of 11.17%. Our Bank's total net advances, i.e., gross advances minus the provision held for non-performing assets, have grown from ₹1,318,786.01 million as of March 31, 2021, to ₹1,449,283.25 million as of March 31, 2022, and to ₹1,744,468.85 million as of March 31, 2023, at a CAGR of 15.01%. As of March 31, 2023, our Bank's gross retail advances accounted for 54.00% of total gross advances, i.e., our Bank's total advances, and its gross wholesale advances accounted for the remaining 46.00% of those total gross advances.

Our Bank's diversified product and services portfolio, digital capabilities and a relationship-driven approach has enabled it to ensure consistency in key financial performance metrics over the last three Fiscals.

The following table sets forth key highlights of our Bank's historical financial performance:

Key Highlights	**As of and for the year ended March 31,**				
	2021	**2022**		**2023**	
	(in ₹ million)	***(in ₹ million)***	***Y-o-Y growth (%)***	***(in ₹ million)***	***Y-o-Y growth (%)***
	Standalone				
Total assets	2,013,673.88	2,209,463.09	9.72%	2,603,418.29	17.83%
Profit after tax	15,902.97	18,898.22	18.83%	30,105.94	59.31%
Net interest margin[1]	3.16%	3.20%	1.27%	3.31%	3.44%
Credit costs[2]	1.22%	0.45%	(63.11)%	0.40%	(11.11)%
Cost to income ratio[3]	49.27%	53.32%	8.22%	49.86%	(6.49)%
Return on equity ("**RoE**")[4]	10.38%	10.87%	4.72%	15.02%	38.18%
Return on risk weighted assets ("**RoRWA**")[5]	1.60%	1.78%	11.25%	2.37%	33.15%
RoA[6]	0.85%	0.94%	10.59%	1.28%	36.17%
Net Non-Performing Assets ("**NPA**")[7]	1.19%	0.96%	(19.33)%	0.69%	(28.13)%
Net interest income[8]	55,337.06	59,619.51	7.74%	72,321.61	21.31%
Operating profit[9]	38,006.90	37,578.51	(1.13)%	47,943.95	27.58%
Net profit[10]	15,902.97	18,898.22	18.83%	30,105.94	59.31%
Gross NPA/ gross advances	3.41%	2.80%	(17.89)%	2.36%	(15.71)%
Tier 1 capital ratio	13.85%	14.43%	4.19%	13.02%	(9.77)%
Tier 2 capital ratio	0.78%	1.34%	74.03%	1.79%	33.58%
Capital to Risk Weighted Assets Ratio ("**CRAR**")	14.62%	15.77%	7.87%	14.81%	(6.09)%
	Consolidated				
Total assets	2,049,665.27	2,262,410.44	10.38%	2,680,040.57	18.46%
Profit after tax	16,643.34	19,697.85	18.35%	31,647.19	60.66%
Net interest margin[1]	3.30%	3.37%	2.12%	3.49%	3.56%
Credit costs[2]	1.22%	0.48%	(60.66)%	0.43%	(10.42)%

Key Highlights	As of and for the year ended March 31,				
	2021	2022		2023	
	(in ₹ million)	*(in ₹ million)*	*Y-o-Y growth (%)*	*(in ₹ million)*	*Y-o-Y growth (%)*
	Standalone				
Cost to income ratio[3]	49.66%	53.75%	8.24%	50.73%	(5.62)%
RoE[4]	10.64%	11.14%	4.70%	15.49%	39.05%
RoRWA[5]	1.65%	1.51%	(8.48)%	2.57%	70.20%
RoA[6]	0.86%	0.91%	5.81%	1.28%	40.66%
Net NPA[7]	16,047.10	14,797.70	(7.79)%	13,234.40	(10.56)%
Net interest income[8]	58,791.17	64,221.52	9.24%	78,365.39	22.02%
Operating profit[9]	39,521.07	39,509.40	(0.03)%	50,615.70	28.11%
Net profit[10]	16,472.06	19,653.96	19.32%	31,757.63	61.58%
Gross NPA/ gross advances	3.35%	2.78%	17.01%	2.35%	(15.47)%
Tier 1 capital ratio	14.20%	14.77%	4.01%	13.31%	(9.88)%
Tier 2 capital ratio	0.99%	1.56%	57.58%	1.94%	24.36%
CRAR	15.19%	16.33%	7.50%	15.24%	(6.67)%

1 Net interest margin is the difference between interest earned and interest expended divided by the daily average of interest-earning assets.
2 Credit costs is calculated as loan loss provision as a percentage of gross advances as on previous year.
3 Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).
4 RoE is calculated as the ratio of the net profit after tax to the average net worth (capital plus reserves created out of profit plus securities premium minus intangibles).
5 RoRWA is calculated as the ratio of the net profit after tax to the average market and credit risk weighted assets.
6 RoA is calculated as the ratio of the net profit after tax to the average total assets.
7 Net NPA is calculated as Gross NPA minus the provisions. Gross NPA is calculated by dividing non-performing assets by the total loans.
8 Net interest income is calculated as interest earned minus interest expended.
9 Operating profit is calculated as total income minus total expenditure.
10 Net profit is calculated as total income minus expenditure.

Our Bank's profit after tax grew at a CAGR of 37.59% between Fiscals 2021 and 2023 and crossed ₹30,000 million in Fiscal 2023. Our Bank's net interest margin has consistently grown over the last three Fiscals, largely due to its focus on high margin lending products such as credit cards, personal loans, loans to medium, small and micro enterprise ("**MSMEs**"), CV/CE loans, gold loans and microfinance products, and backed by its strong liability profile. A decline in slippages, i.e., the rate at which a good loan becomes stressed, along with an increase in collection efficiencies and recoveries enabled our Bank to reduce its credit costs between Fiscals 2021 and 2023. Our Bank has improved its cost to income ratio from Fiscal 2022 to Fiscal 2023, which is primarily driven by reduced costs due to digitization initiatives and operating leverage, and increased income due to expansion in net income margin and increase in fee income. Our Bank's RoA improved over the last three Fiscals, largely by growing its advances and deposits, increasing its net interest margin, increasing its fee income and cross-selling by leveraging data, maintaining asset quality with a prudent risk management framework, improving efficiency with a lite branch heavy distribution model, and enhancing its yields with a focus on high margin lending products. For further details, see "*Our Business – Strengths*" on page 667.

As of the date of this Preliminary Placement Document, our Bank has two subsidiaries and two associates. Our Bank's wholly owned subsidiary, Federal Operations and Services Limited ("**FedServ**"), provides operational and technology-oriented services to our Bank. Our Bank's subsidiary, Fedbank Financial Services Limited ("**FedFina**"), has a suite of products including housing loans and top-ups, small ticket retail LAP, medium ticket LAP, unsecured business loans and gold loans. Our Bank's associate, Ageas Federal Life Insurance Company, provides life insurance policies. Our Bank's associate, Equirus Capital, provides investment banking, financial institutional, insurance broking, institutional equities, portfolio and wealth management services.

Over the years, our Bank has received several awards and recognitions such as the BYOM Top up Home Loans by Finnoviti Awards (2023) and Top 50 (Large) of India's Best Workplaces™ for Building a Culture of Innovation by All by Great Place to Work® (2023) and our Bank was the only Indian Bank to feature in "70 Best Large Workplaces in Asia – 2022" by Great Place to Work. Further, its Chief Marketing Officer ("**CMO**") won the title "Futuristic CMO: Retention First Thinker Award" at the Pitch CMO Awards in March 2023. For further details, see "*Our Business – Description of our Bank's Banking Operations – Awards*" on page 690.

The following table sets forth, as of the date of this Preliminary Placement Document, the details of our Bank's credit ratings by the indicated rating agencies:

Rating Agency	Rating	Outlook
CRISIL	A1+	Fixed deposit (short term)
	AA+	₹1,00,000 Fixed deposit
	A1+	₹15,000 Certificate of deposit
India Ratings & Research Pvt Ltd	IND AA	Tier 2 (capital) bonds
CARE	CARE AA	Tier 2 (capital) bonds

Our Bank's fixed deposits (short term) and certificate of deposits holds the highest rating in their respective classes, as of the date of this Preliminary Placement Document.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including the sections titled "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" on pages 37, 75, 739, 728 and 753, respectively.

Issuer	The Federal Bank Limited
Face Value	₹2 per Equity Share
Issue Price	₹[●] per Equity Share (including a premium of ₹[●] per Equity Share)
Floor Price	₹132.59 per Equity Share, calculated in accordance with Regulation 176 under Chapter VI of the SEBI ICDR Regulations. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. However, our Bank may offer a discount of not more than 5% on the Floor Price in accordance with the approval of our Shareholders dated July 27, 2022, and in terms of Regulation 176(1) of the SEBI ICDR Regulations
Issue Size	Issue of up to [●] Equity Shares, aggregating up to approximately ₹[●] million, at a premium of ₹[●] each. A minimum of 10% of the Issue Size i.e. up to [●] Equity Shares, shall be available for Allocation to Mutual Funds only and the balance [●] Equity Shares will be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other QIBs On the basis of the offer letter dated July 18, 2023, our Bank proposes to undertake a preferential issue ("**Preferential Issue"**) of up to 72,682,048 Equity Shares aggregating up to ₹9,586.76million to IFC Investors, as per the applicable provisions of the Companies Act 2013, SEBI ICDR Regulations and applicable law. The Preferential Issue will be undertaken subject to a minimum subscription price per share as prescribed under the SEBI ICDR Regulations and such issue price shall not exceed ₹131.91 per Equity Share. The Preferential Issue is subject to approval by our Board and Shareholders, execution of relevant agreements and receipt of regulatory approvals (including approval from the RBI**.** We cannot assure you that our Board, Shareholders, and RBI will accord their approval for the Preferential Issue and that our Bank will be able to raise funds through the Preferential Issue in a timely manner or at all due to market conditions and other considerations. Also see *Risk Factor 15-"Our Bank may undertake a preferential allotment of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations"*- on page 44"
Date of Board resolution	June 30, 2022
Date of shareholders' resolution	July 27, 2022
Eligible Investors	QIBs as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179 of the SEBI ICDR Regulations, to whom this Preliminary Placement Document and the Application Form is circulated and who are eligible to Bid and participate in the Issue under Applicable Laws. FVCIs are not permitted to participate in the Issue. The list of QIBs to whom this Preliminary Placement Document and Application Form is delivered shall be determined by our Bank in consultation with the Book Running Lead Managers at its discretion. For further details, see "*Issue Procedure – Qualified Institutional Buyers*" on page 732.
Dividend	See "*Description of the Equity Shares*" and "*Dividends*" on pages 753 and 94, respectively
Indian taxation	See "*Taxation*" on page 756.
Equity Shares issued and outstanding immediately prior to the Issue	2,119,489,513 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Issue Procedure	The Issue is being made only to Eligible QIBs in reliance on Section 42 of the Companies Act, 2013, read with rules made thereunder and Chapter VI of the SEBI ICDR Regulations. For further details, see "*Issue Procedure*" on page 728.
Listing and trading	Our Bank has obtained in-principle approvals dated July 19, 2023 in terms of Regulation 28(1)(a) of the SEBI Listing Regulations from the Stock Exchanges, for listing of the Equity Shares to be issued pursuant to the Issue. Our Bank will make applications to each of the Stock Exchanges after Allotment to obtain final listing and trading approval for the Equity Shares after the Allotment and after the credit of the Equity Shares to the beneficiary account of the Depository Participant, respectively. The trading of the Equity Shares would be in dematerialized form and only in the cash segment of each of the Stock Exchanges
Lock-in	For details, see "*Placement – Lock-in*" on page 739 for a description of restrictions on our Bank in relation to Equity Shares
Transferability restrictions	The Equity Shares to be issued pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. For details in relation to other transfer restrictions, see "*Transfer Restrictions*" on page 748

Use of proceeds	The gross proceeds from the Issue will be approximately ₹[●] million. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹[●] million See "*Use of Proceeds*" on page 75 for additional information regarding the use of net proceeds from the Issue	
Risk factors	See "*Risk Factors*" on page 37 for a discussion of risks you should consider before investing in the Equity Shares	
Closing Date	The Allotment of the Equity Shares pursuant to the Issue is expected to be made on or about [●], 2023	
Ranking	The Equity Shares to be issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* with the existing Equity Shares of our Bank, including in respect of voting rights and dividends. The holders of Equity Shares (as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Bank after the Closing Date, in compliance with the Companies Act, 2013, the SEBI Listing Regulations and other applicable laws and regulations. Equity shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. For further details, see "*Dividends*" and "*Description of the Equity Shares*" on pages 94 and 753, respectively.	
Security codes for the Equity Shares	ISIN	INE171A01029
	BSE Code BSE Symbol	500469 FEDERALBNK
	NSE Symbol	FEDERALBNK

SELECTED FINANCIAL INFORMATION

The following tables set out selected financial information derived from our Audited Consolidated Financial Statements, Audited Standalone Financial Statements, Unaudited Interim Consolidated Financial Statements and the Unaudited Interim Standalone Financial Statements prepared in accordance with the applicable accounting standards, Companies Act, 2013 and the requirements of SEBI Listing Regulations, as applicable, and presented in "Financial Information" on page 95. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information", on pages 607 and 95, respectively, for further details.

SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Unaudited Condensed Interim Standalone Balance Sheet

(*in ₹ million*)

Particulars	As at June 30, 2023	As at June 30, 2022	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES					
Capital	4,236.03	4,207.02	4,232.40	4,205.09	3,992.30
Reserves and Surplus	219,515.45	189,718.05	210,829.97	183,733.31	157,252.35
Deposits	2,224,955.01	1,833,552.92	2,133,860.39	1,817,005.86	1,726,444.80
Borrowings	211,777.35	158,342.41	193,192.89	153,931.15	90,685.03
Other Liabilities and Provisions	81,471.92	67,707.46	61,302.65	50,587.68	35,299.39
Total	**2,741,955.76**	**2,253,527.86**	**2,603,418.29**	**2,209,463.09**	**2,013,673.88**
ASSETS					
Cash and Balances with Reserve Bank of India	135,905.15	131,572.09	125,908.46	160,492.71	113,470.41
Balance with Banks and Money at Call and Short Notice	56,921.57	28,053.09	50,978.34	49,610.75	82,443.46
Investments	519,418.79	411,864.88	489,833.47	391,794.62	371,862.10
Advances	1,834,874.12	1,516,894.93	1,744,468.85	1,449,283.25	1,318,786.01
Fixed Assets	9,344.24	6,677.50	9,339.74	6,339.44	4,911.29
Other Assets	185,491.90	158,465.37	182,889.43	151,942.32	122,200.61
Total	**2,741,955.76**	**2,253,527.86**	**2,603,418.29**	**2,209,463.09**	**2,013,673.88**
Contingent liabilities	749,638.76	488,123.65	766,018.37	389,147.68	364,173.43

Unaudited Condensed Interim Standalone Statement of Profit and Loss

(*in ₹ millions*)

Particulars	For the quarter ended June 30, 2023	For the quarter ended June 30, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
1. Interest earned (a)+(b)+(c)+(d)	50,245.28	36,288.57	168,036.33	136,607.53	137,579.02
a. Interest/discount on advances/bills	40,395.84	28,868.19	134,918.41	108,297.53	107,951.23
b. Income on investments	8,148.58	6,294.90	27,955.69	23,386.65	23,489.39
c. Interest on balances with Reserve Bank of India and other inter bank funds	709.26	447.97	2,062.52	2,202.67	3,681.64
d. Others	991.60	677.51	3,099.71	2,720.68	2,456.76
2. Other income	7,324.12	4,526.25	23,300.01	20,890.94	19,587.06
3. **TOTAL INCOME (1+2)**	**57,569.40**	**40,814.82**	**191,336.34**	**157,498.47**	**157,166.08**
4. Interest expended	31,059.41	20,243.48	95,714.74	76,988.02	82,241.95
5. Operating expenses (i)+ (ii)	13,486.50	10,837.62	47,677.66	42,931.94	36,917.23
(i) Payments to and provisions for employees	6,167.44	4,993.20	21,730.00	23,205.54	20,341.85
(ii) Other operating expenses	7,319.06	5,844.43	25,947.66	19,726.40	16,575.38
6. TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)	**44,545.91**	**31,081.10**	**143,392.40**	**119,919.96**	**119,159.18**
7. OPERATING PROFIT (3-6) (Profit before provisions and contingencies)	**13,023.49**	**9,733.74**	**47,943.94**	**37,578.51**	**38,006.90**
8. Provisions (other than tax) and contingencies	1,555.75	1,666.82	7,498.90	12,217.73	16,634.23
9. Exceptional items	-	-	-	-	-
10. Profit from Ordinary Activities before tax (7-8-9)	**11,467.74**	**8,066.91**	**40,445.04**	**25,360.78**	**21,372.67**
11. Tax expense	2,930.30	2,060.30	10,339.10	6,462.56	5,469.70
12. **Net Profit from Ordinary Activities after tax (10-11)**	**8,537.43**	**6,006.61**	**30,105.94**	**18,898.22**	**15,902.97**
13. Extraordinary items (net of tax expense)	-	-	-	-	-
14. **Net Profit for the period (12-13)**	**8,537.43**	**6,006.61**	**30,105.94**	**18,898.22**	**15,902.97**
Earnings per Share (EPS) (in ₹)					
(a) Basic EPS (before and after extraordinary items)	4.03*	2.86*	14.27	9.13	7.97
(b) Diluted EPS (before and after extraordinary items)	3.98*	2.83*	14.13	9.06	7.94

** not annualised*

Unaudited Condensed Interim Standalone Cash Flow Statement

(*in ₹ millions*)

Particulars	For the quarter ended June 30, 2023	For the quarter ended June 30, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
Net Cash Flow from/ (used in) Operating Activities	15,356.94	(22,271.00)	28,696.94	(64,974.06)	122,072.05
Net Cash Flow from/ (used in) Investing Activities	(18,149.72)	(32,596.80)	(98,182.29)	8,127.14	(39,021.80)
Net Cash Flow from/ (used in) Financing Activities	18,728.57	4,462.70	36,427.29	71,099.96	(12,901.28)
Effect of Exchange Fluctuation on Translation Reserve	4.11	(73.20)	(158.60)	(63.46)	19.08
Net Increase/(Decrease) in Cash and Cash Equivalents	15,939.91	(50,478.30)	(33,216.65)	14,189.58	70,168.06
Cash and Cash Equivalents at the beginning of the period	176,886.81	210,103.50	210,103.46	195,913.87	125,745.80
Cash and Cash Equivalents at the end of the period	192,826.72	159,625.20	176,886.81	210,103.46	195,913.87

Notes to Cash Flow Statement:

1. Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice.

Unaudited Condensed Interim Consolidated Balance Sheet

(*in ₹ million*)

Particulars	As at June 30, 2023	As at June 30, 2022	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES					
Capital	4,236.03	4,207.02	4,232.40	4,205.09	3,992.30
Reserves and Surplus	225,941.34	194,670.70	216,991.69	188,350.10	161,047.19
Minority Interest	3,657.62	3,164.88	3,519.71	3,053.31	2,170.38
Deposits	2,224,698.69	1,833,155.60	2,129,885.01	1,816,775.21	1,721,861.04
Borrowings	279,323.16	205,479.47	258,619.79	195,873.86	122,706.01
Other Liabilities and Provisions	84,855.30	70,416.24	66,791.98	54,152.88	37,888.35
Total	**2,822,712.15**	**2,311,093.90**	**2,680,040.57**	**2,262,410.45**	**2,049,665.27**
ASSETS					
Cash and Balances with Reserve Bank of India	136,084.34	131,781.19	126,042.36	160,661.11	113,545.10
Balance with Banks and Money at Call and Short Notice	59,533.77	28,842.61	51,996.93	50,699.95	84,612.25
Investments	518,789.49	410,633.47	487,022.38	390,651.93	367,316.74
Advances	1,910,084.20	1,571,909.58	1,819,567.49	1,499,514.62	1,355,144.12
Fixed Assets	9,772.23	7,042.44	9,717.11	6,721.03	5,174.87
Other Assets	188,448.11	160,884.61	185,694.30	154,161.81	123,872.18
Total	**2,822,712.15**	**2,311,093.90**	**2,680,040.57**	**2,262,410.45**	**2,049,665.27**
Contingent liabilities	749,723.20	488,291.01	766,059.73	389,315.04	364,270.08

Unaudited Condensed Interim Consolidated Statement of Profit and Loss

(in ₹ millions)

Particulars	For the quarter ended June 30, 2023	For the quarter ended June 30, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
1. Interest earned (a)+(b)+(c)+(d)	53,497.69	38,430.89	178,117.77	143,815.32	143,140.75
a) Interest/discount on advances/bills	43,629.34	31,042.02	145,078.82	115,643.11	113,531.36
b) Income on investments	8,147.49	6,253.40	27,818.77	23,164.92	23,382.86
c) Interest on balances with Reserve Bank of India and other inter bank funds	709.26	447.97	2,062.52	2,202.67	3,681.64
d) Others	1,011.60	687.51	3,157.66	2,804.62	2,544.89
2. Other income	7,413.09	4,750.80	24,362.37	21,209.33	19,716.54
3. **TOTAL INCOME (1+2)**	**60,910.78**	**43,181.69**	**202,480.15**	**165,024.65**	**162,857.29**
4. Interest expended	32,545.10	21,037.56	99,752.39	79,593.79	84,349.58
5. Operating expenses (i)+ (ii)	14,694.35	11,758.04	52,112.05	45,921.46	38,986.64
(i) Payments to and provisions for employees	6,932.56	5,583.74	24,402.44	25,116.60	21,720.18
(ii) Other operating expenses	7,761.79	6,174.30	27,709.61	20,804.86	17,266.46
6. **TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)**	**47,239.45**	**32,795.60**	**151,864.44**	**125,515.25**	**123,336.22**
7. **OPERATING PROFIT (3-6) (Profit before provisions and contingencies)**	**13,671.33**	**10,386.09**	**50,615.71**	**39,509.40**	**39,521.07**
8. **Provisions (other than tax) and contingencies**	1,646.88	1,752.10	7,986.31	13,046.62	17,435.45
9. **Exceptional items**	-	-	-	-	-
10. **Profit from Ordinary Activities before tax (7-8-9)**	**12,024.45**	**8,633.99**	**42,629.40**	**26,462.78**	**22,085.62**
11. Tax expense	3,107.04	2,204.01	10,871.77	6,808.82	5,613.56
12. **Net Profit from Ordinary Activities after tax (10-11)**	**8,917.41**	**6,429.98**	**31,757.63**	**19,653.96**	**16,472.06**
13. Extraordinary items (net of tax expense)	-	-	-	-	-
14. **Net Profit for the period (12-13)**	**8,917.41**	**6,429.98**	**31,757.63**	**19,653.96**	**16,472.06**
15. Minority interest	137.77	110.39	451.04	266.39	152.36
16. Share in Profit of Associates	21.59	22.57	340.60	310.28	323.64
17. **Consolidated Net Profit of the Group (14-15+16)**	**8,801.23**	**6,342.16**	**31,647.19**	**19,697.85**	**16,643.34**
Earnings per Share (EPS) (in ₹)					
(a) Basic EPS (before and after extraordinary items)	4.16*	3.02*	15.01	9.52	8.34
(b) Diluted EPS (before and after extraordinary items)	4.11*	2.99*	14.85	9.44	8.31

**not annualised*

Unaudited Condensed Interim Consolidated Cash Flow Statement

(*in ₹ million*)

Particulars	For the quarter ended June 30, 2023	For the quarter ended June 30, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
Net Cash Flow from/ (used in) Operating Activities	14,974.53	(27,814.92)	4,893.00	(77,736.52)	111,790.34
Net Cash Flow from/ (used in) Investing Activities	(18,385.20)	(32,617.65)	(98,437.44)	9,077.30	(39,149.10)
Net Cash Flow from/ (used in) Financing Activities	20,985.40	9,768.49	60,381.27	81,926.39	(2,076.06)
Effect of Exchange Fluctuation on Translation Reserve	4.11	(73.17)	(158.60)	(63.47)	19.08
Net Increase/(Decrease) in Cash and Cash Equivalents	17,578.83	(50,737.25)	(33,321.77)	13,203.70	70,584.27
Cash and Cash Equivalents at the beginning of the period	178,039.29	211,361.05	211,361.05	198,157.35	127,573.08
Cash and Cash Equivalents at the end of the period	195,618.12	160,623.80	178,039.29	211,361.05	198,157.35

For details of reservations, qualifications, adverse remarks and matters of emphasis in the last five Fiscals immediately preceding the year of issue of this Preliminary Placement Document and their impact on the financial statements and financial position of our Bank and the corrective steps taken and proposed to be taken by our Bank, to the extent applicable, for each of the said reservations or qualifications, adverse remarks or matters of emphasis, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – qualifications, reservations and adverse remarks*" on page 629.

RELATED PARTY TRANSACTIONS

For details of the related party transactions of our Bank, on a standalone basis during (i) Fiscal 2023; (ii) Fiscal 2022; and (iii) Fiscal 2021. For details as per the requirements under Related Party Disclosures (Accounting Standard - 18), see "*Financial Information – Audited Consolidated Financial Statements*", "*Financial Information – Audited Standalone Financial*" on pages 216, 289, 383, 451 and 543 respectively.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this document, including the risks and uncertainties described below, before making an investment in the equity shares. You should read this section together with "Industry Overview", " Our Business", "Selected Financial Information", "Selected Statistical Information", and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 648,664,29,697, and 607 as well as the financial statements, including the notes thereto, and other financial information included elsewhere in this Preliminary Placement Document. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the equity shares.

The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business, prospects, financial condition and results of operations and cashflows. If any or some combination of the following risks, or other risks that we do not currently know about or believe to be material, actually occur, our business, financial condition and results of operations and cashflows could suffer, the trading price of, and the value of your investment in, our equity shares could decline, and you may lose all or part of your investment. In making an investment decision, you must rely on your own examination of us and the terms of this Issue, including the merits and risks involved. Unless stated otherwise, the financial data in this section is taken from our Bank's consolidated financial statements included in this Preliminary Placement Document and prepared in accordance with Indian GAAP. Unless stated otherwise, the operational data in this section is on a consolidated basis. Unless stated otherwise, references to "the Bank" or "our Bank" are to The Federal Bank Limited, on a standalone basis. References herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis. Prospective investors should pay particular attention to the fact that our Bank is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this document. For details, see "Forward-Looking Statements" on page 13.

Risks Relating to our Business

1. Our business is particularly vulnerable to interest rate risk, and volatility in interest rates for any reason including increased inflation, could materially adversely affect our net interest margin and our financial performance.

Our results of operations depend to a large extent on the level of our net interest income as our primary revenue source is interest earned. The differential between the interest rates that we charge on interest-earning assets and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have a significant impact on our results of operations. During fiscal year 2021, 2022 and 2023, interest earned represented 87.89%, 87.15% and 87.97% of our total income (interest earned plus other income) on a consolidated basis. Our loan to deposit ratio as of March 31, 2021, 2022 and 2023 was 78.70%, 82.54% and 85.43%, respectively. Changes in market interest rates affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities and also affect the value of our investments. An increase in interest rates could result in an increase in interest expense relative to interest earned if we are not able to increase the rates charged on our loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. A decrease in interest rates could result in a decrease in interest revenue relative to interest expense due to the repricing of our loans at a pace faster than the rates we pay on our interest-bearing liabilities. The quantum of the changes in interest rates for our assets and liabilities may also be different. The differences between repricing maturities of rate sensitive liabilities and rate sensitive assets, called repricing gaps, exposes our business to interest rate risk.

Increased inflation can contribute to an increase in interest rates and the RBI repo rate, thus resulting in increased costs to our business, including increased finance costs as well as other expenses relevant to our business. Our Bank prices all floating rate rupee loans after October 1, 2019, under the personal, retail and micro and small enterprise segments, as well as under the medium enterprise segment from April 1, 2020, with reference to the RBI repo rate. Our Bank also prices other floating rate rupee loans with reference to the RBI repo rate from time to time, as a result of market competition.

Inflation rates could be volatile on account of varied factors, and we may face high inflation in the future as India had witnessed in the past. Given the typical correlation between inflation and interest rates, our cost of borrowings may increase as a result of high inflation. In such case, our business, results of operations, cash flows and financial condition may be adversely affected. Since 2022, the U.S., the U.K., the EU and other economies experienced significantly higher levels of widespread inflation. The RBI has increased its repo rate by a total of 250 basis points between May 2022 and March 2023.

2. We are exposed to non-uniform movement in interest rate benchmarks.

Our business is exposed to interest rate risk in the form of non-uniform movement in different interest rate benchmarks that are used for pricing of our assets and liabilities. As the repricing maturities of our liabilities and assets are spread over different time periods, we are exposed to interest rate risk in the form of non-parallel movement in yield curves. Such scenarios would lead to a reduction in our net interest earned and net interest margin. Exposure of our business to interest rate risks as mentioned above would also impact on the long-term economic value of our equity. Further, any inability to competitively price our loans and credit substitutes could negatively affect our targeted volume growth, which could materially adversely affect our net profits. The quantum of the changes in interest rates for our assets and liabilities may also be different, leading to a decrease in the interest margin. During fiscal year 2021, 2022 and 2023, our floating rate loans comprised 67.29%, 72.43%% and 72.33% of our total loans, respectively. Our floating rate loans are generally pegged to the RBI repo rate, which comprised 27.00%, 42.43% and 49.20% of our total loans for fiscal year 2021, 2022 and 2023, respectively, as well as the Marginal Cost of Funds based Lending Rate ("**MCLR**"), which comprised 26.81%, 18.60% and 13.61% of our total loans for fiscal year 2021, 2022 and 2023, respectively. For further details of the distribution of our standalone advances mix by rate type, see "Management's Discussion and Analysis of Financial Position and Results of Operations Factors Affecting our Results of Operations – Interest Rates" on page 612. In determining the interest rates to be charged to our borrowers, we also consider the type of exposure, credit rating and the tenor of the loan.

In December 2015, the Reserve Bank of India ("**RBI**") released guidelines on the computation of lending rates based on the marginal cost of funds methodology, which is applicable on incremental lending from April 1, 2016. Further, on December 5, 2018, the RBI published a report recommending referencing floating rate advances to certain external benchmarks which came into effect on October 1, 2019. To give effect to the aforesaid, the RBI, by way of its notification dated September 4, 2019, amended the Master Direction on Interest Rate on Advances, dated March 3, 2016, pursuant to which, it linked all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to micro and small enterprises extended by banks with effect from October 1, 2019, to external benchmarks ("**September Circular**"). Further, on February 26, 2020, the RBI stipulated that all new floating rate loans to the medium enterprises extended by banks from April 1, 2020, shall be linked to the external benchmarks as indicated in the September Circular. As such, we have priced certain loans falling within the mandated categories of personal or retail loans and floating rate loans to micro and small enterprise borrowers at a rate which is linked to the RBI repo rate as prescribed by regulations, and we have also charged different interest rates to borrowers operating in the same sectors. Moreover, changes in interest rates could affect our fixed income portfolio and treasury income. As a result of these factors, fluctuations in interest rates could materially and adversely affect our net interest margin and our results of operations.

In addition, as a result of the RBI-mandated reserve requirements, the Bank is also more structurally exposed to interest rate risks. Under the RBI regulations, the Bank's liabilities are subject to the statutory liquidity ratio ("**SLR**") requirement such that a minimum specified percentage, currently 18.00%, of a bank's net demand and time liabilities must be invested in government securities and other approved securities. These securities generally carry fixed coupons and, in an environment of rising interest rates, the value of Government securities and other fixed income securities would decline. Fixed rate bonds formed substantially all of the Bank's SLR portfolio as at March 31, 2023. A decline in the valuation of the Bank's trading book as a result of rising interest rates may adversely impact the Bank's future financial performance and the trading price of the Equity Shares.

3. A substantial portion of our Bank's branches are located in the state of Kerala, making us vulnerable to risks associated with having geographically concentrated operations.

A substantial portion of our Bank's branches, and consequently deposits and advances, are located in Kerala or from customers in Kerala. As of March 31, 2023, 44.00% of our Bank's branches were located in Kerala and 60.28% of our standalone deposits were from Kerala, and 30.8% of our total advances were given by branches located in Kerala.

Due to this concentration in Kerala, the success and profitability of our operations may be disproportionately exposed to regional factors. These factors include, among others: (i) changes in population, income levels, and deposits in Kerala, (ii) the continued attraction of business ventures to Kerala, (iii) general economic conditions in Kerala, (iv) laws and regulations in Kerala, (v) increased competition in Kerala, and (vi) other developments including political unrest, floods and other natural calamities. Adverse developments in any of the above factors would affect us more than they might affect banks with greater geographic diversity. Any one of these events may require us to close branches, temporarily shut down operations, or lower lending levels, and may result in a material adverse change in our business, financial condition, results of operations and cash flows.

4. We are exposed to borrower and industry concentrations, and a default by any large borrower, a deterioration in the performance of any of the industry sectors in which we have significant exposure would adversely affect the quality of our portfolio, and our ability to meet capital requirements could be jeopardized.

As of March 31, 2023, aggregate exposure (both funded and non-funded) to our Bank's ten largest borrowers amounted to ₹114,630 million representing 49.31% of our Bank's total Tier I and Tier II capital. Some of our largest borrowers are large corporates with highly leveraged balance sheets and any default by them would have significant impact on profitability. Our Bank's aggregate exposure (funded and non-funded) to our single largest borrower as of March 31, 2023 amounted to ₹16,180 million, representing 6.96% of our Tier I and Tier II capital. If any of them were to become non-performing, our net profits would decline and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardized.

As of March 31, 2023, our Bank's largest industry concentration based on outstanding advances included (among others) 6.00% in infrastructure, 2.75% in textiles and 1.72% in chemicals and chemical products. As of March 31, 2023, our total non-performing assets ("**NPAs**") in these top industries were 5.39% in infrastructure (being ₹ 2,256.24 million), 1.73% in textiles (being ₹722.18 million) and 0.06% in chemicals and chemical products (being ₹26.10 million) and the gross NPAs of our Bank amounted to ₹41,837.69 million.

Industry specific difficulties in these or other sectors may increase our level of non-performing customer assets. As of March 31, 2023, total advances to priority sector amounted to ₹573,301.43 million, of which ₹259,933.40 million was for agricultural purposes. The Government may waive off agricultural loans which may influence future repayment of existing loans and increase our NPAs in our agriculture portfolio. If we experience a downturn in an industry in which we have concentrated exposure, our net profits will likely decline significantly and our financial condition may be materially adversely affected.

5. ***A decline in NRI deposits or loan repayments could have a material adverse effect on our business, financial condition, results of operations, and prospects.***

We generate a significant portion of our Bank's funding from Non-Resident Indians ("**NRIs**") in the form of deposits. As of March 31, 2023, 35.80% of our total deposits were from NRIs. In addition, we also lend in India to NRIs based on their income outside India and our NRI loans include NRI home loans and NRI loans against property, amongst others, and the repayment of such loans may be subject to various global economic factors. If we are unable to continue attracting deposits or receiving loan repayments from NRIs or their family members, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

6. ***An increase in our portfolio of NPAs may materially and adversely affect our business and results of operations.***

Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, collection and remedial management and an overall architecture for managing credit risk. If the credit quality of our creditors, the growth of our loan portfolio or our provisioning levels deteriorate due to various factors, this could have a material adverse effect on our business, results of operations, financial condition and prospects. Although we have credit monitoring and risk mitigation policies and procedures in place, these policies and procedures may not be accurate, properly designed, or appropriately implemented, and we could suffer material credit losses. For example, even if our policies and procedures are accurate and appropriate, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. As of March 31, 2021, 2022 and 2023, our provision held as a percentage of gross NPAs was 64.71%, 64.46% and 68.40%. The increase in our provision held as a percentage of gross NPAs from March 31, 2022 to 2023 was due to the overall increase in our loan book.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provision requirements, linked to the aging of NPAs. In addition to the relevant regulatory minimum provision, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio.

The following table sets forth the classification of our Bank's gross loan assets as at the dates indicated.

(₹ in millions)

	As of March 31,		
	2021	**2022**	**2023**
Standard Assets	1,302,743.20	14,35,027.10	1,731,927.60
Restructured standard assets	16,180.07	35,360.37	28,301.92
Non-performing assets	46,023.90	41,367.32	41,837.70
Sub-standard assets	17,662.97	11,485.99	10,170.70
Doubtful assets	24,474.16	25,001.30	27,214.10
Loss assets	3,886.77	4,880.03	4,452.90

A number of factors outside of our control affect our ability to control and reduce NPAs. These factors include developments in the Indian and global economy, domestic or global turmoil, competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. These factors, coupled with other factors such as volatility in commodity markets, decrease in agriculture productivity and declining business and consumer confidence and decreases in business and consumer spending, could impact the operations of our customers and in turn impact their ability to fulfil their obligations under the loans we extended to them. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. If our NPAs increase, we will be required to increase our provisions, which would result in our net profit being less than it otherwise would be and could materially adversely affect our financial condition and results of operations.

7. ***A decline in collateral values or an inability on our part to enforce collateral value may materially adversely affect the value of our loan portfolio and/or increase our write-offs for credit and other losses.***

The recoverability and/or value of assets that have been pledged to us as collateral could decline as a result of a deterioration in global and regional economic conditions or of asset values, or as a result of adverse changes in the credit quality of our borrowers and counterparties. Among other factors, we consider a mix of cash flow and availability of collateral when making lending decisions. Many of our loans are secured by collateral, which consists of liens on inventory, receivables and other current assets, and charges on fixed assets, such as property, movable assets (such as vehicles) and financial assets (such as marketable securities). In the event of a decline in any of these sectors, some of our loans may exceed the value of their underlying collateral. Changes in asset prices may cause the value of our collateral to decline.

The decline in value of particular asset classes such as gold and real estate might affect our portfolios. We provide loans against gold and we also have indirect exposure to gold where we lend to non-banking financial companies ("**NBFCs**") who lend against gold, where a decline in gold prices might affect our portfolio. We have in the past faced instances where we disbursed loans against gold prior to getting the gold valued, and also where gold accepted by us as collateral turned out to be specious. Further, a significant share of collateral we hold as security is in real estate and land and buildings. A decline in the value of collaterals including real estate and fluctuating gold prices might also affect our portfolio and lead to deductions in our provisions for potential loan losses, thereby materially and adversely affect our business, financial condition and results of operations.

As per the RBI master circular dated April 1, 2023 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (the "**IRAC Norms**"), our Bank's exposure is considered as secured if the realizable value of the security is more than 10% of the outstanding exposure, and all unsecured exposures attract an additional provision of 10% on the outstanding balance (i.e., a total of 25% on the outstanding balance). Accordingly, as of March 31, 2023, 84.86% of our Bank's loans were secured as per the RBI guidelines. We may not be able to realize the full value of the collateral, due to, among other things, stock market volatility, changes in economic policies of the Government of India, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, our records of borrowers' and guarantor's addresses being ambiguous or outdated, defects in the perfection of collateral, and fraudulent transfers by borrowers. In the event that a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed. In addition, the RBI's guidelines on corporate debt restructuring specify that for debt amounts of ₹100 million and above, 60% of the creditors by number and 75% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. If we own 25% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not be in our interests. Further, the value of collateral may be less than we expect or may decline. We may also experience delays in the restructuring process, which may lead to deterioration in the condition and market value of the collateral. The fluctuations in the prices of gold and real estate may impact our recovery amount during the enforcement of security resulting in write-offs in our loan amount. Any decline in the value of the collateral securing our loans, any inability to obtain additional collateral or our inability to realize the value of collateral may require us to increase our write-offs for credit and other losses. In such a scenario, our losses will increase and our net profits will decline and this may adversely affect our business, financial condition, results of operations and cash flows.

8. ***Our primary source of funding is short-term and medium-term deposits, and we may not be able to secure longer-term funding for our operations when we need it or at a competitive cost.***

We meet most of our funding requirements through short-term and medium-term funding sources, primarily in the form of customer deposits. A portion of our assets have long-term maturities, which sometimes cause funding mismatches. The following table sets forth our Bank's maturity profile of term deposits and non-revolving loans as of March 31, 2023:

	Maturity of up to 12 months	**Maturity of over 12 and up to 36 months**	**Residual maturity of more than 36 months**
% of Term Deposits (%)	54.51	40.03	5.46
% of Non-Revolving Loans (%)	42.12	28.66	29.22

The proportions given above are based on contractual residual maturity, without considering the historical roll-over or premature withdrawal pattern of deposits, pre-closure of loans and advances and delay in repayment of loans. In the past, a substantial portion of our customer term deposits has been rolled over upon maturity and has been a stable source of funding. Though retail deposits constitute a huge portion of our deposit base, we also accept high value deposits depending on the funding requirements. Further, we face a concentration within retail deposits, in terms of funding from NRIs and deposits from the state of Kerala. If a substantial number of our depositors do not roll over term deposits upon maturity, or if there are any sudden or large withdrawal of such deposits, including due to any geography specific issues, our liquidity position may be impacted. There can be no assurance that we will be able to obtain alternative funding in a timely manner, on terms acceptable to us, or at all, which may adversely affect our ability to replace maturing borrowing and fund new assets, thereby causing a funding mismatch. Any such mismatch may lead to a liquidity risk and have an adverse effect on our business and results of operations.

For further details, see *"Risk Factor 3- A substantial portion of our Bank's branches are located in the state of Kerala, making us vulnerable to risks associated with having geographically concentrated operations"* and *"Risk Factor 5 - A decline in NRI deposits or loan repayments could have a material adverse effect on our business, financial condition, results of operations, and prospects "* on pages 38 and 39, respectively.

As a result, we may be required to seek more expensive sources of funding to finance our operations, which would result in a decline in our net profits and have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

In addition to short and medium-term customer deposits, our other sources of funding are primarily market borrowings such as certificate of deposits, interbank term deposits, repos, collateralized borrowing and lending obligation borrowings and refinances. Failure to obtain these sources of funding or replace them with other deposits or borrowings at competitive rates may materially and adversely affect our business, financial condition and results of operations.

9. Any pre-payment risk or downgrade in our Bank's or India's credit ratings would also have a material adverse effect on our business, financial condition and cash flow.

We also face pre-payment risk on our loans, which may result in losing future interest and reduced cash flow if we are unable to re-invest the proceeds at similar interest rates. For certain products, we may not be able to collect prepayment charges. We are also not permitted by the extant regulatory guidelines to charge foreclosure charges or prepayment penalties on all floating-rate term loans to individual borrowers.

The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. This would limit our access to capital markets, increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis. Similarly, any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may have a similar effect on our ability to raise additional financing and the terms at which such financing is available. This could have an adverse effect on our business, profitability and the ability to fund our growth. If we fail to sustain or achieve the growth rate of our deposit base, our business may be adversely affected. The rates that we must pay to attract deposits are determined by numerous factors, such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation.

10. Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation.

We are responsible for establishing and maintaining adequate internal measures commensurate with our size and complexity of our operations. Our internal or concurrent audit functions are equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to our policies, compliance requirements and internal circular guidelines. While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. For instance, the RBI made observations in certain of its past inspection reports with respect to credit-related control aspects and incidence of frauds in high value accounts. In addition, the RBI also observed that we had made certain wrong disclosures of data on customer complaints in relation to mis-selling of third-party life insurance policies and insurance related complaints. Our focus on increasing our high margin lending products, such as credit cards, gold loans and microfinance, and adoption of pre-approved processes for loan applications, may increase our exposure to operational risks associated with such products and processes, including but not limited to failure of employees to comply with internal procedures and inaccurate appraisal of credit or financial worth of our clients. For instance, the RBI made observations in certain of its past inspection reports that there was a lack of Board oversight over our fintech tie-ups. Further, internal financial controls over financial reporting with reference to consolidated financial statements may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. We face operational risks in our business and there may be losses due to deal errors, deficiencies in the credit sanction process, settlement problems, errors in computation of net asset value, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. We are in the process of improving our fraud monitoring systems to rectify identified weaknesses in them. There is no guarantee that our improvements will be successful, nor that we will be able to monitor or detect frauds that occur. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer material monetary losses. Such instances may also adversely affect our reputation.

11. We rely on models for risk analysis to guide our managerial decisions, and any mis-specification, deficiencies or inaccuracies in the models and data may impact our decision-making and operations.

As part of our ordinary decision-making process, we rely on various models for risk and data analysis. These models are based on historical data, transaction attributes and demographics of customers, and supplemented with managerial and credit bureau inputs and comments. These models and the data they analyze may not always be accurate or adequate to guide our strategic and operational decisions and protect us from risks. As we seek to expand the scope of our operations in newer geographies or new product areas, we also face the risk that we will be unable to develop risk management policies and procedures that are properly designed for those new geographies or areas or products or to manage the risks associated with the growth of our existing businesses. Implementation and monitoring may prove particularly challenging with respect to our expansion and the products that we plan on developing. Any mis-specification, deficiencies or inaccuracies in the models or the data, or inability to develop risk management policies and procedures, might have a material adverse effect on our business, financial condition or results of operation.

12. We may face risks associated with our large number of branches and widespread network of operations which may adversely affect our business, financial condition and results of operations.

We have a large branch network and widespread network of operations. As of March 31, 2023, our Bank had a branch network comprising 1,355 bank branches and 1,916 ATMs (including cash recyclers and mobile ATMs). We also have 941 relationship managers, 11 banking correspondents, as well as 16.51 million customers, as of March 31, 2023. Our Subsidiaries have 575 branches. Our branch network is complemented by our digital initiatives, which extend our network beyond physical presence, and we have onboarded several fintech collaborators, as of March 31, 2023. As a consequence of our large branch network and widespread network of operations, we may be exposed to certain risks, including, amongst others:

- preserving our asset quality as our geographical presence increases and our customer profile changes;
- developing and improving our products and delivery channels;
- recruiting, training and retaining sufficient skilled personnel;
- upgrading, expanding and securing our technology platform;
- complying with regulatory requirements such as Know Your Customer ("**KYC**"); Anti Money Laundering ("**AML**"); Foreign Exchange Management Act ("**FEMA**") and Foreign Account Tax Compliance Act ("**FATCA**") norms;
- maintaining high levels of customer satisfaction, for instance, the RBI made observations in certain of its past inspection reports that the number of customer complaints filed against our bank doubled to approximately 200,000 during fiscal year 2020 from fiscal year 2019;
- difficulties arising from operating a larger and more complex organization;
- difficulties arising from coordinating and consolidating corporate and administrative functions;
- delay in the transfer of data amongst various locations;
- higher technology support costs to achieve last mile connectivity;
- operational risks including integration of internal controls and procedures;
- failure to efficiently and optimally allocate management, technology and other resources across our branch network;
- failure to manage third-party partners or service providers in relation to any arrangements, collaborations or outsourced services;
- difficulties in the integration of new branches with our existing branch network;
- difficulties in supervising local operations from our centralized locations;
- difficulties in hiring skilled personnel in sufficient numbers to operate the new branches locally and management to supervise such operations from centralized locations;
- failure to maintain the level of client service at all branches; and
- unforeseen legal, regulatory, property, labor or other issues.

Any of the above reasons may result in our failure to manage a large branch and operation presence, which may result in the closure of our bank branches and ATMs (including cash recyclers and mobile ATMs), and may materially and adversely affect our brand, reputation, financial condition and result of operations. For example, for fiscal year 2023, our Bank closed 95 ATMs and cash recyclers.

13. ***We are subject to macro-economic developments and other market factors, such as worldwide financial instability, and our results of operations may fluctuate or decline from period to period*.**

Our business is subject to a number of macro-economic factors that are outside of our control, and which can lead to business and financial losses in the future, including growth in GDP, inflation, fiscal deficits, disposable household income in India, international and domestic political and economic conditions, fiscal and monetary policies of governments and central banks, and changes in interest rates. As a result of (i) the volatility of these macro-economic factors, including exchange rates and interest rates, (ii) provisions we make from period to period for NPAs, commitments and contingencies (such as for letters of credit and bank guarantees) and (iii) volatility in our trading operations, our results of operations have varied from period to period in the past and may fluctuate or decrease in the future due to these and other factors. Such fluctuations may also adversely affect our liquidity. These factors may also make period-to-period comparisons of our operating results less meaningful than they would be for a business that is not as significantly affected by such factors. Any adverse development in India or global macro-economic conditions could have a material adverse effect on our business, financial condition, results of operations or prospects.

Further, any worldwide financial instability could influence the Indian economy and affect our business. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and indirectly in the Indian economy in general. Any worldwide financial instability could have a negative influence on the Indian economy and on other economies in which our customers are located. For example, since 2022, the U.S., the U.K., the EU and other economies experienced significantly higher levels of widespread inflation. As a result, the United States Federal Reserve Board and other central banks have substantially raised interest rates, reduced the size of their balance sheets and taken other actions in an aggressive effort to curb inflation. In particular, the RBI has increased its repo rate by a total of 250 basis points between May 2022 and March 2023. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. In the event that the current adverse conditions in the global credit markets continue or if there are any significant financial disruption, this could have an adverse effect on our business, financial condition, results of operations and the trading price of the Equity Shares. See "*Risk Factor 1- Our business is particularly vulnerable to interest rate risk, and volatility in interest rates for any reason including increased inflation, could materially adversely affect our net interest margin and our financial performance.*" on page 37.

There is a risk that a systemic shock could occur that causes an adverse impact on domestic or global financial systems. During the past decade the financial services industry and capital markets have been, adversely affected by market volatility, global economic conditions and political developments. A global shock could result in currency and interest rate fluctuations and operational disruptions that negatively impact us. Any such market and economic disruptions could adversely affect financial institutions and demand for the products and services we provide may decline, thereby reducing our earnings. These conditions may also affect the ability of our borrowers to repay their loans or our counterparties to meet their obligations, causing us to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing our access to funding and impairing our customers and counterparties and their businesses. Alternatively, these events could lead other Indian banks to fail, which could in turn affect our own financial position. If any of the above were to occur, our business prospects, financial performance or financial condition could be adversely affected. The nature and consequences of any such event are difficult to predict and there can be no certainty that we could respond effectively to any such event.

On February 24, 2022, Russian military forces invaded Ukraine. Although the length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable, this conflict and responses from international communities could lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increase in cyberattacks and espionage. To date, we have not experienced any material interruptions in our operations with this conflict. We have no way to predict the progress or outcome of the conflict in Ukraine as the conflict, and any resulting government reactions, are rapidly developing and beyond our control. The extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have a substantial impact on the global economy and our business for an unknown period of time. Any of the abovementioned factors could adversely affect our business, financial condition, results of operations and cash flows.

14. ***If we are unable to sustain or manage our growth, our business, results of operations, cash flows and financial condition may be adversely affected***

We have had a sustained business growth in the last three fiscal years. Our total standalone deposits have grown from ₹1,726,444.80 million as of March 31, 2021, to ₹1,817,005.86 million as of March 31, 2022 and ₹2,133,860.39 million as of March 31, 2023, at a compound annual growth rate ("**CAGR**") of 11.17%. Our total standalone net advances have increased at a CAGR of 15.01% and grown from ₹1,318,786.01 million as of March 31, 2021, to ₹1,744,468.00 million as of March 31, 2023. In order to manage our growth effectively, we must implement, upgrade and improve our operational systems, processes, procedures and controls on a timely basis. If we fail to implement these systems, processes, procedures and controls on a timely basis, or at all, we may not be able to meet our regulatory requirements, customers' needs, hire and retain new employees or operate our business effectively. Our inability to manage our expansion effectively, or within budget estimates may place strains on our internal resources, financial, accounting and operating systems and our management, and could have an adverse effect on our business, credit ratings and results of operations.

Further, we are embarking on a growth strategy that involves steps to focus on high margin lending products, improve our fee income profile, continue to strengthen our liability profile and expand our geographical reach using our multi-pronged distribution approach. For further details, see "*Our Business – Strategy*" on page 671.

We may need additional capital to fund our growth strategies. Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to curtail or withdraw from some of our current business operations. There can also be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us, or at all, and this may hamper our growth plans, apart from those that can be funded by internal accruals.

Our growth strategy will place significant demands on our management as well as our financial, accounting and operating systems. Our ability to expand our business is subject to significant risks and uncertainties, including the following:

- the need to raise additional funds, for instance, to expand our branch network, which we may be unable to obtain on reasonable terms or at all;
- the increasing regulatory oversight, and any decline, of the fintech industry;
- inability to develop and maintain relationships with our customers;
- diversion of significant management attention and other resources;
- inability to derive benefits from product development efforts/ commercialization;
- inability to adapt our operational and management systems to an expanded network / new offerings;
- market development of new products taking longer than expected;
- increased scrutiny by the RBI, where for instance, the RBI made observations in certain of its past inspection reports that our Bank did not meet its targets in respect of growth in net income and net interest margin;
- failure to maintain high quality control standards; and
- failure to execute our expansion plans effectively.

To achieve and maintain future growth, we need to, among other things, effectively manage our expansion projects, accurately assess new markets, attract new customers, obtain sufficient financing for our expected capital expenditures, control our input costs, effectively expand, train and manage our employees, maintain sufficient operational and financial controls, acquire businesses that we believe are congruent with our expansion plans and make additional capital investments to take advantage of anticipated market conditions.

15. Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations.

We have received an offer for subscription of up to 72,682,048 Equity Shares from the IFC Investors, which is subject to certain conditions including the execution of the relevant agreements and receipt of regulatory approvals. The IFC Investors currently hold 104,846,394 Equity Shares in our Bank representing 4.95% of its shareholding as of the date of this Preliminary Placement Document. Subject to the approval of our Board and our Shareholders, our Bank proposes to undertake a preferential issue of up to 72,682,048 Equity Shares for an amount aggregating up to ₹9,586.76 million to the IFC Investors (the "**Preferential Issue**") in accordance with the applicable provisions of the Companies Act, SEBI ICDR Regulations and applicable law. The Preferential Issue will be undertaken subject to a minimum subscription price per share as prescribed under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**Issue Price**"), and such Issue Price shall not exceed ₹131.91 per Equity Share ("**Cap Price**"). As prescribed by these regulations the Issue Price will be calculated based on the ten trading days' volume weighted average price of the related equity shares preceding the relevant date as per the regulations. In the event that the Issue Price is higher than the Cap Price or the conditions as set forth in the offer letter are not fulfilled, the Investors may not consummate the Preferential Issue. Further, the preferential issue is subject to receipt of approval from the RBI. We cannot assure you that our Board, Shareholders and RBI will accord their respective approval for the Preferential Issue and that our Bank will be able to raise funds through the Preferential Issue in a timely manner or at all due to other considerations.

16. Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively.

The Indian banking industry is highly competitive. We face strong competition in our business from much larger government-controlled public sector banks, Indian and foreign commercial banks, NBFCs, payment banks, small finance banks and other financial services companies as well. Public sector banks, which generally have a much larger customer and deposit base, larger branch networks and Government support for capital augmentation, pose strong competition to us. Mergers among public sector banks, including because of Government efforts to encourage and facilitate such mergers, may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. For example, ten public sector banks were merged to form four banks, effective from April 1, 2020. In addition, a number of private sector banks in India have a larger customer base and greater financial resources than us, giving them a substantial advantage by enabling economies of scale and improving organizational efficiencies. If we fail to sustain or achieve the growth rate of our deposit base as a result of such competition, our business, financial condition and results of operations may be adversely affected.

The RBI has liberalized the licensing regime for banks in India and intends to issue licenses on an ongoing basis, subject to meeting the RBI's qualification criteria. The RBI is supportive of creating more specialized banks and granting differentiated banking licenses such as for payment banks and small finance banks. The RBI also has plans to create wholesale and long-term finance banks in the near future. If the number of scheduled commercial banks, public sector banks, private sector banks, payment banks, small finance banks, and foreign banks with branches in the country increases, we will face increased competition in the businesses, which could have a material adverse effect on our financial condition and results of operations.

We also compete with foreign banks with operations in India. In November 2013, the RBI released a framework for the setting up of wholly-owned subsidiaries in India by foreign banks. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly-owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, wholly-owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centers (except at a few locations considered sensitive on security considerations) without having the need for prior permission from the RBI in each case, subject to certain reporting requirements. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result may have a material adverse effect on our business.

17. Our ability to restructure our loans and NPAs and enforce collateral and security is subject to inter-creditor arrangements with other lenders, various regulations and multiple regulators with concurrent jurisdiction, which may impact the timing of our enforcement actions as well as the total amount we recover.

Our Bank's total gross standard restructured advances as on March 31, 2021, 2022 and 2023 were ₹16,180.07 million, ₹35,360.37 million and ₹28,301.92 million, respectively, on a standalone basis, and are equivalent to 1.20%, 2.40% and 1.60% of our standalone gross advances for the respective periods. We restructure assets based on a borrower's potential to restore its financial health. However, there can be no assurance that borrowers will be able to meet their obligations under restructured advances as per regulatory requirements and certain assets classified as restructured may turn delinquent. Any resulting increase in delinquency levels from restructured standard assets may adversely impact our business, financial condition and results of operations. We also have investments in security receipts arising from the sale of NPAs to asset reconstruction companies. There can be no assurance that asset reconstruction companies will be able to recover these assets and redeem our investments in security receipts in a timely manner, or at all, and that there will be no reduction in the value of these investments.

In addition to the debt recovery and security enforcement mechanisms available to lenders under DRT Act and the SARFAESI Act, the RBI provides for various mechanisms that may be adopted by banks to deal with stressed assets. These include, the Scheme for Sustainable Structuring of Stressed Assets, Corporate Debt Restructuring and Strategic Debt Restructuring Scheme. The RBI is active in its identification, classification and recovery of NPAs. The Indian parliament enacted the Insolvency and Bankruptcy Code, 2016 to provide a consolidated framework to address the concerns of lenders and to provide corporate debtors with an exit mechanism. Additionally, pursuant to the Banking Regulation Act, the Central Government may by order authorize the RBI to issue directions to banking companies to initiate insolvency proceedings under the Insolvency and Bankruptcy Code, 2016. Further, the RBI may issue directions to banking companies for the resolution of stressed assets.

However, there can be no assurance that these regulatory measures will have a favorable impact on our efforts to recover NPAs. Any failure to recover the expected value of collateral would expose us to potential loss. Banks in

India are also required to share data with each other on certain categories of special mention accounts, set up joint lenders' forums and formulate action plans for resolution of these accounts. Failure to do so may result in accelerated provisioning for such cases. Even if an accelerated provision were made, there is no reassurance that we will be able to recover our NPAs, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

18. The rise of digital platforms and payment solutions may adversely impact our floats and our fees, and there may be disintermediation in the loan market by fintech companies.

Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we effectively provide a nationwide collection, disbursement and payment systems for our clients. Disruption from digital platforms could have an adverse effect on the cash float and fees that we have traditionally received on such services. We also face increased competition in our loan market from newer business models that leverage technology to bring together savers and borrowers. We may not be competitive in facing up to the challenges from digital and fintech players. Our target customers may prefer digital and fintech platforms for addressing their financial services requirements resulting in a reduction in the demand for our products and services. This may, accordingly, have an adverse impact on our business and growth strategy.

19. We face the threat of fraud and cyber attacks targeted at disrupting the services of our Bank, such as hacking, phishing and trojans, and/or theft of sensitive internal Bank data or customer information. This may cause damage to our reputation and adversely impact our business and financial results.

Our systemic and operational controls may not be adequate to prevent adverse impact from frauds, errors, hacking and system failures. Further, our mobile and internet-based customer applications and interfaces, as well as the third-party software, platforms and services that we use, are exposed to being hacked or compromised by third parties, resulting in thefts and losses to our customers and us. Some of these cyber threats from third parties include: (a) phishing and trojans – targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt ex-filtration of account sensitive information; (b) hacking – wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (c) data theft – wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information; and (d) advanced persistent threat – a network attack in which an unauthorized person gains access to our network and remains undetected for a long period of time with an intention to steal our data or information rather than to cause damage to our network or organization. The frequency of such cyber threats may increase in future with the increased digitization of our services. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third-party service providers, whom we do not control. If we become the target of any of such cyber attacks, it could materially and adversely affect our business, financial condition and results of operations.

In addition, our systems are potentially vulnerable to data security breaches, whether by employees, who may have a lack of experience with our newer information technology systems, or others, that may expose sensitive or confidential data to unauthorized persons. Data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees, which could result in breaches of applicable data security laws and resultant imposition of monetary penalties. Security measures could be breached by third-party actions, intrusion into our software by hackers due to software flaws or due to employee error and malfeasance. In addition, we may be required under applicable regulations to notify individuals of data security breaches involving their personal data. Any such security breaches or compromises of technology systems in the future could result in institution of legal proceedings against us and potential imposition of penalties, which may have an adverse effect on our business, results of operations and reputation.

A significant system breakdown or system failure caused by intentional or unintentional acts would have an adverse impact on our revenue-generating activities and lead to financial loss.

There is also the risk of our customers blaming us and terminating their accounts with us for a cyber-incident that might have occurred on their own system or with that of an unrelated third party. The RBI on June 2, 2016 issued a framework for cyber-security for banks, prescribing measures to be adopted by banks to address security risks including putting in place a cyber-security policy and requiring banks to report all unusual cyber-security incidents (whether successful or attempts) to the RBI. Any cyber-security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

While we have deployed customized payments risk management solutions for real-time monitoring of fraudulent card transactions, our reputation could nevertheless be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks.

20. ***We rely on third-party software and information technology solutions, which may not perform satisfactorily.***

We, among other things, use third party software, platforms, services and data storage services, on cloud and on premises data centers. As our technology infrastructure, products and services expand and become increasingly complex, we face increasingly serious risks to the performance and security of our technology infrastructure, products and services that may be caused by these third-party-developed components, including risks relating to incompatibilities among these components, service failures or delays or back-end procedures on hardware and software. We also need to continuously enhance our existing technology. We face the risk of our technology infrastructure becoming unstable and susceptible to security breaches. This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our platforms, products and services, which would adversely affect our business and reputation.

For example, our Bank's current core banking application software is a centralized core banking solution that has been purchased from an information technology company. As the software is marketed as a common solution for Indian banks, there can be functional requirements specific to us that may not be addressed adequately and we may have to rely on internal resources for developing alternate solutions. We could incur losses, including losses from errors or fraud if such internally developed customization proves to be inadequate. For example, due to logical errors in customization, there were instances where interest subvention for some agriculture loan accounts was granted in excess of the eligible amount. The excess paid amount was identified and recovered, and the bug in the software was rectified. If the software is unable to take care of the new operational requirements prescribed by the regulators or if employees who have developed skills relating to such application software leave their employment with us, we may have to rely on third-party software, the cost of which may be significantly higher. In addition, there can be no assurance that the network infrastructure required for communication with the centralized system can be expanded in scale to meet any increase in the volume of our transactions.

21. We rely extensively on our information technology systems and the telecommunications network in India, which require significant investment and expenditure for regular maintenance, upgrades and improvements.

Our information technology systems are a critical part of our business that help us manage, among other things, our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services. We are heavily reliant on our technology systems in connection with financial controls, risk management and transaction processing. In addition, our delivery channels include ATMs, call centers and mobile applications. Our offline and online business channel networks are dependent on a dense, comprehensive telecommunications network in India. While deregulation and liberalization of telecommunications laws have prompted the steady improvement in local and long-distance telephone services, telephone network coverage and accessibility are still intermittent in many parts of India. Failure by the Indian telecommunications industry to improve network coverage to meet the demands of the rapidly-growing economy may affect our ability to expand our customer base, acquire new customers or service existing customers by limiting access to our services and products. This may materially and adversely affect our business, financial condition and results of operations.

In addition, our digital platform provides both internet and mobile application-based banking services which includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting cheque books. These services are highly dependent on our ability to efficiently and reliably process a high volume of transactions across numerous locations and delivery channels. We place heavy reliance on our technology infrastructure for processing this data; therefore, ensuring system security and availability is of paramount importance. The size and complexity of our computer systems may also make them potentially vulnerable to breakdowns, system integration problems, malicious intrusion and computer viruses. Our data processing systems may fail to operate adequately, or at all, as a result of events that are beyond our control, including a disruption of electrical or communications services in markets in which we primarily operate. Although we have not experienced any significant disruptions to our information technology systems in the past, other than the ransomware attack on our Subsidiary, Fedfina in July 2022, we cannot assure you that we will not encounter disruptions in the future.

We use our information systems and the internet to deliver services to, and perform transactions on behalf of, our customers and we may need to regularly upgrade our systems, including our software, back-up systems and disaster recovery operations, at substantial cost so that it remains competitive. Our hardware and software systems are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers. There is no warranty under our information technology license agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. Further, data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees, which could result in breaches of applicable data security laws and resultant imposition of monetary penalties. Security measures could be breached by third-party actions, intrusion into our software by hackers due to software flaws or due to employee error and malfeasance. In addition, we may be required under applicable regulations to notify individuals of data security breaches involving their personal data. For instance, from May 2022 to July 2022, our Subsidiary, Fedfina, came under a ransomware attack resulting in the encryption of its user data and rendering the files unreadable. As a result of such attack, certain data, including personally identifiable data such as its customer's

Permanent Account Numbers and addresses, were leaked by the attackers. While the impacted applications have since been restored and there was no financial loss suffered by our Subsidiary and it subsequently conducted an external investigation and reported the incident to the RBI in July 2022, we cannot assure you that we will not suffer from losses (including financial loss and/or penalties), reputational damage and civil liability as a result of this attack or that we will not experience such data security breaches or compromises of technology systems again in the future. Any such security breaches or compromises of technology systems in the future could result in institution of legal proceedings against us and potential imposition of penalties, which may have an adverse effect on our business, results of operations and reputation. Further, we have faced unscheduled downtime of our IT services in the past. There can be no assurance that we will not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. In addition, a third party conducted audit on our information technology systems where deficiencies and weaknesses in our information technology systems were reported, and our statutory auditors reviewed the key observations arising out of such audits in their audit report for Fiscal 2023. Any inability to maintain the reliability and efficiency of our systems could adversely affect our reputation, and our ability to attract and retain customers. In the event we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in customer use patterns, technological failure, changes to systems, linkages with third-party systems and power failures), we are unable to develop necessary technology or any other failure occurs in our systems, this may materially and adversely affect our business, financial condition and results of operations.

22. ***Our financial performance may be materially and adversely affected by an inability to respond promptly and effectively to new technological innovations.***

Currently, technological innovations in mobilization and digitization of financial services require banks to continuously develop new and simplified models for offering banking products and services. Disruptive technology and new models of banking or other financial services that utilize such technology, such as micro-financing and peer-to-peer lending, might also materially and adversely affect our financial performance.

Such technologies could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing, cost-effective and timely basis. There is no assurance that we will be able to continue to respond promptly and effectively to new technological developments, be in a position to dedicate resources to upgrade our systems and to compete with new players entering the market. As such, the new technological innovations may result in a material adverse effect on our business, financial condition and results of operations.

Further, technological innovation such as digital wallets, mobile operator banking, advancements in block chain technology and cryptocurrencies, such as bitcoin, payment banks, internet banking through smart phones, could disrupt the financial services industry and increase competition as a whole. If we fail to adapt to such technological advances quickly and effectively it could affect the performance and features of our products and services and reduce our attractiveness to existing and potential customers hereby adversely affecting our business, financial condition, results of operations, and cash flows.

23. ***We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers***.

We believe that the strong reputation of the "Federal" and "Federal Bank" brand names are essential to our business especially in Kerala where we have been operating since 1931. As such, any damage to our reputation or that of the "Federal" or "Federal Bank" brand names could substantially impair our ability to maintain or grow our business, or have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain this brand recognition with our target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. We also distribute products through partnerships, and enter into arrangements, with external organizations, including but not limited to our fintech collaborators, relationship managers and banking correspondents, all of whom we have limited control over. Any negative news affecting such external third-party organizations might also affect our reputation and brand value. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and growth prospects may be materially and adversely affected.

24. ***We may be unable to sufficiently obtain, maintain, protect, or enforce our intellectual property and other proprietary rights.***

Any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others, including third party distributors of our products, in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. Further, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise.

Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. As of the date of this Preliminary Placement Document, we have 37 registered trademarks, right to use 37 registered trademarks, 17 applications for trademark registrations (including the trademark for "Rishta Aap Se Hai, Sirf App Se Nahi") and one trademark yet to be applied for registration. The misappropriation or duplication of our intellectual property or proprietary information may disrupt our business, distract management and employees, reduce revenues and increase expenses. In addition, we may also become subject to infringement claims. Even if claims against us are not meritorious, any legal, arbitral or administrative proceedings that we may be required to initiate or defend in this regard may be time-consuming, costly and harmful to our reputation, and there is no assurance that such proceedings will ultimately be determined in our favor. We have had 4 trademark registrations refused, objected or opposed.

Failure to register or renew the registration of any of our registered intellectual properties may affect our right to use such intellectual properties in future or allow others to use our products and designs as available in the public domain, without our consent. Further, if we are unable to register our intellectual properties for any reason, including our inability to remove objections to any trademark application, or if any of our unregistered trademarks are registered in favor of or used by a third party in India or abroad, we may not be able to claim registered ownership of such trademark, and as a result, we may not be able to seek remedies for infringement of those trademarks by third parties, which would cause damage to our business prospects, reputation and goodwill in India and abroad. We cannot assure you that there will not be similar instances where our applications for trademarks may be opposed, which may have a material adverse effect to our business. Furthermore, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may adversely affect our business, financial condition and results of operations.

25. The exposures of our international branches could generally affect our business, financial condition and results of operations.

We are, through our international branches and representative office, also exposed to a variety of local market credit risks, where our expertise and experience may be limited. In particular, we have established nostro relationships with 20 banks and Vostro relationship with 90 banks and exchange houses across the world as of March 31, 2023, which allows us to provide remittance facilities to NRIs. Our market share of all foreign inward remittances was 18.20%, 21.10% and 19.30% for Fiscals 2021, 2022 and 2023, respectively.[1] This exposes us to specific additional risks including the failure of the collaboration to perform as expected, and our inexperience in various aspects of the economic and legal framework in overseas markets. Further, our international profile has increased the complexity of our risks in a number of areas including price risks, currency risks, interest rate risks, compliance risk, regulatory and reputational risk and operational risk, as well as further scrutiny by the RBI in respect of our international exposures. We also face risks arising from our ability to manage inconsistent legal and regulatory requirements in the multiple jurisdictions in which we operate. Our businesses are subject to changes in legal and regulatory requirements and it may not be possible to predict the timing or nature of such changes. Business opportunities in these jurisdictions will also determine the growth in our operations.

Global developments including geopolitical tensions could impact economic growth, which in turn could impact the business of our international branches and representative office in these countries. Our international branches and representative office undertake select local banking businesses, including facilitating money transfer from NRIs, and in the event these NRIs are impacted by global and local economic conditions it could have an adverse impact on our business, financial condition, results of operations and prospects.

26. Our Bank must maintain a minimum capital adequacy ratio. If we cannot comply with such minimum capital adequacy requirements, we would need to raise additional capital and we may be prevented from doing so.

The RBI requires a minimum capital adequacy ratio of 9.0% of our total risk-weighted assets. Basel III capital regulations have been fully implemented in India since October 1, 2021. Our capital adequacy ratio, calculated in accordance with RBI's Basel III guidelines, was 14.62%, 15.77% and 14.81%, on a standalone basis and 15.19%, 16.33% and 15.24% on a consolidated basis as of March 31, 2021, March 31, 2022 and March 31, 2023, respectively. Our ability to support and grow our business would become limited if the capital adequacy ratio declines. While we may access the capital markets to offset declines in our capital adequacy ratio, we may be unable to access the markets at the appropriate time or the terms of any such financing may be unattractive due to various reasons attributable to changes in the general environment, including political, legal and economic conditions.

[1] *The market share has been calculated based on data for Fiscals 2021, 2022 and 2023 of (i) the remittance routed through Bank's data; and (ii) RBI Quarterly Balance of Payments.*

The Basel Committee on Banking Supervision issued a comprehensive reform package entitled "*Basel III: A global regulatory framework for more resilient banks and banking systems*" in December 2010. In May 2012, the RBI released guidelines on implementation of Basel III capital regulations in India and in May 2023, the RBI issued a master circular consolidating all relevant guidelines on Basel III. The key items covered under these guidelines include: (i) improving the quality, consistency and transparency of the capital base; (ii) enhancing risk coverage; (iii) graded enhancement of the total capital requirement; (iv) introduction of capital conservation buffer and countercyclical buffer; and (v) supplementing the risk-based capital requirement with a leverage ratio. One of the major changes in the Basel III capital regulations is that the Tier I capital will predominantly consist of common equity ("**Common Equity Tier 1**") of the banks which includes common shares, reserves and stock surplus. Innovative perpetual debt instruments and perpetual non-cumulative preference shares will not be considered a part of Common Equity Tier I capital. Basel III also defines criteria for Additional Tier I and Tier II instruments to improve their loss absorbency. The guidelines also set-out criteria for loss absorption through conversion/write-down/write-off of all non-common equity regulatory capital instruments at the point of non-viability. The point of non-viability is defined as a trigger event upon the occurrence of which non-common equity Tier I and Tier II instruments issued by banks in India under the Basel III rules may be required to be written off or converted into common equity. The capital requirement, including the capital conservation buffer, will be 11.5% once these guidelines are fully phased-in. Domestically, systemically important banks would be required to maintain Common Equity Tier ("**CET"**) I capital requirement ranging from 0.2% to 0.8% of risk weighted assets. Banks will also be required to have an additional capital requirement increasing linearly up to 2.5% of the risk weighted assets if the RBI announces the implementation of countercyclical capital buffer requirements. Additionally, the Basel III Liquidity Coverage Ratio ("**LCR**") requirements, which have been fully implemented as of January 1, 2019, require a minimum 100% ratio of the Bank's high quality liquid assets to its anticipated cash outflows measured over a 30-day stressed period. The RBI, by its circular dated April 17, 2020, on the 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR)', has stated that while banks are required to maintain LCR of 100% with effect from January 1, 2019, in order to accommodate the burden on the banks' cash flows on account of the COVID-19 pandemic, banks are permitted to maintain LCR as follows: (i) 80% from the date of circular (being, April 17, 2020) to September 30, 2020, (ii) 90% from October 1, 2020 to March 31, 2021 and (iii) 100% with effect from April 1, 2021.Besides the LCR, the Basel III rules also envisage the Net Stable Funding Ratio ("**NSFR**"), which aims to direct banks to fund their activities with more stable sources of funding on an ongoing structural basis. The RBI has implemented the guidelines on Basel III Framework on Liquidity Standards – Net Stable Funding Ratio ("**NSFR Guidelines**") with effect from October 1, 2021. Under the NSFR Guidelines, the minimum NSFR is 100%, which limits the reliance on short-term wholesale funding and may potentially increase the cost of funding and impact profits.

In 2015, 2020 and 2021, we were informed by RBI about the deficiencies in stress tests for our regulatory liquidity requirements as required under the Basel III framework. There were no penalties imposed upon us in this regard and we have started conducting regular stress tests on our business pursuant to the requirement. If we are unable to meet any existing or new and revised requirements, our business, future financial performance and the price of our equity shares could be adversely affected.

27. Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons.

We are highly dependent on the continued services of our management team, including the efforts of our Managing Director and Chief Executive Officer and two Executive Directors. We comply with the RBI guidelines on Fit & Proper Criteria for Directors, relevant provisions of the Banking Regulation Act, 1949 (the "**Banking Regulation Act**") regarding Board composition, and other applicable provisions of the Companies Act, 2013 and SEBI Listing Regulations.

We are also dependent on our experienced members of our Board of Directors and Senior Management. For details of our Board and Senior Management, see "*Board of Directors and Senior Management*" on page 713. Our future performance is dependent on the continued service of these persons. For instance, the term of appointment of our Managing Director and CEO expires on September 22, 2024, and we cannot assure you that he will continue to be reappointed as our Managing Director and CEO. Our Code of Corporate Governance, based on guidelines from the RBI, recommends a retirement age of 70 years old. The RBI also mandates certain requirements (including qualification and experience requirements) for directors who sit on the board of banks, such requirements will make it more difficult for us to replace our directors when we have to. We may not be able to replace our Board with similarly experienced professionals, which could materially and adversely impact the quality of our management and leadership team. Any change in our senior leadership may also result in a material adverse effect to our business.

We do not maintain any keyman insurance. If one or more of these key personnel are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skills and expertise.

We also face a continuing challenge to hire and assimilate a number of skilled personnel. Competition for management and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. The attrition rates for our employees for fiscal years 2021, 2022 and 2023 were 1.46%, 2.86% and 4.59%, respectively. The loss of key personnel or our inability to replace key personnel may restrict our ability to grow, to execute our strategy, to raise the profile of our brand, to raise funding, to make strategic decisions and to manage the overall running of our operations, which would have a material adverse impact on our results of operations and financial position.

28. Our business and financial results could be impacted materially by adverse results of legal proceedings.

There are outstanding legal proceedings involving our Bank, our Subsidiaries and our Directors which are primarily incidental to our business and operations. These proceedings are pending at different levels of adjudication before various courts, tribunals, quasi-judicial authorities and appellate tribunals. For further details of material legal proceedings involving our Bank, our Subsidiaries and our Directors, see "*Legal Proceedings"* on page 768 and for details of our contingent liabilities, see "*Financial Information*" on page 95. If any new developments arise, such as a change in the applicable laws or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current liabilities.

We cannot assure you that these legal proceedings will be decided in our favor, or that no further liability will arise out of these proceedings. Further, such legal proceedings could divert management time and attention and consume financial resources. Any adverse outcome in any of these proceedings may adversely affect our profitability, reputation, business, results of operations and financial condition.

29. We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law.

We enter into outsourcing arrangements with third party vendors, separate employees and independent contractors, in compliance with the RBI guidelines on outsourcing. These vendors, employees and contractors provide services that include, among others, cash management services, software services, client sourcing, debt recovery services, certain back-office operations and call center services. We have also entered into arrangements with our fintech collaborators, pursuant to which we provide, among other things, debit card offerings to customers. As of March 31, 2023, 23.06% of our personal loan disbursements, 81.05% of credit card issuances and 33.05% of incremental growth in savings bank accounts, was attributable to our fintech collaborations.

Further, we rely on our relationship managers, banking correspondents, direct sales agents and connectors in respect of our multi-pronged distribution approach. We cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. If there is a disruption in the third-party services, fraud perpetuated by such third parties or if the third-party service providers discontinue their service agreement with us, our business, financial condition and results of operations will be adversely affected. We may also be subject to onerous terms in their service agreements, including, but not limited, non-solicitation of interest from existing customers of fintech collaborators, non-competition clauses and unilateral rights to amend terms. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition and results of operations. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Private banks in India are required to ensure that their service provider employs the same high standard of care in performing the services as would be employed by the banks, if the activities were conducted within the banks and not outsourced. Banks are also required to provide prior approval for use of subcontractors by outsourced vendor and to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. In respect of the arrangements with our fintech collaborators, our Bank is also required to comply with relevant guidelines, including the Guidelines on Digital Lending and the Guidelines on Default Loss Guarantee (DLG) in Digital Lending. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition and results of operations. The RBI made observations in certain of its past inspection reports that our Bank has not ensured that recovery agents hold the necessary certifications.

30. ***Entry into new businesses or focus on high margin lending products may expose us to increased risks that may adversely affect our business.***

The focus on high margin lending products such as credit cards, personal loans, MSME loans, commercial vehicles / construction equipment ("**CV/CE**") loans, gold loans and microfinance expose us to increased risks within India including higher levels of non-performing loans in our unsecured retail credit portfolio, increased operational risk, increased fraud risk and increased regulatory and legal risk. We continue to focus on increasing the share of our high margin lending products to improve our net interest margin ("**NIM**"). We have also entered into partnerships with fintech collaborators to widen our reach to newer segments of the markets by providing among other things, debit card offerings to customers. We intend to continue to pursue similar partnerships. However, RBI has made observations in certain of its past inspection reports in respect of, among others, charging of interest rates, branding difficulty which gave the impression that credit and debit cards were issued by our fintech co-branding partner and lack of KYC due diligence of fintech collaborator firms.

While we have taken measures to address the risks in these businesses, there can be no assurance that the businesses would perform according to our expectations or that there would not be any adverse developments in these businesses in the future. We use data analytics extensively in our high margin lending products, and there can be no assurance that these analytical models will perform as intended. Our recent focus on partnerships with other entities to grow our share of high margin lending products, increased geographical reach and diversified services offerings may not yield the desired results and may lead to additional risks. Our inability to manage such risks may have an adverse impact on our future business and strategy, our asset quality and profitability and the trading prices of our equity shares.

31. ***We do not own the premises at a majority of our branches, delivery centers or offices from which we operate.***

We do not own a majority of the premises in which our branches, delivery centers and other office premises are situated. We cannot assure you that we will have the right to occupy our leased premises in the future, which may impair our operations and could materially and adversely affect our business, results of operations and financial condition.

Furthermore, some of our lease agreements and leave and license agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law, which could adversely affect the continuance of our operations and business.

The majority of our offices, branches and ATMs are located on premises leased from third parties, which require renewal or escalations in rentals from time to time during the lease period. If we are unable to renew the relevant lease agreements, or if such agreements are renewed on unfavorable terms and conditions, we may be required to relocate operations and as a result, may incur additional costs or a loss of customers. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease agreements. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition and results of operations in respect of such defaulting premises.

32. Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to various risks inherent in the banking industry, as well as fire, theft, robbery, earthquake, flood, acts of terrorism and other force majeure events. Our insurance cover includes, among other things, public liability, bankers' indemnity, electronic equipment, cyber risk, computer crime and electronic crime. We maintain insurance for our operations in India through third party insurers in India. None of our insurance policies are assigned in favor of any third party. We may not have identified every risk and further may not be insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our financial condition and future results of operations. There can be no assurance that any claims filed will be honored fully or timely under our insurance policies. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

33. Certain of our historical corporate records in connection with the allotment of our Equity Shares are not traceable.

We are unable to trace corporate records relating to allotments of our Equity Shares made during the period commencing from our incorporation until 2006 including prescribed forms required to be filed with the Registrar of Companies by us. Accordingly, the information in relation to such allotments included in "*Capital Structure*" on page 77 of this Preliminary Placement Document has not been independently verified. We cannot assure you that these documents will be available in the future or that we will not be subject to any penalty imposed by the competent regulatory authorities in this respect.

34. Deficiencies in the accuracy and completeness of information about our customers and counterparties may adversely impact us.

We rely on the accuracy and completeness of information about our customers and counterparties, and on representations by them or third parties as to the accuracy and completeness of such information, while carrying out transactions with these entities or on their behalf. For example, when deciding whether or not to extend credit to a customer, we may rely on reports of independent auditors with respect to the financial statements of the customer and other field verification reports from various agents. We also rely on credit ratings and bureau scores assigned to our customers. Our financial condition and results of operations could be negatively impacted by such reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

35. Our financial performance may be materially and adversely affected by an inability to generate and sustain other income.

In fiscal year 2021, 2022 and 2023 we generated other income, which includes primarily commission, exchange and brokerage income, profit on revaluation of investments, profit on sale of land, buildings and other assets, profit on foreign exchange transactions (including derivative transactions), profit on sale of investments, income earned by way of dividends etc. from subsidiaries and associates, and other miscellaneous income including recoveries in assets written off, of ₹19,716.54 million, ₹21,209.33 million and ₹24,362.37 million respectively. This represents 12.11%, 12.85% and 12.03% of our total income for fiscal years 2021, 2022 and 2023.

We generate a portion of our other income from commission. We are facing various pressures in generating commission income, which may result in reduced margins going forward. In particular, the premiums and fee structures that we use in our business may be limited by existing and upcoming regulations, which may result in our being paid less overall for our services and products. Moreover, the Indian financial services sector is facing increasing competition, which might further reduce the income that we generate. There can be no assurance that we will be able to sustain current levels of income from, or effectively manage the risks associated with, our businesses in the future.

36. We may undertake strategic investments or divestments, acquisitions and joint ventures, which may not perform in line with our expectations.

We may, depending on our management's view and market conditions, pursue strategic investments or divestments, undertake acquisitions and enter into joint ventures. For instance, our Subsidiary, Fedbank Financial Services Limited, filed its draft red herring prospectus on February 18, 2022 with SEBI for the proposed initial public offering of its equity shares, and we are considering a sale of equity shares as part of its initial public offering, the timing of which is uncertain. We have also historically pursued strategic investments to expand our service offering. For example, we have invested in our associate, Ageas Federal Life Insurance Company Limited, where we hold 26.00 % of the shares as of March 31, 2023. While the investment in our associate allows us to market our co-branded life insurance products in India, the complexities of the products also expose us to the risk that the models set up on actuarial software to compute the actuarial liabilities and deferred acquisition cost may contain errors or may require continuous improvement over a period of time.

We have, in the past and will in the future continue to,enter into various real estate purchases and acquisitions including the acquisition of certain portfolios or accounts, in its entirety or part thereof, from other banks or financial institutions. Since we may only be able to undertake limited diligence on the security and collateral of such acquired accounts, there are no assurances that the asset quality, creditworthiness of such borrowers or the security and collateral provided under these portfolios and accounts are of a similar level to the existing borrowers, portfolios or accounts of our Bank. This may result in difficulties should any of such portfolios or accounts enter into default, which might materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will be able to undertake or continue such strategic investments or divestments, acquisitions (including by way of a merger, or share or asset acquisition) or joint ventures in the future, either on terms acceptable to us or at all. Moreover, we require regulatory approval for acquisitions, and we cannot guarantee that we will receive such approvals in a timely manner, or at all. Any inability to identify suitable acquisition targets or investments or failure to complete such transactions may adversely affect our competitiveness or growth prospects.

We may have future plans to be involved in new businesses, including complementary businesses, technologies, services and products, and we may enter into strategic partnerships or joint ventures with parties that we believe can provide access to new markets, technology, capabilities or assets. These new businesses subject us to many risks, and we can provide no assurances that any such ventures will be successful or meet our expectations. If these new ventures are not successful, we may suffer losses, dilute value to shareholders or may not be able to take advantage of appropriate investment opportunities or conclude transactions on terms commercially acceptable to us. We could also have difficulty in integrating the acquired products, services, solutions, technologies, management and employees into our operations. We may face litigation or other claims arising out of our new businesses, including disputes with regard to additional payments or other closing adjustments. These difficulties could disrupt our ongoing business, distract our management and employees, and increase our expenses. As a result, our business, financial condition and results of operations could be materially adversely affected.

37. The resurgence of the COVID-19 pandemic may affect our business and operations in the future.

The COVID-19 pandemic has had, and may continue to have, significant repercussions across local, national and global economies and financial and banking markets. In the past, as a result of the implementation of lockdowns and other restrictive measures in response to the spread of the COVID-19 pandemic by the Government of India, the Indian economy, including the banking sector, faced significant disruptions. This led to disruptions in our operations for certain periods. For instance, as a result of the RBI notification dated August 6, 2020 titled "Resolution Framework for COVID-19-related Stress" and its related notifications, we had extended the facility of restructuring loans to eligible borrowers.

The resurgence of the COVID-19 pandemic or any future outbreak of another highly infectious or contagious disease may adversely affect our business, results of operations and financial condition. Further, COVID-19 may also have the effect of exacerbating many of the other risks described in this "*Risk Factors*" section. For further details, see "*Management's Discussion and Analysis of Factors Affecting Financial Condition and Results of Operations*" beginning on page 607.

38. Our hedging strategies may not be successful in preventing all risk of losses.

We may utilize a variety of financial instruments, such as derivatives, interest rate swaps, futures and forward contracts, including foreign exchange and interest rate products oriented towards the hedging needs of our customers to seek to hedge against any declines in our assets as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging transactions may also limit the opportunity for gain if the value of the hedged positions should increase, it may not be possible for us to hedge against a change or event at a price sufficient to fully protect our assets from the decline in value of the positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or the non-occurrence of other events being hedged may result in our poorer overall performance than if we had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose us to additional risk of loss, which in turn may adversely affect our business, financial condition and results of operations.

39. Our debt investment portfolio, treasury income and derivatives portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility.

Our Bank had a debt investment portfolio available for sale of ₹89,129.10 million as of March 31, 2023, which mainly comprises fixed-rate bonds. We have put in place different limits and controls over investment portfolio exposures, like the modified duration and price variation per basis point ("**PVBP**") tests to manage risks in our Bank's investments, but in the event interest rates rise, our portfolio will be exposed to the adverse impact of the mark-to-market valuation of such bonds. Any rise in interest rates leading to a fall in the market value of such debentures or bonds may materially and adversely affect our business, financial condition and results of operations. We face income volatility due to the illiquid market for the disposal of some of debt investment portfolio.

Income from our sale of investments was 8.13%, 4.77% and 0.81% of our total net income (which comprises net interest income plus other income) on a standalone basis for fiscal year 2021, 2022 and 2023.

Our income from our treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds and may require us to mark down the value of these investments on our balance sheet and recognize a loss on our income statement.

Similarly, our derivative portfolio is subject to fluctuations in interest rates and foreign exchange rates, and any movement in those rates may require us to mark down the value of our derivatives portfolio. The notional principal of interest rate derivatives and currency derivatives (notional principal amount) as on March 31, 2023, was ₹110,800.00 million and ₹131,135.20 million, respectively. The net mark-to-market amount is determined from time to time. While we invest in corporate debt instruments as part of our normal business, we are exposed to risk of the issuer defaulting on its obligations. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. Although we have risk and operational controls and procedures in place for our treasury operations, such as sensitivity limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not lose money in the course of trading on our fixed income book in held for trading and available-for-sale portfolio. Any such losses could materially and adversely affect our business, financial condition and results of operations.

40. A delay in the resolution of stressed assets and increased provisioning norms may adversely affect our business, results of operations and financial condition.

Resolution of large borrowers' accounts which are facing severe financial difficulties may require coordinated deep financial restructuring under the Insolvency and Bankruptcy Code, 2016. The RBI has periodically announced mechanisms for the resolution of stressed accounts, particularly with a view to address the stress faced by the Indian corporate sector and the increasing non-performing and restructured corporate loans in the Indian banking sector. The Insolvency and Bankruptcy Code promulgated in May 2016 provides a legal and time bound resolution framework for corporations under stress. The Banking Regulation Act, 1949 was amended in 2020 empowering the RBI to participate in the resolution of stressed assets and authorizing it to intervene where required. In view of a strong institutional mechanism for resolution being established with the operation of the Insolvency and Bankruptcy

Code, the RBI withdrew the existing mechanisms for resolution of stressed accounts, including the Corporate Debt Restructuring system and the Joint Lenders' Forum, through a notification issued in February 2018, under the Revised Framework for Resolution of Stressed Assets. The guideline was subsequently amended and in June 2019, the RBI issued the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019. The revised guideline allows banks to decide on referring an account for resolution under the Insolvency and Bankruptcy Code compared to the earlier requirement of referring in the event the resolution plan is not implemented within the stipulated timeline. However, it proposes higher provisioning in case the resolution plan is not implemented within stipulated timelines. The additional provisions are not required to be made if insolvency proceedings are initiated within 210 days of default. For instance, our Bank has initiated various proceedings under the Insolvency and Bankruptcy Code for the recovery of amounts totaling ₹657.75 million, and which we have provisioned ₹657.75 million for under the IRAC Norms. Any further increase by the RBI of the provisioning requirements, including in relation to the Discussion Paper on Introduction of Expected Credit Loss Framework for Provisioning by Banks, may adversely affect our business, results of operations and financial condition.

41. Non-compliance with RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation.

We are subject to periodic inspections by RBI under the Banking Regulation Act and the Reserve Bank of India Act. During the course of assessment, the RBI advises issues related to various risk and regulatory non-compliances, and during such inspections RBI has in the past made certain observations regarding our business and operations. In certain of its past inspection reports, RBI has made observations in relation to, among other things: (i) certain non-compliances with guidelines such as those in relation to unauthorized operations in internal and office accounts, and automation of income recognition, asset classification and provisioning, (ii) delay in compliance with action points of the previous RBI inspection reports; (iii) non-adherence to certain corporate governance norms including related to analysis of risks by the board prior to tie-ups with fintech firms and analysis of root causes for increase in frauds; (iv) certain deficiencies in our compliance function, including the holding of equity shares in physical form and our Bank's low credit disbursal. In relation to the inspection report for the financial year ended March 31, 2022 we are yet to comply with certain observations. While we have undertaken steps to comply with these observations and have informed RBI regarding the status of our compliance, there can be no assurance that RBI will consider such steps to be adequate and treat the observations as being duly complied with. In the event we are not able to comply with the observations made by the RBI, we could be subject to supervisory actions which may have a material adverse effect on our reputation, financial condition and results of operations.

42. Our Bank's unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans to the retail customer segment, including salaried individuals and self-employed professionals. In addition, we offer unsecured loans to corporates, small businesses and individual businessmen. As of March 31, 2023, 15.14% of our Bank's loans were unsecured. Unsecured loans are at higher credit risk for us than our secured loan portfolio because they may not be supported by realizable collateral that could help ensure an adequate source of repayment for the loan. Although we may obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any increase in delinquency in our unsecured loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings. Further, we could be subject to changes in laws and regulations which may tighten RBI's norms in respect of unsecured lending by banks, including the increase in risk weights on unsecured personal loans. For further details, see " *Risk Factor 61- Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in may materially adversely affect our business and financial performance.*" on page 61.

43. Our contingent liabilities could adversely affect our financial condition.

As of March 31, 2023, we had total contingent liabilities of ₹766,059.73 million. Our off-balance sheet liabilities consist of, among other things, liability on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations and claims not acknowledged as debts. In case of derivative contracts, we face potential losses if counterparties default due to adverse market movements. If any of these contingent liabilities materialize, our business, financial condition and results of operations may be materially and adversely affected.

44. We may breach third-party intellectual property rights.

We may be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such rights that are of a similar nature to the intellectual property these third parties may have registered or are using. We might also be in breach of such third-party intellectual property rights due to accidental or purposeful actions by our employees where we may also be subjected to claims by such third parties.

Any legal proceedings that result in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or stop using the relevant intellectual property (including by way of temporary or permanent injunction) or make changes to our marketing strategies or to the brand names of our products, any of which may have a material adverse effect on our business, prospects, reputation, results of operations and financial condition.

45. Actuarial valuations of retiral benefits are carried out by an independent actuary and if such valuations are incorrect, it could have an adverse effect on our financial condition.

We operate defined benefit schemes such as gratuity and pension for eligible employees. Under the defined benefit plans, there is an obligation to pay defined future benefits from the time of retirement. The calculation of the net obligation is based on valuations made by external actuaries who are qualified to do such valuations and estimations. These valuations rely on assumptions about a number of variables, including discount rate and mortality rates and salary increases. We and our auditors rely on the valuations done by actuaries. Actuarial risk arises as estimated value of the defined benefit scheme liabilities may increase due to changes in actuarial assumptions.

46. Changes in our pension liabilities and obligations could have a materially adverse effect on us.

We operate a defined benefit pension scheme in respect of certain eligible employees. The pension fund is administered by the board of trustees and managed by a life insurance company. Should the value of assets to liabilities in respect of the defined benefit scheme operated by us record a deficit, due to either a reduction in the value of the pension fund assets (depending on the performance of financial markets) and/or an increase in the pension fund liabilities due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, the expected rate of return on scheme assets, or other factors, this could result in us having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of our business and reduce our capital resources.

47. Potential employee strikes could have a materially adverse effect on our business and operations.

Some of our workforce is currently unionized. From time to time, the labor unions for the banking employees organize strikes, as a result of which, we have been and may in the future be affected by strikes, work stoppages or other labor disputes. We have had past instances of industry-wide strikes by the unions which affected all banks and we have also had past instances of strikes which only affected our Bank. In the event of a labor dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

48. ***We may not successfully implement our sustainability strategies or satisfy our ESG commitments, or our performance may not meet investor or other stakeholder expectations or standards, which could adversely impact our reputation, access to capital, business and financial condition.***

Customers are increasingly favoring companies that are committed to addressing the social and environmental challenges we face as a society, and we seek to ensure that customers are aware of our commitment to ESG initiatives in our business strategy by developing products and services aligned with these new standards and goals. As a private sector bank in India with a focus on ESG, our practices and commitments are subject to scrutiny by all our stakeholders.

If we are not successful in implementing our ESG and other sustainability initiatives and commitments, or if we fail to satisfy investor or other stakeholder expectations or standards in the execution of our sustainability strategies, including as the result of non-successful investments in new technologies, changes in customer behavior and preferences with respect to sustainability, uncertainty about market signals with respect to sustainability matters including climate change and negative feedback on our sustainability strategies, our business, results of operations, financial condition and prospects, access to capital and our reputation may be adversely affected.

49. Our Unsecured Basel III compliant Tier-II Subordinate Bonds ("Subordinate Bonds") are listed on NSE and we are subject to rules and regulations with respect to such listed Subordinate Bonds. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, which may have an adverse effect on our business, results of operations, financial condition and cash flows. Further, the trading in our NCDs has been and may continue to be limited or sporadic, which may affect our ability to raise debt financing in the future.

Our Subordinate Bonds are listed on the debt segment of NSE, two of which are rated AA/Stable, and one of which is rated AA/Positive by India Rating and Research Private Ltd. We are required to comply with various applicable rules and regulations, including the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, as amended, and applicable provisions of the SEBI Listing Regulations, in terms of our listed Subordinate Bonds, and the listing agreement entered into therein. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, including, without limitation, restrictions on the further issuance of non-convertible securities by us or our Promoter and the freezing of transfers of securities, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

Trading in our Subordinate Bonds has been limited and we cannot assure you that the Subordinate Bonds will be frequently traded on the NSE or that there would be any market for the Subordinate Bonds. Further, we cannot predict if and to what extent a secondary market may develop for the Subordinate Bonds or at what price the Subordinate Bonds will trade in the secondary market or whether such market will be liquid or illiquid.

50. ***Additional capital requirements of our Associates and Subsidiaries or our inability to monetize a part of our shareholding in them may adversely impact our business and the trading prices of our equity shares.***

As of March 31, 2023, we owned 26.00% of the shares of our insurance associate, Ageas Federal Life Insurance Company Limited and 19.79% of our investment banking associate, Equirus Capital Private Limited. Additionally, as of March 31, 2023, we owned 73.21% of our subsidiary, Fedbank Financial Services Limited and 100.00% of the shares of our Subsidiary, Federal Operations and Services Limited.

Additional capital may be required to support the business which may, among other reasons, arise due to regulatory requirements or increased opportunities for growth or changes in loss experience and actuarial assumptions. Our Associates and Subsidiaries may also explore mergers and acquisitions which may lead to issuance of equity shares.

Issuance of additional equity shares for the aforementioned or other reasons would reduce our shareholding, unless we invest additional capital in these businesses. Our ability to invest additional capital in these businesses is subject to RBI regulations on capital adequacy and its guidelines on financial services provided by banks that prescribe limits for our aggregate investment in financial sector enterprises. All such investments require prior approval of the RBI. The RBI has announced a review of the guidelines pertaining to ownership, governance and corporate structure of private sector banks in India and has set up an internal working group to consider, among other things, holding of financial subsidiaries through a non-operative financial holding company. In November 2020, RBI released the report of the Internal Working Group to review the extant ownership and corporate structure guidelines for Indian private sector banks and sought feedback on the recommendations by January 15, 2021. In November 2021, the RBI accepted few recommendations made by the internal working group including a non-operative financial holding company structure for all new licenses issued for universal banks. The outcome of this report may result in changes to our group structure, the nature and impact of which we cannot currently predict, including a potential impact on our investment in the businesses of our Associates and Subsidiaries. These changes, including if arising on account of mergers and acquisitions, may impact our shareholding in our Subsidiaries and Associates resulting in a reduction of our shareholding below the current level. There is no assurance that we will be able to undertake a monetization of our investments in our associate, through public offering or otherwise, or of the level of valuation of the Associates at which such monetization may take place and the resultant impact on our net income and shareholders' equity.

Any additional capital requirements of our Associates and Subsidiaries, restrictions on our ability to capitalize them and a requirement that we reduce our shareholding substantially could adversely impact their growth, our future capital adequacy, our financial performance and the prices of our equity shares.

51. ***The financial results of our insurance associate could be materially adversely affected by the occurrence of a catastrophe.***

Portions of our general insurance business may cover losses from unpredictable events such as hurricanes, windstorms, epidemics, monsoons, earthquakes, fires, industrial explosions, floods, riots and other man-made or natural disasters, including acts of terrorism, and epidemics or pandemics such as the COVID-19 pandemic. The incidence and severity of these catastrophes in any given period are inherently unpredictable. Although reserves are established after an assessment of potential losses relating to catastrophes covered, there is no assurance that such reserves would be sufficient to pay for all related claims.

In addition, our insurance associate’s operations are also exposed to claims arising out of catastrophes and epidemics or pandemics, such as the COVID-19 pandemic, due to increased mortality and morbidity claims of affected customers. In addition, catastrophes could result in losses in the investment portfolios of our life insurance associate due to, among other reasons, the failure of its counterparties to perform their obligations or significant volatility or disruption in the financial markets.

Although our insurance associate monitors its overall exposure to catastrophes and epidemics and other unpredictable events in each geographic region and determine their underwriting limits related to insurance coverage for losses from such events, the insurance associate generally seek to reduce its exposure through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. Claims relating to catastrophes and epidemics or pandemics may result in unusually high levels of losses and may require additional capital to maintain solvency margins. This could have a material adverse effect on the profits recorded attributable to our investment in our insurance associates, and accordingly, our financial position and results of operations.

52. ***We are subject to risks related to our ESG activities and disclosures, and our reputation could be harmed if we fail to meet our public sustainability targets and goals.***

We have a target of installing in-house solar power generation capacity of 500 KW by March 2025, having achieved a capacity of 300 KW as of March 31, 2023, and a target of ensuring that at least 10% of all our branches are green-certified by March 2028. See For further information on our sustainability initiatives, see "*Our Business - Environment, Social and Governance ("ESG") Initiatives*" on page 688.

While our sustainability strategy and practices and the level of transparency with which we are approaching them are foundational to our business, they expose us to several risks, including:

- that we may fail or be unable to fully achieve one or more of our targets due to a range of factors within or beyond our control, or that we may adjust or modify our stated goals in light of new information, adjusted projections, or a change in business strategy, any of which could negatively impact our brand, reputation, and business;
- that achieving our targets may require us to expend significant resources, which could divert the attention of our senior management and key personnel, negatively impact profitability, harm us competitively, or otherwise limit our ability to make investments in our growth;
- that our disclosures related to ESG may result in heightened scrutiny from stakeholders or other third parties of our ESG performance, activities, and decisions;
- that a failure to, or perception of a failure to, disclose metrics and set goals that are rigorous enough or in an acceptable format, make appropriate disclosures and/or prioritize the "correct" or most material ESG goals, could negatively impact our brand, reputation, and business;
- that certain metrics we utilize receive limited assurance from and/or verification by third parties, may involve a less rigorous review process than assurance sought in connection with more traditional audits, and such a review process may not identify errors and may not protect us from potential liability under the securities laws; and
- that the ESG or sustainability standards, norms, or metrics, which are constantly evolving, change in a manner that impacts us negatively or requires us to change the content or manner of our disclosures, and our stakeholders or third parties view such change(s) negatively, we are unable to adequately explain such changes, or we are required to expend significant resources to update our disclosures, any of which could negatively impact our brand, reputation, and business.

For the reasons mentioned above, any failure by us to anticipate, identify or respond adequately or quickly enough to our stakeholder concerns surrounding our ESG activities and disclosures or our inability to implement or achieve our ESG goals and targets, could have a material adverse effect on our reputation, business, financial condition, results of operations and future prospects.

53. Our ability to pay dividends in the future will depend on our future cash flows, working capital requirements, capital expenditures and financial condition.

In its circulars dated April 17, 2020 and December 4, 2020, the RBI notified banks that they should continue to conserve capital to support the economy and absorb any potential losses and, accordingly, directed banks to not make any further dividend payouts from the profits pertaining to fiscal year ended March 31, 2020. Accordingly, we have not declared any dividend for fiscal year 2020. We cannot guarantee that we will not be subject to similar restrictions in the future. On April 22, 2021, the RBI permitted commercial banks to again pay dividends relating to the profits for fiscal year 2021, subject to the quantum of the dividend not exceeding fifty percent of the amount determined in accordance with the dividend payout ratio prescribed by the RBI. The RBI has also directed all banks to ensure they continue to meet the applicable minimum regulatory capital requirements following any dividend payments. When declaring the dividend, the board of directors of the bank is required to consider the current and projected capital position of the bank compared to the applicable capital requirements and the adequacy of provisions, taking into account the economic environment and the outlook for profitability. Further, the amount of our future dividend payments, if any, will depend on our future earnings, capital requirements, cash flows, financial condition, working capital requirements, capital expenditures, applicable Indian legal restrictions and other factors. There can be no assurance that we will pay dividends. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on our Equity Shares. Additionally, in the future, we may be restricted by the terms of our financing agreements in making dividend payments unless otherwise agreed with our lenders.

54. *Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and International Financial Reporting Standards (IFRS), which investors may be more familiar with and may consider material to their assessment of our financial condition.*

Our financial statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this document to any other principles or to base it on any other standards.

Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

55. *We have presented certain supplemental information of our performance and liquidity which is not prepared under or required under Indian GAAP*

This Preliminary Placement Document includes our Non-GAAP Measures and certain other industry measures related to our operations and financial performance, which are supplemental measures of our performance and liquidity and are not required by, or presented in accordance with, Indian GAAP, IFRS or US GAAP.

Further, these Non-GAAP Measures and industry measures are not a measurement of our financial performance or liquidity under Indian GAAP, IND-AS, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, IND-AS, IFRS or US GAAP. In addition, such Non-GAAP Measures and industry measures are not standardized terms and may vary from any standard methodology that is applicable across the Indian banking industry, and therefore may not be comparable with financial or industry related statistical information of similar nomenclature computed and presented by other companies, and hence a direct comparison of these Non- GAAP Measures and industry measures between companies may not be possible. Other companies may calculate these Non-GAAP Measures and industry measures differently from us, limiting its usefulness as a comparative measure. Although such Non-GAAP Measures and industry measures are not a measure of performance calculated in accordance with applicable accounting standards, our management believes that they are useful to an investor in evaluating us as they are widely used measures to evaluate a company's operating performance.

In addition, certain statistical information included in this Preliminary Placement Document has not been prepared in accordance with the requirements specified under the U.S. Securities Act, which requires average balances to be prepared on the basis of daily averages or, in limited circumstances, monthly averages. Certain average balances for Fiscals 2021, 2022 and 2023 are calculated based on quarterly averages, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals. See "*Selected Statistical Information*" on page 697. The preparation of the average balance sheet information appearing elsewhere in this document impacts important statistical information including return on average equity, return on average assets, average yield, average cost, return on equity, cost to average assets, average net worth to total average assets, consolidated yield, consolidated cost of funds and consolidated net interest margin. Accordingly, you should not place undue importance on small changes from year to year or on statistical information based on average balances.

56. Annualized financial data contained in this preliminary placement document may not reflect our future performance.

We present RoA, RoE, RoRWA, NIM, risk adjusted NIM, credit costs and cost of deposits on an annualized basis ("**Annualized Financial Data**") in this Preliminary Placement Document. These calculations do not take into account seasonality factors or any other factor which could impact quarter-on-quarter or period-on-period variations, and may not reflect our actual performance for the period presented. The presentation of Annualized Financial Data has limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results. Annualized Financial Data are not standard measures under the Indian GAAP and should not be considered in isolation or construed as alternatives to net income/loss, cash flow or any other measure of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Annualized Financial Data presented herein may not be comparable to similarly titled measures presented by other companies.

57. Statistical and industry data in this document may be incomplete or unreliable.

Neither we nor the Book Running Lead Managers nor any person related to this offering have independently verified data obtained from industry publications and other industry sources referred to in this document and therefore, while we believe such data to be true, we cannot assure you that such data is complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy and the industries in which we currently operate are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable and prospective investors are advised not to place undue reliance on such data. See "*Industry Overview*" on page 648.

Risks Relating to Regulations

We operate in a highly regulated environment and there are numerous laws and regulations impacting many aspects of our operations, including our capital maintenance, lending limits and the types of business in which we can engage. As such, we are exposed to a number of risks relating to regulations, including these detailed below. Any change to the existing legal framework or enactment of stricter laws will require us to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

It may also impact our ability to undertake certain types of businesses, which may impact our growth and profits.

58. We operate in a highly regulated environment

We operate in a highly regulated environment in which we are regulated by SEBI, RBI, and other domestic and international regulators. Accordingly, legal and regulatory risks are inherent and substantial in our businesses. As we operate under licenses or registrations obtained from appropriate regulators, we are subject to actions that may be taken by such regulators in the event of any non-compliance with any applicable policies, guidelines, circular, notifications and regulations issued by the relevant regulators.

Being regulated, we are subject to regular scrutiny and supervision by their respective regulators, such as regular inspections that may be conducted by the RBI. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect investors and depositors. Any non-compliance with regulatory guidelines and directions may result in substantial penalties and reputational impact, which may affect the price of our Equity Shares. Among other things, in the event of being found non-compliant, we could be fined or prohibited from engaging in certain business activities. For instance, in 2022, RBI imposed a monetary penalty of ₹57.2 million on our Bank for non-compliance with the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 in respect of, among others, certain failures to ensure that incentives were not paid to our staff engaged in insurance broking and corporate agency services.

In addition, we are also exposed to the risk of us or any of our Directors, senior management or employees being non-compliant with insider trading rules or engaging in front running in securities markets. For example, in 2017, one of our employees was found to have executed certain transactions in the scrip of our Bank without the necessary pre-clearance and disclosures, and the employee was fined ₹800,000 by SEBI for violating the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. Further, the RBI made observations in certain of its past inspection reports in relation to multiple instances of buying and selling of illiquid assets in respect of OTC, CSGL transactions entered by our Bank's CSGL clients. Our Bank had also issued cautionary letters to nine of our employees for violations of the provisions of the Prohibition of the Insider Trading Code. In the event of any other such violations, regulators could take regulatory actions, including financial penalties against us and the concerned employees. This could have a materially adverse financial and reputational impact on us.

Any change to the existing legal or regulatory framework will require us to allocate additional resources, which may increase our regulatory compliance costs and direct management attention and consequently affect our business.

For more information, see *"Risk Factor 61- Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in may materially adversely affect our business and financial performance." on page 59* and "*Risk Factors 41- Non-compliance with RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation.*" on page 55.

59. We have previously been subject to penalties imposed by the RBI. Any regulatory investigations, fines, sanctions, and requirements relating to conduct of business and financial crime could negatively affect our business and financial results, or cause serious reputational harm across our businesses.

The RBI is empowered under the Banking Regulation Act, to impose penalties on banks for any failure by the banks to comply with the applicable regulatory requirements. For example, in 2022, RBI imposed a monetary penalty of ₹57.2 million on our Bank for non-compliance with the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 in respect of, among others, certain failures to ensure that incentives were not paid to our staff engaged in insurance broking and corporate agency services. We have also previously been subject to penalties imposed by the RBI for non-replenishment of cash in automated teller machines and failure to detect fake bank notes and for failure to exchange soiled bank notes. Our Bank has been levied penalties and fines of amounts totaling ₹64.42 million over the past three fiscal years. For further details, see "*Risk Factors 58 – Risks Relating to Regulations – We operate in a highly regulated environment*" on page 60 and "*Risk Factors* 67*– Risks Relating to Regulations – Any non-compliance with mandatory Anti Money Laundering and Know Your Customer policies could expose us to additional liability and harm our business and reputation"* on page 65.

We cannot predict the initiation or outcome of any further investigations by other authorities or different investigations by the RBI. Any penalty imposed by the RBI may generate adverse publicity for our business. Such adverse publicity, or any future scrutiny, investigation, inspection or audit which could result in fines, public reprimands, damage to our reputation, significant time and attention from our management, costs for investigations and remediation of affected customers, may materially adversely affect our business and financial results. For details of penalties imposed by RBI on us, see also "*Legal Proceedings*" on page 768.

60. Foreign investment may be restricted due to regulations governing aggregate foreign investment in our Bank's paid-up equity share capital.

Our Bank may become a "foreign owned" company as per the Consolidated FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry ("**Consolidated FDI Policy**") and any investment by our Bank in its Subsidiaries may be subject to Indian foreign investment laws. Indian companies, which are owned or controlled by non-resident entities, are subject to certain downstream investment restrictions specified in the Consolidated FDI Policy. Under the Consolidated FDI Policy, an Indian company is considered to be "owned" by a non-resident entity if 50.00% or more of its equity interest is beneficially owned by non-resident entities. If the non-resident shareholding in our Bank, reaches or exceeds 50.00%, our Bank would be considered as being "owned" by non-resident entities under the Consolidated FDI Policy. In such an event, any downstream investment by our Bank may, subject to applicable regulations, be considered as indirect foreign investment and shall be subject to various requirements specified under the Consolidated FDI Policy for downstream investments, including sectoral investment restrictions, approval or operating requirements and pricing guidelines.

As of March 31, 2023, foreign investment in our Bank constituted 32.49% of the paid-up capital of our Bank. The restrictions on the purchases of our Bank's Equity Shares could limit our ability to attract foreign investors, and negatively affect the price of our Bank's shares and could limit the ability of investors to trade our Bank's shares in the market. These limitations and any consequent regulatory actions may also negatively affect our Bank's ability to raise additional capital to meet its capital adequacy requirements or to fund future growth through future issuances of additional equity shares, which could have a material adverse effect on our business and financial results.

61. Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in may materially adversely affect our business and financial performance.

Our business and financial performance could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our business, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations, in India or in the other jurisdictions we operate in.

The governmental and regulatory bodies in India and other jurisdictions where we operate may notify new regulations and/or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, or impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition and results of operations.

Banking Regulations

We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of unsecured lending, directed lending, reserve requirements, provisioning and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we could be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our margins through a cap on either fees or interest rates chargeable to our customers or those affecting foreign investment or ownership requirements in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. Laws and regulations governing the banking sector may change in the future and any changes may materially adversely affect our business, our future financial performance and the price of our equity shares.

The global financial regulations and guidelines developed by bodies such as the Basel Committee on Banking Supervision ("**BCBS**") would be implemented in India by the RBI, with or without customization. The RBI may also bring in other prudent regulations as it may deem fit from time to time, for compliance by banks in India. Such regulations may involve higher compliance costs and require banks to maintain higher capital ratios, prescribe maintenance of capital to cover those risks that are hitherto not linked to capital requirements, increase capital coverage for those risks covered at present and other prudential measures, the inability to cover which may result in the RBI placing restrictions on distribution of profits and expansion of business. This may impact our ability to achieve planned growth and impact our profitability.

*Cash Reserve Ratio ("**CRR**") and SLR requirements*

Under the Reserve Bank of India (Cash Reserve Ratio (CRR) and Statutory Liquidity Reserve Ratio (SLR)) Directions, 2021 dated July 20, 2021 and the notifications issued by the RBI, we are subject to a CRR requirement under which we are currently required to keep 4.50% of our net demand and time liabilities in current account with the RBI. We do not earn interest on cash reserves maintained with the RBI. The RBI may further increase the CRR requirement as a monetary policy measure and has done so on numerous occasions in the past. Increases in the CRR requirement could materially and adversely affect our business, net interest income, results of operations, and financial condition. In addition, under the RBI's regulations, our liabilities are subject to a SLR requirement, according to which 18.00% of our net demand and time liabilities need to be invested in government securities, treasury bills and other securities approved by the RBI from time to time.

Further, the RBI requires banks to maintain a SLR of 18.00%, effective from April 11, 2020. For fiscal year 2023, the majority of Government securities held by us comprised fixed rate instruments. In an environment of rising interest rates, the value of Government securities and other fixed income securities may depreciate. Our large portfolio of Government securities may limit our ability to deploy funds into higher yielding investments.

Further, a decline in the valuation of our trading book as a result of rising interest rates may adversely affect our financial condition and results of operations. As a result of the statutory requirements imposed on us, we may be more structurally exposed to interest rate risk as compared to banks in other countries.

Further, the RBI may increase the CRR and SLR requirements to higher proportions as a monetary policy measure. Any increases in the CRR from the current levels could affect our ability to deploy our funds or make investments, which could in turn have a negative impact on our results of operations. We are also exposed to the risk of the RBI increasing the applicable risk weight requirement for different asset classes from time to time. If we are unable to meet the reserve requirements of the RBI, the RBI may impose penal interest or prohibit us from receiving any further fresh deposits, which may have a material adverse effect on our business, financial condition and results of operations.

Tax

The application of various Indian and international sales, value-added and other tax laws, rules and regulations to our services, currently or in the future, may be subject to interpretation by applicable authorities, and if amended/ notified, could result in an increase in our tax payments (prospectively or retrospectively) and/or subject us to penalties, which could affect our business operations. Further, we have incomplete income tax assessments for the previous years and we run the risk of the Income Tax Department assessing our tax liability that may be materially different from the provision that we carry in our books for the past periods.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time.

Further, as goods and services tax ("**GST**") is implemented, there can be no assurance that we will not be required to comply with additional procedures or obtain additional approvals and licenses from the government and other regulatory bodies or that they will not impose onerous requirements and conditions on our operations. With the implementation of GST, we are obligated to pass on any benefits accruing to us as result of the transition to GST to the consumer thereby limiting our benefits. In order for us to utilize input credit under GST, the entire value chain has to be GST compliant, including us. While we are and will continue to adhere to the GST rules and regulations, there can be no assurance that our suppliers and dealers will do so.

Further, the Government of India announced the Union Budget for Fiscal 2023 ("**Budget 2023**"), pursuant to which the Finance Bill 2023 has proposed various amendments. The Finance Bill 2023 has received assent from the President of India on March 30, 2023 and has been enacted as the Finance Act 2023. We have not fully determined the impact of these recent and proposed laws and regulations on our business. We cannot predict whether any amendments made pursuant to the Finance Act 2023 will have an adverse effect on our business, financial condition and results of operations.

In addition, many laws and regulations relating to privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data are subject to varying degrees of enforcement and new and changing interpretations by courts or regulators. Several jurisdictions have implemented new data protection regulations and others are considering imposing additional restrictions or regulations. The Indian Government has been mooting a legislation governing non-personal data. On November 18, 2022, the Ministry of Electronics & Information Technology ("**MeitY**") issued the draft Digital Personal Data Protection Bill, 2022 ("**DPDB**"), which was open for public consultation till December 17, 2022. Earlier on August 4, 2022, MeitY withdrew the Data Protection Bill, 2021 on the premise that the joint committee had recommended substantial amendments to the original draft, highlighting the need for developing a "comprehensive" legal framework that is aligned with contemporary privacy laws and constantly evolving nuances of the digital ecosystem. DPDB will apply to (i) the processing of digital personal data subject to exemptions (material scope), (ii) undertaken within India, and in certain cases, those carried outside of India. Once enacted as law, DPDB is proposed to be implemented in phases. The RBI has also issued a circular on the procedure of storage of payment systems data, to ensure that data, relating to payment systems operated by us is stored only in India. Changes in laws or regulations relating to privacy, data protection, and information security, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of such laws or regulations, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could require us to modify our existing systems or invest in new technologies to ensure compliance with such applicable laws, which may require us to incur additional expenses.

Labor Laws

As of March 31, 2023, we have a total of 13,457 employees. Our full-time employees are employed by us and are entitled to statutory employment benefits, such as the employees' provident fund scheme or the new pension scheme and the employees' pension scheme, among others. In addition to our employees, we empanel agencies for our outsourcing requirements and also engage persons on a contractual basis.

We are subject to various labor laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labor and work permits.

A change of law that requires us to increase the benefits to the employees from the benefits now being provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work for or increase in number of mandatory casual leaves, which all can affect the productivity of the employees. For example, the Government of India has introduced (a) the Code on Wages, 2019 ("**Wages Code**"); (b) the Code on Social Security, 2020 ("**Social Security Code**"); (c) the Occupational Safety, Health and Working Conditions Code, 2020; and (d) the Industrial Relations Code, 2020 which consolidate, subsume and replace numerous existing central labor legislations. The rules for the implementation of these codes have not been announced, and as such, the full impact of such laws on our business, operations and growth prospects, remain uncertain. For example, the Social Security Code aims to provide uniformity in providing social security benefits to employees which were previously segregated under different acts and had different applicability and coverage.

A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, as being full-time employees may create potentially liability for us. If we fail to comply with current and future health and safety and labor laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, this could materially and adversely affect our business, future financial performance and results of operations.

Currently, some of our workforce is unionized and it is possible that future calls for work stoppages or other similar actions could have a material adverse impact on our day-to-day operations, until disputes are resolved. Any changes or amendments in the industry wide settlement or periodical wage revisions may materially and adversely affect our business, future financial performance and results of operations.

62. We depend on various licenses issued by domestic and foreign regulators for our banking and other operations.

We are also required to maintain various licenses issued by domestic regulators and foreign regulators for our banking and other operations. Domestically, we maintain our licenses with the RBI, and SEBI. We also maintain our licenses with the Central Bank of the UAE for our activities in UAE. Any license we have obtained may be revoked if we fail to comply with any of the terms or conditions relating to such license, or restrictions may be placed on our operations. Any such failure to obtain, renew or maintain any required approvals, permits or licenses, may result in the interruption of all or some of our operations, which could materially and adversely affect our business and results of operations.

In the future, we may be required to obtain new registrations, permits and approvals for any of our or our Subsidiaries' or Associates' existing business, as a result of change in current regulations or for any proposed expansion strategy or diversification into additional business lines or new financial products. There can be no assurance that the relevant authorities will issue any permits or approvals required by us in a timely manner, or at all, and/or on favorable terms and conditions. If we fail to obtain any applicable approvals, licenses, registrations or consents in a timely manner, we may not be able to undertake certain operations of our business which may affect our business or results of operations. The RBI issues instructions and guidelines to banks on branch authorization from time to time. With the objective of liberalizing and rationalizing the branch licensing process, the RBI, effective May 18, 2017, granted general permission to domestic banks to open branches in Tier 1 to Tier 6 centers. If we are unable to perform in a manner satisfactory to the RBI in any of the above areas, it may have an impact on the number of branches we will be able to open and would in turn have an impact on our future growth and may also result in the imposition of penal measures by the RBI.

63. Our Bank is required to undertake directed lending under RBI guidelines, which may require us to invest in lower-yielding deposits, which could impact our profitability.

The Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2020 dated September 4, 2020 ("**PSL Regulations**") sets out the broad policy in relation to priority sector lending. The PSL Regulations apply to all commercial banks licensed to operate in India by the RBI. In terms of the PSL Regulations, the sectors categorized as priority sectors are agriculture, micro, small and medium enterprises ("**MSME**"), export credit, education, housing, social infrastructure, renewable energy and other sectors. Further, the PSL Regulations stipulate that domestic commercial banks will have to allocate 40.00% of the adjusted net bank credit to priority sector lending ("**PSL**") or credit equivalent of off-balance sheet exposures, whichever is higher. Further, for agriculture sector, micro-enterprises and advance to weaker sections, the targets are 18.00%, 7.50% and 12.00% of the adjusted net bank credit or credit equivalent of off-balance sheet exposures, whichever is higher, respectively. It has also prescribed sub-targets for small and marginal farmers, micro-enterprises and weaker sections. Our Bank has not always been able to meet the lending targets of certain sub-targets of the priority sector lending scheme in the past and may not be able to meet the overall priority sector lending target or certain sub-targets in the future. For example, as of March 31, 2023 our Bank had a shortfall in lending to small and marginal farmers, whereby our lending was 9.78% as compared to a target of 13.78%. The RBI made observations in certain of its past inspection reports in relation to our Bank's persisting non-compliance with RBI guidelines on priority sector lending, despite observations in previous inspection reports. Furthermore, the RBI can make changes to the types of loans that qualify under the PSL scheme or the RBI can change the sub-target requirements. Changes that reduce the types of loans that can qualify toward meeting our PSL targets could increase shortfalls under the overall target or under certain sub-targets.

In the case of non-achievement of priority sector lending targets, including sub-targets, we are required to invest in the Rural Infrastructure Development Fund ("**RIDF**") established with NABARD and other Funds with NHB/SIDBI/MUDRA Limited, as decided by the Reserve Bank of India from time to time. The amount to be deposited, interest rates on such deposits and periods of deposits, and other terms, are determined by the RBI from time to time. The priority sector guidelines do not lay down any preferential interest rate for priority sector loans. The interest rates on such deposits are lower than the interest rates which we would have obtained by investing these funds at its discretion. As of March 31, 2023, our Bank's total investments as directed by the RBI in such deposits were ₹131,167.87 million. Additionally, as per RBI guidelines, non-achievement of priority sector lending target and sub-targets will be taken into account by the RBI when granting regulatory clearances/approvals for various purposes.

Our Bank may experience a higher level of NPAs in our directed lending portfolio, particularly in loans to the agricultural sector, small enterprises and weaker sections, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Our Bank's gross NPAs in PSL sectors as a percentage to gross loans were 3.76% as of March 31, 2023 (as compared to gross NPAs in PSL of 4.16% as of March 31, 2022 and 4.13% as of March 31, 2021). Further expansion of the PSL scheme could result in an increase of NPAs due to our limited ability to control the portfolio quality under the directed lending requirements.

In addition to the directed lending requirements, the RBI has encouraged banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centers and to customers who currently do not have access to banking services. The expansion into these markets involves significant investments and recurring costs. The profitability of these operations depends on our ability to generate business volumes in these centers and from these customers. Future changes by the RBI in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively more risky segments and may result in an increase in non-performing loans.

64. We face restrictions on lending to large borrowers, which may have a material adverse effect on our business, financial condition and results of operations.

In August 2016, the RBI released the Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism. It was stated that corporate loans beyond the limit determined for a borrower, as per the guidelines, would attract additional provisions and higher capital. Further, the RBI has also aligned its limits on single and group borrowers to the Basel III standards. From April 2019, our limits for single and group borrowers are 20.0% and 25.0% of our Tier 1 Capital funds as against the previous norm under the Master Circular on Exposure Norms for Financial Institutions in July 2015 of 15.00% and 40.00% of the Total Capital funds. These limits may be subjected to further changes and revisions in future. In addition, the RBI has also issued guidelines on enhancing credit supply for large exposures through market mechanism, which is effective from April 1, 2017. As per the guidelines, from 2017-18, incremental exposure of the banking system to a specified borrower beyond the Normally Permitted Lending Limit ("**NPLL**") shall be deemed to carry higher risks which needs be recognized by way of additional provisioning and higher risk weights. These regulations may have a material adverse effect on our business, financial condition and results of operations.

65. RBI guidelines relating to ownership in private banks and foreign ownership restrictions in private banks and its downstream companies could discourage or prevent acquisition of a majority stake or other business combination involving us.

On January 16, 2023, RBI issued the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023 (the "**Directions**") read with the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies (the "**Guidelines**", read together with the Directions, the "**Master Directions**"). The

Guidelines prescribe limits on ownership for all shareholders in the long run based on categorization of shareholders under two broad categories: (1) in case of non-promoters: (a)10% of the paid-up share capital or voting rights of the banking company in case of natural persons, non-financial institutions, financial institutions directly or indirectly connected with large industrial houses and financial institutions that are owned to the extent of 50% or more or controlled by individuals (including the relatives and persons acting in concert); and (b) 15% of the paid-up share capital or voting rights of the banking company in case of certain financial institutions, supranational institutions, public sector undertaking and central/state government; (2) in case of promoters, 26% of the paid-up share capital or voting rights of the banking company after the completion of 15 years from commencement of business of the banking company. The RBI may, subject to certain conditions, permit higher percentage of holding stakes by the promoters or non-promoters on case-to-case basis under circumstances including relinquishment by existing promoters, reconstruction/restructuring of banks or any other actions in the interest of the bank and its depositors. If a transaction results in any person acquiring or agreeing to acquire, directly or indirectly, by itself or acting in concert with any other person, shares of a banking company or voting rights therein which taken together with shares and voting rights, if any, held by such person or such person's relative or associate enterprise (as defined by the Banking Regulation Act) or person acting in concert with such person, results in such person(s) holding at least 5.0% of the paid-up share capital of a banking company or entitles such person(s) to exercise at least 5.0% of a banking company's voting rights, RBI's approval is required prior to such a transaction.

The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria.

There are also foreign ownership restrictions in a private bank which may impact an acquirer's ability to acquire a majority of our shares or acquire control over us. For further details, see "*Risk Factor 56 - Foreign investment may be restricted due to regulations governing aggregate foreign investment in our Bank's paid-up equity share capital*" on page 61. The implementation of such restrictions could discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us, which might be beneficial to our shareholders.

Any substantial stake in us could discourage or prevent another entity from exploring the possibility of a combination with us. Any such obstacles to potentially synergistic business combinations could negatively impact our share price and have a material adverse effect on our ability to compete effectively with other large banks and, consequently, our ability to maintain and improve our financial condition.

***66. RBI guidelines relating to prompt corrective action could materially and adversely affect our business, future financial performance and results of operations*.**

On November 2, 2021, the RBI revised the Prompt Corrective Action ("**PCA**") framework for scheduled commercial banks. The new PCA framework has stipulated thresholds for capital ratios, NPAs, profitability and leverage for banks. When the PCA framework is triggered, the RBI would have a range of discretionary actions it can take to address the outstanding issues. These discretionary actions include conducting supervisory meetings, conducting reviews, advising banks' boards for altering business strategy, review of capital planning, restricting staff expansion, removing of managerial persons and superseding our Board. If we are covered under the PCA framework, it could materially and adversely affect our business, future financial performance and results of operations.

67. Any non-compliance with mandatory Anti Money Laundering and Know Your Customer policies could expose us to additional liability and harm our business and reputation.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable AML and KYC regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers in order to detect and prevent the use of our banking networks for illegal money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, and have taken necessary corrective measures, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report, including the Ministry of Finance, Department of Revenue, Financial Intelligence Unit – India. Our business and reputation could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements. Further, the RBI made observations in certain of its past inspection reports that there were deficiencies in capturing key customer information in our KYC database.

See "*Legal Proceedings*" on page 768.

68. *Our customers may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.*

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries (such as Iran, Myanmar, North Korea Sudan, Syria and the Crimea region) and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

We provide transfer, settlement and other services to our customers, who may be doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. The RBI observed in certain of its past inspection reports that compliance to sanction conditions had been due since fiscal year 2018 in respect of certain accounts with credit limits greater than ₹20 million. Although we do not believe that we are in violation of any applicable sanctions, if it were determined that transactions in which we participate violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. We rely on our staff to be up-to-date and aware of the latest sanctions in place. Further, investors in the equity shares could incur reputational or other risks as the result of our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions.

69. *RBI may remove any employee, managerial person or may supersede our Board of Directors in certain circumstances.*

The Banking Regulation Act confers powers on the RBI to remove from office any directors, chairman, chief executive officer or other officers or employees of a bank in certain circumstances. RBI also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months in certain circumstances. The RBI may exercise powers of supersession where it is satisfied, in consultation with the Central Government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein are taken by RBI, our business, results of operations and financial conditions would be materially and adversely affected.

70. *Adoption of a different basis of accounting or new accounting standards may result in changes in our reported financial position and results of operations for future and prior periods.*

The financial statements and other financial information included or incorporated by reference in this Preliminary Placement Document are based on our standalone and consolidated financial statements under Indian GAAP. The Ministry of Corporate Affairs, in its press release dated January 18, 2016, had issued a roadmap for implementation of Indian Accounting Standards ("**IND-AS**") which largely converges with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") with certain carve-outs for scheduled commercial banks, insurance companies and non-banking financial companies (the "**Roadmap**"). This Roadmap required such institutions to prepare IND-AS-based financial statements for the accounting periods commencing on or after April 1, 2018, and to prepare comparative financial information for accounting periods beginning April 1, 2017 and thereafter. The RBI, in its circular dated February 11, 2016, required all scheduled commercial banks to comply with IND-AS for financial statements for the same periods stated above. The RBI did not permit banks to adopt IND-AS earlier than the above timelines. The RBI circular also stated that the RBI will issue instructions, guidance and clarifications, as and when required, on the relevant aspects of the implementation of IND-AS. In April 2018, the RBI deferred the effective date for implementation of IND-AS by one year, by which point the necessary legislative amendments were expected to have been completed. The legislative amendments recommended by the RBI are under consideration by the Government of India. Accordingly, the RBI, in its circular dated March 22, 2019, deferred the implementation of IND-AS until further notice.

The new accounting standards are expected to change, among other things, our methodologies for estimating allowances for probable loan losses and classifying and valuing our investment portfolio, as well as our revenue recognition policy. It is possible that our financial condition, results of operations and changes in shareholders' equity may appear materially different under IND-AS than under Indian GAAP. Further, during the transition to reporting under the new standard, we may encounter difficulties in the implementation of the new standards and development of our management information systems. Given the increased competition for the small number of IFRS-experienced accounting personnel in India, it may be difficult for us to employ the appropriate accounting personnel to assist us in preparing IND-AS financial statements. Moreover, there is no significant body of established practice from which we may draw when forming judgments regarding the application of the new accounting standards. There can be no assurance that our Bank's controls and procedures will be effective in these circumstances or that a material weakness in internal control over financial reporting will not occur. Further, failure to successfully adopt IND-AS or IFRS could adversely affect our Bank's business, financial condition and results of operations.

Risks Relating to India

71. ***India's existing credit information infrastructure may cause increased risks of loan defaults***

The majority of our Bank's business is located in India. India's existing credit information infrastructure may pose problems and difficulties in running a robust credit check on our borrowers. We may also face difficulties in the due diligence process relating to our customers or to any security or collateral we take in relation to our loans. We may not be able to run comprehensive searches relating to the security and there are no assurances that any searches we undertake will be accurate or reliable. Hence, our overall credit analysis could be less robust as compared to similar transactions in more developed economies. Any inability to undertake a fulsome due diligence or credit check might result in an increase in our NPAs and we may have to increase our provisions correspondingly. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

72. ***Financial instability in other countries may cause increased volatility in Indian financial markets.***

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our business, our future financial performance and the prices of the equity shares.

73. ***Any adverse change in India's credit rating by an international rating agency could materially adversely affect our business and profitability.***

Our outstanding debt is mostly domestic and we are rated only by domestic rating agencies. For further details, see "*Risk Factor 49 - Our Unsecured Basel III compliant Tier-II Subordinate Bonds ("Subordinate Bonds") are listed on NSE and we are subject to rules and regulations with respect to such listed Subordinate Bonds. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, which may have an adverse effect on our business, results of operations, financial condition and cash flows. Further, the trading in our NCDs has been and may continue to be limited or sporadic, which may affect our ability to raise debt financing in the future.*" on page 56.

Our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. India's sovereign rating improved from Baa3 with a "negative" outlook to Baa3 with "stable" outlook by Moody's in September 2022 and improved from BBB – with "negative" outlook to BBB – with "stable" outlook by Fitch in June 2022. DBRS confirmed India's rating as BBB "low" in May 2023. India's sovereign ratings from S&P is BBB with a "stable" outlook. Any further adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such financing is available, including raising any overseas additional financing. A downgrading of India's credit ratings may occur, for example, upon a change of government tax or fiscal policy, which are outside our control. This could have an adverse effect on our ability to fund our growth on favorable terms or at all, and consequently adversely affect our business, cash flows and financial performance and the price of the Equity Shares.

74. ***Any volatility in exchange rates may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.***

Foreign inflows into India have remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment.

Further, there remains a possibility of intervention in the foreign exchange market to control volatility of the exchange rate. The need to intervene may result in a decline in India's foreign exchange reserves and subsequently reduce the amount of liquidity in the domestic financial system. This in turn could cause domestic interest rates to rise.

Further, increased volatility in foreign flows may also affect monetary policy decision making. For instance, a period of net capital outflows might force the RBI to keep monetary policy tighter than optimal to guard against any abnormal currency depreciation.

75. ***Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries would negatively affect the Indian market where our shares trade and lead to a loss of confidence and impair travel, which could reduce our customers' appetite for our products and services.***

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares trade and also materially adversely affect the global financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and as a result ultimately materially adversely affect our business. In addition, any deterioration in relations between India and its neighbors might result in investor concern about stability in the region, which could materially adversely affect the price of our equity shares.

India has also witnessed civil disturbances in recent years and future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents also create a greater perception that investment in Indian companies involves a higher degree of risk, which could have an adverse impact on our business and the price of our Equity Shares.

76. We are subject to regulatory, economic and social and political uncertainties and other factors beyond our control.

We are incorporated in India and we conduct our corporate affairs and our business in India. Our Equity Shares are listed on the BSE and the NSE. Consequently, our business, operations, financial performance and the market price of our equity shares will be affected by the following external risks, should any of them materialize:

1. changes in exchange rates and controls;

2. macroeconomic factors and central bank regulation, including in relation to interest rates movements which may in turn adversely impact our access to capital and increase our borrowing costs;

3. decline in India's foreign exchange reserves which may affect liquidity in the Indian economy;

4. political instability, resulting from a change in government or in economic and fiscal policies;

5. civil unrest, acts of violence, regional conflicts or situations or war may adversely affect the financial markets;

6. changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India;

7. pandemics or epidemics, such as the COVID-19 pandemic; or

8. natural calamities and force majeure events.

The Government of India has exercised and continues to exercise significant influence over many aspects of the Indian economy. Indian governments have generally pursued policies of economic liberalization and financial sector reforms, including by relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant and we cannot assure you that such liberalization policies will continue. A significant change in India's policy of economic liberalization and deregulation or any social or political uncertainties could adversely affect business and economic conditions in India generally and our business and prospects.

India has in the past experienced community disturbances, strikes, riots, epidemics and natural disasters. India has also experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. For example, the cyclone that hit Chennai on December 13, 2016 disrupted the functioning of various branches in and around Chennai City. In addition, in August 2018, Kerala experienced severe floodings and landslides and our operations were temporarily disrupted for one day. There can be no assurance that we will not be affected by natural or man-made disasters in India or elsewhere in the future. These acts and occurrences could have an adverse effect on the financial markets and the economy of India and of other countries, thereby resulting in a loss of business confidence and a suspension of our operations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

77. Investors may have difficulty enforcing foreign judgments in India against us or our management.

Our Bank and our Subsidiaries and Associates are constituted in India. All of our Directors and Senior Management and the majority for Subsidiaries and for Associates are residents of India and a substantial portion of our Bank's assets and such persons and all of our Subsidiaries and Associates are located in India. As a result, it may not be possible for investors outside of India to effect service of process on us or such persons from their respective jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon our civil liabilities or such directors and executive officers under laws other than Indian Law.

For more information on the enforcement of civil liabilities in India, see "*Enforcement of Civil Liabilities*" on page 14.

78. A slowdown in economic growth in India would cause us to experience slower growth in our asset portfolio and deterioration in the quality of our assets.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy, which in turn is linked to global economic conditions. Below-trend global growth may adversely affect the growth prospects of the Indian economy. This could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategy. The Indian economy may be adversely affected by volatile oil prices, given India's dependence on imported oil for its energy needs, inflationary pressures and weather conditions adversely affecting the Indian agricultural market or other factors. This may have a cascading impact on our asset portfolio. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising, while that of the industrial, manufacturing and agricultural sectors is declining. Finally, India faces major challenges in sustaining its growth, which include the need for substantial infrastructure development and improving access to healthcare and education. If the Indian economy deteriorates, our asset base may erode, which would result in a material decrease in our net profits and total assets.

Risks Relating to the Equity Shares

79. Financial difficulty and other problems in certain financial institutions in India could materially adversely affect our business and the price of our equity shares.

We are exposed to the risks of the Indian financial system by being a part of the system. The financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk", may materially adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and materially adversely affect our business. Our transactions with these financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

80. An investor will not be able to sell any of the equity shares subscribed in this Issue other than across a recognized Indian stock exchange for a period of 12 months from the date of the issue of the equity shares.

An investor's ability to acquire and sell Equity Shares offered in the Issue is restricted by the distribution, solicitation and transfer restrictions set forth in this Preliminary Placement Document. In particular, pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of the issue of the Equity Shares in this Issue, Eligible QIBs subscribing to the Equity Shares may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of these equity shares. We cannot be certain that these restrictions will not have an impact on the price of the equity shares. Further, allotments made to Venture Capital Funds ("**VCFs**") and Alternative Investment Funds ("**AIFs**") in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. This may affect the liquidity of the equity shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the equity shares purchased by investors.

81. Future issuances or sales of the Equity Shares may dilute your shareholding and could significantly affect the trading price of the Equity Shares.

The future issuance of shares by us, including a primary offering of shares, convertible securities or securities linked to shares, or the disposal of shares by any of our major shareholders, or the perception that such issuance or sales may occur, may lead to the dilution of your shareholding in our Bank and could significantly affect the trading price of the Equity Shares. For instance, our Bank has intimated to the Stock Exchanges through its intimation dated July 18, 2023 for the proposal to issue equity shares to the IFC Investors, subject to receipt of necessary approvals, on a preferential basis. See "Ri*sk Factors 15 – Risks Relating to our Business – Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations*." on page 44. There can be no assurance that we will not issue further shares or that the major shareholders will not dispose of, pledge or otherwise encumber their shares.

82. Investors may be subject to Indian taxes arising out of capital gains on the sale of the equity shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("**STT**") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax in India.

The Finance Act, 2020 ("**Finance Act 2020**") had stipulated that the sale, transfer and issue of certain securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act 2020 also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of certain securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of certain securities, other than debentures, on a delivery basis is currently specified under the Finance Act 2020 at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These amendments have come into effect from July 1, 2020. Under the Finance Act 2020, any dividends paid by an Indian company is subject to tax in the hands of the shareholders at applicable rates. Such taxes are to be withheld by the Indian company paying dividends. Further, the Finance Act, 2020, which followed, removed the requirement for DDT to be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident. Our Bank may grant the benefit of a tax treaty (where applicable) to a non-resident shareholder for the purposes of deducting tax at source pursuant to any corporate action including dividends subject to appropriate documentation provided by such non-resident shareholder. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

The Government of India has announced the union budget 2023, pursuant to which the Finance Bill, 2023 ("**Finance Bill**") has introduced various amendments. The Finance Bill has received assent from the President of India on March 31, 2023, and has been enacted as the Finance Act, 2023 ("**Finance Act, 2023**"). There is no certainty on the impact of Finance Act 2023 on tax laws or other regulations, which may adversely affect the Bank's business, financial condition, results of operations or on the industry in which we operate. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the equity shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares. Additionally, in view of the individual nature of the tax consequences and the changing tax laws, each prospective investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in this Issue.

83. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Our Articles, the instructions issued by the RBI, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank or corporate entity in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

84. The market value of the Equity Shares may fluctuate due to the volatility of the Indian securities markets.

Indian securities markets may be more volatile than and not comparable to, the securities markets in certain countries with more developed economies and capital markets than India. Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities. Indian stock exchanges (including the BSE and the NSE) have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. In addition, the governing bodies of Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have a negative effect on market sentiment.

The price of our Equity Shares may fluctuate widely and rapidly, depending on many factors, some of which are beyond our control, including:

1. perceived prospects for our business and operations and the banking industry in general;
2. announcements by us of strategic alliances or joint ventures;
3. acquisitions by us or our competitors;
4. announcements made by us or our competitors;
5. differences between our actual financial and operating results and those expected by investors and analysts;
6. change in investors' and analysts' recommendations or perception regarding us and of the investment environment in Asia, including India;
7. our market capitalization not being indicative of the valuation of our business;
8. the depth and liquidity of the market for the Equity Shares;

9. changes in prices of equity securities of foreign (particularly Asian) and emerging markets companies;

10. changes in general economic, social, political or market conditions in India and which generally affect the Indian banking industry; and

11. broad stock market price fluctuations.

85. You will not, without prior RBI approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5.00% or more of our share capital or voting rights; you may not be able to exercise voting rights in excess of 10.00% of the total voting rights.

The Banking Regulation Act, as amended, read with the Master Directions, requires any person who intends to make an acquisition which is likely to result in the aggregate holding of 5% or more of the paid-up share capital or voting rights in a banking company to seek prior approval of the RBI. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain fitness and propriety tests. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of our total voting rights from exercising voting rights in excess of 5.00%, if such person is deemed to be not fit and proper by the RBI.

Pursuant to the Guidelines, permission of the RBI to acquire shares or voting rights in any banking company shall be subject to the following restrictions: (1) in case of non-promoters: (a)10% of the paid-up share capital or voting rights of the banking company in case of natural persons, non-financial institutions, financial institutions directly or indirectly connected with large industrial houses and financial institutions that are owned to the extent of 50% or more or controlled by individuals (including the relatives and persons acting in concert); and (b) 15% of the paid-up share capital or voting rights of the banking company in case of certain financial institutions, supranational institutions, public sector undertaking and central/state government; (2) in case of promoters, 26% of the paid-up share capital or voting rights of the banking company after the completion of 15 years from commencement of business of the banking company.

86. Foreign Account Tax Compliance withholding may affect payments on the equity shares.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Equity Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, such withholding would not apply before the date that is two years after the publication of final U.S. Treasury regulations defining the term "foreign passthru payment". Investors should consult their own tax advisors regarding how these rules may apply to their investment in the shares. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Equity Shares, no person will be required to pay additional amounts as a result of the withholding.

87. Our Bank may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in materially adverse U.S. federal income tax consequences to U.S. Holders of the equity shares.

Based on the anticipated market price of the Equity Shares, and the composition of our income, assets and operations, we do not expect to be treated as a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes for the taxable year ended March 31, 2023, and do not expect to be a PFIC for the current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure investors that the U.S. Internal Revenue Service will not take a contrary position. Furthermore. PFIC status is a factual determination that can only be made annually after the close of each taxable year, and our PFIC status for each taxable year will depend on facts, including the composition of our income and assets and the value of our assets (which may be determined in part by reference to the market value of the Equity Shares) at such time. Accordingly, there can be no assurance that we will not be a PFIC for the current or any future taxable year. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "*Certain U.S. Federal Income Tax Considerations*" on page 766) holds the Equity Shares, certain materially adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "*Certain U.S. Federal Income Tax Considerations — Passive Foreign Investment Company Rules*" on page 766.

88. Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.

Under the Companies Act, a company having a share capital and incorporated in India must offer holders of its equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the Equity Shares who have voted on such resolution. However, if the laws of the jurisdiction that you are located in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in us would be reduced.

89. QIBs and Non-Institutional Investors are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid.

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Investors are required to pay the Bid Amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. Therefore, QIBs will not be able to withdraw or lower their Bids following adverse developments in international or national monetary policy, financial, political or economic conditions, our business, results of operations or otherwise at any stage after the submission of their Bids.

MARKET PRICE INFORMATION

As on the date of this Preliminary Placement Document, 2,119,489,513 Equity Shares are issued share capital and 2,118,164,218 Equity Shares are subscribed, and paid-up share capital. The Equity Shares have been listed and are available for trading on BSE and NSE.

On July 18, 2023, the closing price of the Equity Shares on BSE and NSE was ₹134.80 and ₹134.90 per Equity Share. Since the Equity Shares are available for trading on BSE and NSE, the market price and other information for each of BSE and NSE has been given separately.

A. The following tables set out the reported high, low and average of the closing prices of our Equity Shares on the NSE and the BSE and number of Equity Shares traded on the days on which such high and low prices were recorded and the total trading turnover for the Fiscals 2023, 2022 and 2021:

NSE

Fiscal	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Turnover of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Turnover of Equity Shares traded on date of low (₹ in million)	Average price for the year (₹)	Total no. of Equity Shares traded in the fiscal	Total Turnover of Equity Shares traded in the fiscal (₹ in million)
Fiscal 2023	140.3	16-Jan-23	58,289,006	8,187.54	83.45	19-May-22	12,533,024	1,046.65	116.55	3,309,248,325	387,500.83
Fiscal 2022	104.45	10-Feb-22	30,117,303	3,124.45	71.2	12-Apr-21	33,673,976	2,437.93	88.59	4,802,457,427	427,471.61
Fiscal 2021	90.7	4-Mar-21	53,425,954	4,807.05	37.35	22-May-20	34,962,306	1,327.63	59.24	8,605,872,179	503,973.54

(Source: www.nseindia.com)
1. *High, low and average prices are based on the daily closing prices.*
2. *In the case of a year, average represents the average of the closing prices of all trading days of each year presented.*
3. *In case of two days with the same high or low price, the date with the higher turnover has been chosen.*

BSE

Fiscal	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Turnover of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Turnover of Equity Shares traded on date of low (₹ in million)	Average price for the year (₹)	Total no. of Equity Shares traded in the fiscal	Total Turnover of Equity Shares traded in the fiscal (₹ in million)
Fiscal 2023	140.25	16-Jan-23	2,965,055	417.03	83.45	19-May-22	560,963	46.87	116.53	159,377,881	18,664.03
Fiscal 2022	104.4	10-Feb-22	2,291,352	236.60	71.25	12-Apr-21	2,809,812	203.44	88.59	330,677,223	29,338.40
Fiscal 2021	90.65	4-Mar-21	3,752,712	335.91	37.35	22-May-20	1,534,935	58.34	59.24	526,392,127	31,241.40

(Source: www.bseindia.com)
1. *High, low and average prices are based on the daily closing prices.*
2. *In the case of a year, average represents the average of the closing prices of all trading days of each year presented.*
3. *In case of two days with the same high or low price, the date with the higher turnover has been chosen.*

B. The following tables set out the reported high and low closing prices of our Equity Shares recorded on the NSE and the BSE and the number of Equity Shares traded on the days on which such high and low prices were recorded, and the turnover of Equity Shares traded in each of the last six months preceding this Preliminary Placement Document:

NSE

Month	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Turnover of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Turnover of Equity Shares traded on date of low (₹ in million)	Average price for the month (₹)	Equity Shares traded in the month	
										No.	Turnover (₹ in million)
June 2023	127.3	5-Jun-23	10,321,926	1,315.33	121.3	26-Jun-23	5,930,251	719.93	124.33	210,747,676	26,188.57
May 2023	139.4	4-May-23	9,125,430	1,263.72	123.25	25-May-23	15,655,834	1,927.27	128.03	301,244,359	38,693.82
April 2023	135	26-Apr-23	8,575,324	1,153.50	127	10-Apr-23	8,949,316	1,137.12	130.99	155,399,867	20,365.71
March 2023	135.9	8-Mar-23	7,830,013	1,055.70	125.45	27-Mar-23	6,549,186	826.70	130.10	180,350,322	23,487.02
February 2023	133.4	3-Feb-23	7,881,035	1,042.76	125.2	22-Feb-23	5,283,351	663.87	129.66	172,984,951	22,447.43
January 2023	140.3	16-Jan-23	58,289,006	8,187.54	132.00	27-Jan-23	13,446,595	1,765.29	135.72	350,521,818	47,951.68

(Source: www.nseindia.com)

1. *High, low and average prices are based on the daily closing prices.*
2. *In the case of a month, average represents the average of the closing prices of all trading days of each month presented.*
3. *In case of two days with the same high or low price, the date with the higher turnover has been chosen.*

BSE

Month	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Turnover of Equity Shares traded on date of high (₹ in million)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Turnover of Equity Shares traded on date of low (₹ in million)	Average price for the month (₹)	Equity Shares traded in the month	
										No.	Turnover (₹ in million)
June 2023	127.25	5-Jun-23	905,921	115.44	121.3	26-Jun-23	496,549	60.29	124.34	11,018,156	1,371.51
May 2023	139.4	4-May-23	276,987	38.39	123.3	25-May-23	697,558	85.85	128.03	13,162,589	1,691.51
April 2023	135	26-Apr-23	213,126	28.61	127	6-Apr-23	535,494	68.46	130.98	6,907,798	904.64
March 2023	135.9	8-Mar-23	288,677	38.92	125.4	27-Mar-23	199,942	25.24	130.09	6,900,933	900.78
February 2023	133.4	3-Feb-23	445,040	58.93	125.15	22-Feb-23	454,089	57.00	129.64	6,653,595	862.15
January 2023	140.25	16-Jan-23	2,965,055	417.03	132.05	27-Jan-23	748,747	98.24	135.72	14,439,665	1,975.94

(Source: www.bseindia.com)

1. *High, low and average prices are based on the daily closing prices.*
2. *In the case of a month, average represents the average of the closing prices of all trading days of each month presented.*
3. *In case of two days with the same high or low price, the date with the higher turnover has been chosen.*

C. The following table sets forth the market price on the Stock Exchanges on July 1, 2022, the first working day following the approval of our Board for the Issue:

BSE						NSE					
Open (₹)	High (₹)	Low (₹)	Close (₹)	Number of Equity Shares traded	Turnover (₹ in million)	Open (₹)	High (₹)	Low (₹)	Close (₹)	Number of Equity Shares traded	Turnover (₹ in million)
90.25	94.15	89.30	93.60	7,59,236	70.23	90.55	94.35	89.30	93.65	93.65	1,482.54

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The total gross proceeds from the Issue shall be approximately ₹[●] million.

The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, are approximately ₹[●] million (the "**Net Proceeds**").

Purpose of the Issue

Subject to compliance with applicable laws and regulations, our Bank intends to use the Net Proceeds for augmenting our Bank's Tier I capital base to meet our future capital requirements, for general corporate requirements or any other purposes as may be deemed appropriate by our Board (or duly constituted committees) in its discretion.

In accordance with applicable laws, we undertake to not utilize proceeds from the Issue unless Allotment is made and the corresponding return of Allotment is filed with the RoC, and the final listing and trading approvals are received from each of the Stock Exchanges, whichever is later.

Schedule of deployment of funds

Our Bank currently proposes to deploy the Net Proceeds in the aforesaid object in Fiscal 2025.

Monitoring of utilization of funds

In terms of the proviso to Regulation 173A(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Issue.

Other confirmation

None of our Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue. Further, neither our Directors, nor our Key Managerial Personnel or Senior Management Personnel shall receive any proceeds from the Issue, whether directly or indirectly. Since the Issue is only made to Eligible QIBs, our Directors or senior management are not eligible to subscribe in the Issue.

Since, the Net Proceeds of the Issue are proposed to be utilised towards the purposes set forth above, and not for implementing any specific project, the following disclosure requirement under the SEBI Regulations are not applicable: (i) break-up of cost of the project, (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage

CAPITALISATION STATEMENT

The following table sets forth our capitalisation statement as at June 30, 2023 derived from the Unaudited Interim Standalone Financial Statements and as adjusted to give effect to the receipt of the gross proceeds of the Issue. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Information*" on pages 607 and 95, respectively:

(in ₹ million)

Particulars	Pre-Issue as at June 30, 2023 (on a standalone basis)	As adjusted for the proposed Issue*
Borrowings#		
Borrowings in India (A)	182,625.79	[●]
- Reserve Bank of India	-	[●]
- Other banks	968.00	[●]
- Other institutions and agencies	181,657.79	[●]
Borrowings outside India (B)#	29,151.56	[●]
Total Borrowings (C=A+B)#	**211,777.40**	**[●]**
Capital and Reserves and Surplus		
Capital	4,236.03	[●]
Total Capital (D)	**4,236.03**	**[●]**
Reserves and surplus		
- Statutory reserve	46,060.77	[●]
- Capital reserve	7,617.83	[●]
- Share premium account	61,856.70	[●]
- Investment Fluctuation Reserve	1,906.89	[●]
- Other Reserves	39,683.11	
- Balance in Surplus in Profit and Loss account	62,390.13	[●]
Total (E)	**219,515.45**	**[●]**
Total Capital & Reserves and Surplus (F=D+E)	**223,751.48**	**[●]**
Total Borrowings/ Total Capital & Reserves and Surplus (G = C/F)	**0.95**	**[●]**

* *To be updated upon finalisation of the Issue Price.*

\# *Borrowings indicated above do not include deposits accepted and outstanding as on June 30, 2023, amounting to ₹2,224,955.01 million*

CAPITAL STRUCTURE

The share capital of our Bank as on the date of this Preliminary Placement Document is set forth below:

(In ₹ million, except share data)

	Particulars	Aggregate value at face value (except for securities premium account)
A	**AUTHORIZED SHARE CAPITAL**	
	4,000,000,000 Equity Shares of ₹2 each	8,000.00
B	**ISSUED SHARE CAPITAL BEFORE THE ISSUE***	
	2,119,489,513 Equity Shares of ₹2 each	4,238.97
C	**SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**	
	2,118,164,218 Equity Shares of ₹2 each	4,236.32
D	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT**	
	Up to [●] Equity Shares of ₹2 each aggregating up to ₹[●] million (1)(2)	[●]
E	**ISSUED SHARE CAPITAL AFTER THE ISSUE**	
	[●] Equity Shares of ₹2 each (2)	[●]
F	**SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE**	
	[●] Equity Shares of ₹2 each (2)	[●]
F	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue (3)	61,867.88
	After the Issue (2)	[●]

**1,325,295 shares have currently been kept under abeyance pursuant to court order.*

(1) *The Issue has been authorised by our Board pursuant to a resolution dated June 30, 2022 and by our shareholders on July 27, 2022.*

(2) *To be determined upon finalisation of the Issue Price.*

(3) *As on the date of this Preliminary Placement Document.*

(1) Equity Share Capital History of our Bank

The history of the Equity Share capital of our Bank is set forth below:

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
1949(1)	7,143	20	20	Cash	7,143
1959	6,455	20	20	Cash	13,598
1960	5,688	20	20	Cash	19,286
1962	5,714	20	20	Cash	25,000
January 27, 1965	1,659	20	20	Other than Cash	26,659
1973	26,659	20	20	Cash	53,318
1974	21,682	20	20	Cash	75,000
1975	49,500	20	20	Cash	124,500
1976	500	20	20	Cash	125,000
1977	375,000	20	20	Cash	500,000
1978	125,000	20	20	Cash	625,000
1979	69,286	20	20	Cash	694,286
1980	4,377	20	20	Cash	698,663
1986	464,598	20	20	Cash	1,163,261
1987	18,984	20	20	Cash	1,182,245
1989	317,420	20	20	Cash	1,499,665
1990	335	20	20	Cash	1,500,000
1990	Sub-division of the face value of Equity Shares from ₹20 to ₹10				30,00,000
1991	2,050,000	10	10	Cash	5,050,000
June 12, 1993	2,669,913(2)	10	35	Cash	7,719,913
June 12, 1993	377,981(2)	10	35	Cash	8,097,894
June 12, 1993	2,667,000	10	60	Cash	10,764,894
June 12, 1993	333,000	10	60	Cash	11,097,894
May 18, 1994	3,718,100	10	90	Cash	14,815,994
July 4, 1994	250	10	35	Cash	14,816,244
March 16, 1996	7,353,240	10	150	Cash	22,169,484
June 20, 1996	350	10	35	Cash	22,169,834
February 28, 2002	200	10	35	Cash	22,170,034
November 30, 2004	700	10	150	Cash	22,170,734

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
December 29, 2004	-	-	-	-	21,867,989(3)
December 29, 2004	43,627,490	10	-	Other than Cash	65,495,479
March 31, 2005	107,288	10	-	Other than Cash	65,602,767
December 8, 2005	200	10	150	Cash	65,602,967
December 8, 2005	400	10	-	Other than Cash	65,603,367
January 31, 2006	18,000,000(4)	10	US$3.97	Cash	83,603,367
February 6, 2006	2,000,000(5)	10	US$3.97	Cash	85,603,367
May 4, 2006	100(6)	10	150	Cash	85,603,467
May 4, 2006	200(7)	10	-	NA$	85,603,667
February 1, 2008	85,429,763	10	250	Cash	171,033,430
March 11, 2011	14,071	10	10	Cash	171,047,501
January 29, 2013	7,022	10	420.65	Cash	171,054,523
March 22, 2013	4,609	10	420.65	Cash	171,059,132
July 31, 2013	3,225	10	420.65	Cash	171,062,357
October 18, 2013	Sub-division of face value of Equity Shares from ₹10 to ₹2				85,53,11,785
May 7, 2014	3,000	2	84.13	Cash	855,314,785
June 16, 2014	30,855	2	84.13	Cash	855,349,705
	4,065	2	94.80	Cash	
July 2, 2014	42,645	2	84.13	Cash	855,399,400
	7,050	2	94.80	Cash	
July 24, 2014	59,110	2	84.13	Cash	855,468,530
	10,020	2	94.80	Cash	
August 25, 2014	49,990	2	84.13	Cash	8,555,28,055
	9,535	2	94.80	Cash	
August 28, 2014	3,000	2	50.00	Cash	855,531,055
September 17, 2014	36,985	2	84.13	Cash	855,574,155
	3,795	2	94.80	Cash	
	2,320	2	57.25	Cash	
October 21, 2014	59,245	2	84.13	Cash	855,678,515
	8,735	2	94.80	Cash	
	36,380	2	57.25	Cash	
November 20, 2014	120,385	2	84.13	Cash	855,863,225
	19,850	2	94.80	Cash	
	44,475	2	57.25	Cash	
December 15, 2014	160,520	2	84.13	Cash	856,099,054
	38,399	2	94.80	Cash	
	36,910	2	57.25	Cash	
January 24, 2015	118,105	2	84.13	Cash	856,285,774
	35,315	2	94.80	Cash	
	33,300	2	57.25	Cash	
February 19, 2015	86,486	2	84.13	Cash	856,410,085
	17,955	2	94.80	Cash	
	19,870	2	57.25	Cash	
March 27, 2015	179,552	2	84.13	Cash	856,655,197
	40,955	2	94.80	Cash	
	24,605	2	57.25	Cash	
April 21, 2015	124,700	2	84.13	Cash	856,820,662
	21,095	2	94.80	Cash	
	19,670	2	57.25	Cash	
May 15, 2015	217,970	2	84.13	Cash	857,240,582
	47,085	2	94.80	Cash	
	154,865	2	57.25	Cash	
June 25, 2015	487,274	2	84.13	Cash	857,945,206
	119,235	2	94.80	Cash	
	98,115	2	57.25	Cash	
July 10, 2015	857,945,206	2	-	NA#	1,715,890,412
August 17, 2015	384,710	2	42.07	Cash	1,716,418,992
	74,750	2	47.40	Cash	
	69,120	2	28.63	Cash	
September 3, 2015	50,000	2	42.07	Cash	1,716,468,992
September 23, 2015	643,276	2	42.07	Cash	1,717,438,394
	144,845	2	47.40	Cash	
	177,181	2	28.63	Cash	
	4,100	2	62.00	Cash	
October 19, 2015	179,355	2	42.07	Cash	1,717,793,024
	35,310	2	47.40	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	123,715	2	28.63	Cash	
	16,250	2	62.00	Cash	
November 9, 2015	21,500	2	42.07	Cash	1,717,814,524
November 25, 2015	240,795	2	42.07	Cash	1,718,350,344
	91,615	2	47.40	Cash	
	198,010	2	28.63	Cash	
	5,400	2	62.00	Cash	
January 2, 2016	142,550	2	42.07	Cash	1,718,611,559
	53,765	2	47.40	Cash	
	63,975	2	28.63	Cash	
	925	2	62.00	Cash	
January 22, 2016	55,110	2	42.07	Cash	1,718,753,684
	19,395	2	47.40	Cash	
	66,820	2	28.63	Cash	
	800	2	62.00	Cash	
February 24, 2016	64,460	2	42.07	Cash	1,718,889,459
	17,000	2	47.40	Cash	
	54,315	2	28.63	Cash	
March 28, 2016	23,480	2	42.07	Cash	1,718,946,844
	10,230	2	47.40	Cash	
	22,275	2	28.63	Cash	
	1,400	2	62.00	Cash	
April 18, 2016	128,500	2	42.07	Cash	1,719,075,344
May 18, 2016	38,900	2	42.07	Cash	1,719,211,699
	9,935	2	47.40	Cash	
	86,020	2	28.63	Cash	
	1,500	2	62.00	Cash	
June 17, 2016	55,930	2	42.07	Cash	1,719,375,534
	17,870	2	47.40	Cash	
	89,335	2	28.63	Cash	
	700	2	62.00	Cash	
July 27, 2016	119,225	2	42.07	Cash	1,719,646,709
	59,420	2	47.40	Cash	
	88,130	2	28.63	Cash	
	4,400	2	62.00	Cash	
August 20, 2016	131,560	2	42.07	Cash	1,719,858,659
	34,125	2	47.40	Cash	
	43,515	2	28.63	Cash	
	2,750	2	62.00	Cash	
September 22, 2016	379,225	2	42.07	Cash	1,720,481,609
	99,755	2	47.40	Cash	
	126,420	2	28.63	Cash	
	17,550	2	62.00	Cash	
October 24, 2016	289,476	2	42.07	Cash	1,721,131,975
	157,965	2	47.40	Cash	
	165,925	2	28.63	Cash	
	37,000	2	62.00	Cash	
November 18, 2016	291,210	2	42.07	Cash	1,721,651,625
	110,190	2	47.40	Cash	
	97,150	2	28.63	Cash	
	21,100	2	62.00	Cash	
December 20, 2016	289,290	2	42.07	Cash	1,722,142,605
	86,920	2	47.40	Cash	
	98,595	2	28.63	Cash	
	16,175	2	62.00	Cash	
January 17, 2017	196,280	2	42.07	Cash	1,722,454,150
	51,445	2	47.40	Cash	
	50,935	2	28.63	Cash	
	12,885	2	62.00	Cash	
February 22, 2017	283,405	2	42.07	Cash	1,722,946,968
	107,050	2	47.40	Cash	
	84,138	2	28.63	Cash	
	18,225	2	62.00	Cash	
March 24, 2017	639,130	2	42.07	Cash	1,724,045,414
	220,096	2	47.40	Cash	
	183,470	2	28.63	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	55,750	2	62.00	Cash	
April 27, 2017	658,940	2	42.07	Cash	1,725,293,574
	343,490	2	47.40	Cash	
	180,080	2	28.63	Cash	
	65,650	2	62.00	Cash	
May 20, 2017	768,210	2	42.07	Cash	1,726,771,381
	330,505	2	47.40	Cash	
	279,652	2	28.63	Cash	
	99,440	2	62.00	Cash	
June 29, 2017	215,517,241	2	116.00	Cash	1,942,288,622
July 1, 2017	894,970	2	42.07	Cash	1,944,041,607
	427,730	2	47.40	Cash	
	314,510	2	28.63	Cash	
	115,775	2	62.00	Cash	
July 29, 2017	917,380	2	42.07	Cash	1,945,602,547
	320,895	2	47.40	Cash	
	231,710	2	28.63	Cash	
	90,955	2	62.00	Cash	
August 11, 2017	218,000	2	42.07	Cash	1,945,820,547
August 31, 2017	1,327,835	2	42.07	Cash	1,949,857,615
	1,040,993	2	47.40	Cash	
	552,610	2	28.63	Cash	
	1,000,000	2	44.97	Cash	
	115,630	2	62.00	Cash	
September 27, 2017	4,713,000	2	42.07	Cash	1,954,570,615
October 5, 2017	1,410,429	2	42.07	Cash	1,957,967,253
	870,085	2	28.63	Cash	
	279,050	2	62.00	Cash	
	56,250	2	66.55	Cash	
	300,000	2	45.47	Cash	
	480,824	2	47.40	Cash	
November 10, 2017	3,332,520	2	42.07	Cash	1,964,063,004
	872,105	2	47.40	Cash	
	1,482,650	2	28.63	Cash	
	408,476	2	62.00	Cash	
December 7, 2017	466,450	2	42.07	Cash	1,966,356,225
	703,400	2	47.40	Cash	
	883,759	2	28.63	Cash	
	239,612	2	62.00	Cash	
December 14, 2017[8]	4,750	2	50.00	Cash	1,966,360,975
January 5, 2018	308,175	2	42.07	Cash	1,968,010,395
	552,000	2	47.40	Cash	
	608,920	2	28.63	Cash	
	180,325	2	62.00	Cash	
February 2, 2018	207,065	2	42.07	Cash	1,969,168,320
	435,255	2	47.40	Cash	
	403,035	2	28.63	Cash	
	112,570	2	62.00	Cash	
March 2, 2018	219,425	2	42.07	Cash	1,970,730,779
	590,264	2	47.40	Cash	
	575,770	2	28.63	Cash	
	177,000	2	62.00	Cash	
March 28, 2018	156,215	2	42.07	Cash	1,972,144,439
	485,328	2	47.40	Cash	
	677,595	2	28.63	Cash	
	94,522	2	62.00	Cash	
April 25, 2018	109,440	2	42.07	Cash	1,972,815,729
	247,725	2	47.40	Cash	
	251,050	2	28.63	Cash	
	63,075	2	62.00	Cash	
May 29, 2018	286,945	2	42.07	Cash	1,974,097,424
	460,225	2	47.40	Cash	
	345,600	2	28.63	Cash	
	100,000	2	45.47	Cash	
	88,925	2	62.00	Cash	
June 7, 2018	1,282,750	2	47.40	Cash	1,977,624,994

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	1,282,750	2	28.63	Cash	
	962,070	2	62.00	Cash	
July 11, 2018	614,425	2	42.07	Cash	1,979,410,404
	592,495	2	47.40	Cash	
	470,115	2	28.63	Cash	
	108,375	2	62.00	Cash	
July 26, 2018	57,305	2	42.07	Cash	1,980,096,115
	305,881	2	47.40	Cash	
	241,475	2	28.63	Cash	
	81,050	2	62.00	Cash	
September 5, 2018	54,910	2	42.07	Cash	1,980,602,907
	191,607	2	47.40	Cash	
	190,980	2	28.63	Cash	
	69,295	2	62.00	Cash	
October 4, 2018	38,580	2	42.07	Cash	1,981,163,472
	255,760	2	47.40	Cash	
	209,850	2	28.63	Cash	
	56,375	2	62.00	Cash	
October 25, 2018	36,990	2	42.07	Cash	1,981,665,932
	277,715	2	47.40	Cash	
	158,675	2	28.63	Cash	
	29,080	2	62.00	Cash	
December 3, 2018	37,120	2	42.07	Cash	1,983,599,435
	1,467,565	2	47.40	Cash	
	369,268	2	28.63	Cash	
	59,550	2	62.00	Cash	
December 24, 2018	9,320	2	42.07	Cash	1,983,905,295
	178,005	2	47.40	Cash	
	85,235	2	28.63	Cash	
	33,300	2	62.00	Cash	
January 25, 2019	54,235	2	42.07	Cash	1,984,260,093
	115,843	2	47.40	Cash	
	132,720	2	28.63	Cash	
	52,000	2	62.00	Cash	
February 28, 2019	33,435	2	42.07	Cash	1,984,740,268
	97,770	2	47.40	Cash	
	191,800	2	28.63	Cash	
	57,170	2	62.00	Cash	
	100,000	2	45.47	Cash	
March 14, 2019	2,425	2	116.85	Cash	1,984,742,693
March 26, 2019	39,070	2	42.07	Cash	1,985,050,203
	92,760	2	47.40	Cash	
	104,955	2	28.63	Cash	
	70,725	2	62.00	Cash	
April 29, 2019	26,150	2	42.07	Cash	1,985,330,233
	88,600	2	47.40	Cash	
	105,505	2	28.63	Cash	
	59,775	2	62.00	Cash	
June 10, 2019	186,380	2	42.07	Cash	1,985,842,100
	86,730	2	47.40	Cash	
	168,057	2	28.63	Cash	
	65,550	2	62.00	Cash	
	5,150	2	66.55	Cash	
June 19, 2019(9)	1,500	2	50.00	Cash	1,985,843,600
June 27, 2019	8,962	2	116.85	Cash	1,985,983,562
	93,500	2	82.25	Cash	
	37,500	2	82.60	Cash	
July 17, 2019	520,130	2	42.07	Cash	1,987,277,637
	229,695	2	47.40	Cash	
	319,205	2	28.63	Cash	
	225,045	2	62.00	Cash	
July 17, 2019	33,233	2	82.25	Cash	1,987,310,870
August 27, 2019	45,830	2	42.07	Cash	1,988,119,755
	182,890	2	47.40	Cash	
	361,615	2	28.63	Cash	
	118,950	2	62.00	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	3,500	2	116.85	Cash	
	96,100	2	82.25	Cash	
October 9, 2019	64,280	2	42.07	Cash	1,990,422,651
	274,560	2	47.40	Cash	
	1,759,563	2	28.63	Cash	
	142,318	2	62.00	Cash	
	1,375	2	116.85	Cash	
	60,800	2	82.25	Cash	
November 2, 2019	13,850	2	42.07	Cash	1,990,978,838
	308,520	2	47.40	Cash	
	165,445	2	28.63	Cash	
	38,575	2	62.00	Cash	
	29,797	2	82.25	Cash	
December 4, 2019	27,860	2	42.07	Cash	1,992,136,892
	829,074	2	47.40	Cash	
	166,375	2	28.63	Cash	
	93,370	2	62.00	Cash	
	700	2	116.85	Cash	
	36,675	2	82.25	Cash	
	4,000	2	81.20	Cash	
December 23, 2019	15,540	2	42.07	Cash	1,992,277,932
	50,680	2	47.40	Cash	
	36,320	2	28.63	Cash	
	12,450	2	62.00	Cash	
	26,050	2	82.25	Cash	
January 22, 2020	8,600	2	42.07	Cash	1,992,383,332
	41,170	2	47.40	Cash	
	26,655	2	28.63	Cash	
	13,800	2	62.00	Cash	
	15,175	2	82.25	Cash	
February 20, 2020	23,860	2	42.07	Cash	1,992,664,572
	35,250	2	47.40	Cash	
	39,880	2	28.63	Cash	
	34,450	2	62.00	Cash	
	105,900	2	66.55	Cash	
	36,900	2	82.25	Cash	
	5,000	2	80.85	Cash	
April 27, 2020	54,980	2	42.07	Cash	1,993,104,277
	77,710	2	47.40	Cash	
	163,635	2	28.63	Cash	
	91,755	2	62.00	Cash	
	42,625	2	82.25	Cash	
	9,000	2	81.20	Cash	
May 27, 2020	59,165	2	42.07	Cash	1,993,359,722
	48,255	2	47.40	Cash	
	139,895	2	28.63	Cash	
	6,730	2	62.00	Cash	
	1,000	2	116.85	Cash	
	400	2	82.25	Cash	
June 30, 2020	148,290	2	42.07	Cash	1,993,744,502
	21,430	2	47.40	Cash	
	111,435	2	28.63	Cash	
	3,100	2	62.00	Cash	
	100,000	2	45.47	Cash	
	525	2	82.25	Cash	
August 12, 2020	32,170	2	47.40	Cash	1,993,863,532
	79,960	2	28.63	Cash	
	6,900	2	62.00	Cash	
September 25, 2020	107,330	2	47.40	Cash	1,994,674,957
	690,920	2	28.63	Cash	
	13,175	2	62.00	Cash	
October 23, 2020	27,935	2	47.40	Cash	1,994,862,143
	154,251	2	28.63	Cash	
	5,000	2	62.00	Cash	
November 20, 2020	653,415	2	47.40	Cash	1,995,725,553
	200,195	2	28.63	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	9,800	2	62.00	Cash	
December 22, 2020	59,160	2	47.40	Cash	1,995,855,233
	43,995	2	28.63	Cash	
	26,525	2	62.00	Cash	
January 5, 2021	11,420	2	47.40	Cash	1,995,897,463
	14,610	2	28.63	Cash	
	16,200	2	62.00	Cash	
January 25, 2021	6,520	2	47.40	Cash	1,995,915,273
	4,690	2	28.63	Cash	
	6,600	2	62.00	Cash	
February 8, 2021	14,800	2	47.40	Cash	1,995,969,238
	19,315	2	28.63	Cash	
	19,850	2	62.00	Cash	
February 26, 2021	29,600	2	47.40	Cash	1,996,061,908
	27,350	2	28.63	Cash	
	26,150	2	62.00	Cash	
	9,570	2	82.25	Cash	
March 10, 2021	7,230	2	47.40	Cash	1,996,109,048
	27,760	2	28.63	Cash	
	12,150	2	62.00	Cash	
March 30, 2021	14,460	2	47.40	Cash	1,996,152,748
	16,840	2	28.63	Cash	
	10,150	2	62.00	Cash	
	2,250	2	82.25	Cash	
April 21, 2021	55,260	2	47.40	Cash	1,996,244,768
	29,010	2	28.63	Cash	
	7,750	2	62.00	Cash	
May 5, 2021	7,015	2	47.40	Cash	1,996,269,233
	8,350	2	28.63	Cash	
	9,100	2	62.00	Cash	
May 24, 2021	4,765	2	47.40	Cash	1,996,283,738
	5,840	2	28.63	Cash	
	3,900	2	62.00	Cash	
July 23, 2021	104,846,394	2	87.39	Cash	2,101,130,132
August 3, 2021	23,750	2	47.40	Cash	2,101,297,422
	71,770	2	28.63	Cash	
	41,525	2	62.00	Cash	
	30,245	2	82.25	Cash	
August 12, 2021	13,530	2	47.40	Cash	2,101,365,387
	17,170	2	28.63	Cash	
	18,200	2	62.00	Cash	
	19,065	2	82.25	Cash	
August 25, 2021	10,750	2	47.40	Cash	2,101,421,583
	14,760	2	28.63	Cash	
	18,300	2	62.00	Cash	
	12,386	2	82.25	Cash	
September 7, 2021	11,850	2	47.40	Cash	2,101,466,888
	16,040	2	28.63	Cash	
	12,000	2	62.00	Cash	
	5,415	2	82.25	Cash	
September 23, 2021	8,340	2	47.40	Cash	2,101,513,478
	11,710	2	28.63	Cash	
	19,100	2	62.00	Cash	
	7,440	2	82.25	Cash	
October 8, 2021	8,530	2	47.40	Cash	2,101,555,948
	21,440	2	28.63	Cash	
	12,500	2	62.00	Cash	
October 25, 2021	2,550	2	47.40	Cash	2,101,580,853
	7,540	2	28.63	Cash	
	11,100	2	62.00	Cash	
	3,385	2	82.25	Cash	
	330	2	98.70	Cash	
November 5, 2021	9,320	2	47.40	Cash	2,101,770,553
	11,230	2	28.63	Cash	
	13,700	2	62.00	Cash	
	46,500	2	82.25	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	3,950	2	98.70	Cash	
	105,000	2	81.95	Cash	
November 19, 2021	7,600	2	47.40	Cash	2,101,914,816
	19,480	2	28.63	Cash	
	24,250	2	62.00	Cash	
	87,185	2	82.25	Cash	
	5,748	2	98.70	Cash	
December 2, 2021	2,470	2	47.40	Cash	2,101,968,679
	11,340	2	28.63	Cash	
	16,525	2	62.00	Cash	
	21,540	2	82.25	Cash	
	1,988	2	98.70	Cash	
December 8, 2021	4,330	2	47.40	Cash	2,102,006,097
	11,620	2	28.63	Cash	
	7,100	2	62.00	Cash	
	13,700	2	82.25	Cash	
	668	2	98.70	Cash	
December 17, 2021	500	2	28.63	Cash	2,102,016,502
	3,750	2	62.00	Cash	
	6,155	2	82.25	Cash	
December 24, 2021	3,740	2	28.63	Cash	2,102,028,442
	5,800	2	62.00	Cash	
	2,400	2	82.25	Cash	
January 10, 2022	9,170	2	47.40	Cash	2,102,094,537
	16,575	2	28.63	Cash	
	18,550	2	62.00	Cash	
	21,800	2	82.25	Cash	
January 14, 2022	1,840	2	47.40	Cash	2,102,115,707
	11,700	2	28.63	Cash	
	4,800	2	62.00	Cash	
	2,830	2	82.25	Cash	
January 20, 2022	1,390	2	47.40	Cash	2,102,145,194
	2,470	2	28.63	Cash	
	6,700	2	62.00	Cash	
	16,215	2	82.25	Cash	
	2,712	2	98.70	Cash	
January 28, 2022	1,590	2	47.40	Cash	2,102,167,653
	1,480	2	28.63	Cash	
	3,200	2	62.00	Cash	
	15,925	2	82.25	Cash	
	264	2	98.70	Cash	
February 3, 2022	600	2	62.00	Cash	2,102,175,028
	6,775	2	82.25	Cash	
February 10, 2022	810	2	47.40	Cash	2,102,208,973
	2,230	2	28.63	Cash	
	2,800	2	62.00	Cash	
	25,911	2	82.25	Cash	
	2,194	2	98.70	Cash	
February 17, 2022	3,520	2	47.40	Cash	2,102,247,857
	9,351	2	28.63	Cash	
	2,700	2	62.00	Cash	
	21,990	2	82.25	Cash	
	1,323	2	98.70	Cash	
February 24, 2022	6,990	2	47.40	Cash	2,102,331,099
	9,280	2	28.63	Cash	
	28,800	2	62.00	Cash	
	37,290	2	82.25	Cash	
	882	2	98.70	Cash	
March 4, 2022	11,490	2	47.40	Cash	2,102,413,007
	4,360	2	28.63	Cash	
	21,550	2	62.00	Cash	
	38,280	2	82.25	Cash	
	6,228	2	98.70	Cash	
March 11, 2022	7,440	2	47.40	Cash	2,102,491,032
	26,836	2	28.63	Cash	
	15,925	2	62.00	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	27,024	2	82.25	Cash	
	800	2	98.70	Cash	
March 18, 2022	2,890	2	47.40	Cash	2,102,544,373
	12,560	2	28.63	Cash	
	10,250	2	62.00	Cash	
	27,245	2	82.25	Cash	
	396	2	98.70	Cash	
March 24, 2022	2,000	2	28.63	Cash	2,102,546,373
April 11, 2022	15,010	2	47.40	Cash	2,102,772,303
	20,890	2	28.63	Cash	
	26,800	2	62.00	Cash	
	99,366	2	82.25	Cash	
	11,163	2	98.70	Cash	
	52,701	2	38.30	Cash	
April 19, 2022	9,020	2	47.40	Cash	2,102,870,015
	8,355	2	28.63	Cash	
	6,125	2	62.00	Cash	
	51,320	2	82.25	Cash	
	1,027	2	98.70	Cash	
	21,865	2	38.30	Cash	
April 25, 2022	3,135	2	47.40	Cash	2,102,967,970
	18,500	2	28.63	Cash	
	30,625	2	62.00	Cash	
	32,388	2	82.25	Cash	
	330	2	98.70	Cash	
	12,977	2	38.30	Cash	
April 30, 2022	2,630	2	47.40	Cash	2,103,017,673
	3,360	2	28.63	Cash	
	6,600	2	62.00	Cash	
	18,495	2	82.25	Cash	
	1,464	2	98.70	Cash	
	17,154	2	38.30	Cash	
May 7, 2022	555	2	47.40	Cash	2,103,073,357
	14,440	2	28.63	Cash	
	8,625	2	62.00	Cash	
	14,830	2	82.25	Cash	
	17,234	2	38.30	Cash	
May 16, 2022	6,810	2	47.40	Cash	2,103,148,825
	25,488	2	28.63	Cash	
	10,700	2	62.00	Cash	
	16,860	2	82.25	Cash	
	264	2	98.70	Cash	
	15,346	2	38.30	Cash	
May 23, 2022	111,550	2	47.40	Cash	2,103,416,669
	119,190	2	28.63	Cash	
	9,200	2	62.00	Cash	
	12,388	2	82.25	Cash	
	907	2	98.70	Cash	
	14,609	2	38.30	Cash	
May 30, 2022	5,425	2	47.40	Cash	2,103,453,227
	5,325	2	28.63	Cash	
	8,200	2	62.00	Cash	
	7,885	2	82.25	Cash	
	9,723	2	38.30	Cash	
June 3, 2022	2,200	2	47.40	Cash	2,103,491,865
	11,855	2	28.63	Cash	
	12,100	2	62.00	Cash	
	4,285	2	82.25	Cash	
	8,198	2	38.30	Cash	
June 8, 2022(10)	17,500	2	50.00	Cash	2,103,509,365
July 2, 2022	9,410	2	47.40	Cash	2,103,619,093
	27,745	2	28.63	Cash	
	37,180	2	62.00	Cash	
	13,225	2	82.25	Cash	
	564	2	98.70	Cash	
	21,604	2	38.30	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
July 7, 2022	1,330	2	47.40	Cash	2,103,650,256
	7,305	2	28.63	Cash	
	6,000	2	62.00	Cash	
	7,175	2	82.25	Cash	
	577	2	98.70	Cash	
	7,526	2	38.30	Cash	
	1,250	2	52.90	Cash	
July 15, 2022	1,890	2	47.40	Cash	2,103,683,761
	4,670	2	28.63	Cash	
	10,020	2	62.00	Cash	
	8,850	2	82.25	Cash	
	1,074	2	98.70	Cash	
	7,001	2	38.30	Cash	
July 25, 2022	5,530	2	47.40	Cash	2,103,825,888
	15,710	2	28.63	Cash	
	11,400	2	62.00	Cash	
	79,520	2	82.25	Cash	
	10,325	2	98.70	Cash	
	19,642	2	38.30	Cash	
August 1, 2022	13,320	2	47.40	Cash	2,104,251,595
	11,340	2	28.63	Cash	
	24,300	2	62.00	Cash	
	312,500	2	60.35	Cash	
	40,350	2	82.25	Cash	
	7,895	2	98.70	Cash	
	16,002	2	38.30	Cash	
August 9, 2022	21,360	2	47.40	Cash	2,104,624,775
	66,220	2	28.63	Cash	
	69,370	2	62.00	Cash	
	651	2	116.85	Cash	
	123,340	2	82.25	Cash	
	25,181	2	98.70	Cash	
	67,058	2	38.30	Cash	
August 16, 2022	26,330	2	47.40	Cash	2,105,073,990
	61,490	2	28.63	Cash	
	69,470	2	62.00	Cash	
	10,800	2	116.85	Cash	
	135,045	2	82.25	Cash	
	41,129	2	98.70	Cash	
	37,255	2	38.30	Cash	
	67,696	2	42.95	Cash	
August 22, 2022	13,095	2	47.40	Cash	2,105,389,423
	51,310	2	28.63	Cash	
	57,750	2	62.00	Cash	
	3,675	2	116.85	Cash	
	69,477	2	82.25	Cash	
	36,529	2	98.70	Cash	
	34,319	2	38.30	Cash	
	49,278	2	42.95	Cash	
August 29, 2022	21,720	2	47.40	Cash	2,105,846,263
	92,265	2	28.63	Cash	
	96,900	2	62.00	Cash	
	625	2	116.85	Cash	
	117,166	2	82.25	Cash	
	56,733	2	98.70	Cash	
	33,079	2	38.30	Cash	
	38,352	2	42.95	Cash	
September 5, 2022	33,320	2	47.40	Cash	2,106,559,385
	168,949	2	28.63	Cash	
	225,825	2	62.00	Cash	
	8,300	2	116.85	Cash	
	142,835	2	82.25	Cash	
	42,745	2	98.70	Cash	
	46,561	2	38.30	Cash	
	44,587	2	42.95	Cash	
September 13, 2022	41,150	2	47.40	Cash	2,108,558,235

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	728,719	2	28.63	Cash	
	806,192	2	62.00	Cash	
	26,303	2	116.85	Cash	
	205,724	2	82.25	Cash	
	82,646	2	98.70	Cash	
	50,687	2	38.30	Cash	
	57,429	2	42.95	Cash	
September 20, 2022	20,465	2	47.40	Cash	2,109,285,383
	56,730	2	28.63	Cash	
	82,150	2	62.00	Cash	
	44,325	2	116.85	Cash	
	184,231	2	82.25	Cash	
	175,000	2	80.85	Cash	
	86,409	2	98.70	Cash	
	39,175	2	38.30	Cash	
	38,663	2	42.95	Cash	
September 27, 2022	13,440	2	47.40	Cash	2,109,552,908
	5,220	2	28.63	Cash	
	7,450	2	62.00	Cash	
	19,901	2	116.85	Cash	
	116,507	2	82.25	Cash	
	65,456	2	98.70	Cash	
	20,817	2	38.30	Cash	
	18,734	2	42.95	Cash	
October 1, 2022	28,185	2	47.40	Cash	2,109,829,288
	500	2	28.63	Cash	
	5,200	2	62.00	Cash	
	1,704	2	116.85	Cash	
	133,860	2	82.25	Cash	
	43,484	2	98.70	Cash	
	33,041	2	38.30	Cash	
	29,156	2	42.95	Cash	
	1,250	2	47.70	Cash	
October 10, 2022	16,140	2	47.40	Cash	2,109,879,046
	3,000	2	62.00	Cash	
	5,174	2	116.85	Cash	
	21,420	2	82.25	Cash	
	2,036	2	98.70	Cash	
	1,363	2	38.30	Cash	
	625	2	42.95	Cash	
October 17, 2022	39,660	2	47.40	Cash	2,110,195,421
	4,650	2	62.00	Cash	
	28,283	2	116.85	Cash	
	107,190	2	82.25	Cash	
	29,000	2	80.85	Cash	
	73,011	2	98.70	Cash	
	15,477	2	38.30	Cash	
	19,104	2	42.95	Cash	
October 25, 2022	47,320	2	47.40	Cash	2,110,995,313
	12,650	2	62.00	Cash	
	1,450	2	66.55	Cash	
	75,000	2	72.45	Cash	
	50,000	2	75.00	Cash	
	80,589	2	116.85	Cash	
	298,415	2	82.25	Cash	
	48,000	2	80.85	Cash	
	115,324	2	98.70	Cash	
	35,925	2	38.30	Cash	
	35,219	2	42.95	Cash	
October 31, 2022	93,235	2	47.40	Cash	2,111,583,166
	7,600	2	62.00	Cash	
	200,000	2	53.70	Cash	
	60,000	2	79.45	Cash	
	47,950	2	116.85	Cash	
	92,739	2	82.25	Cash	
	61,937	2	98.70	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	12,797	2	38.30	Cash	
	11,595	2	42.95	Cash	
November 8, 2022	462,470	2	47.40	Cash	2,112,390,858
	7,350	2	62.00	Cash	
	73,578	2	116.85	Cash	
	113,321	2	82.25	Cash	
	25,000	2	80.85	Cash	
	79,052	2	98.70	Cash	
	24,277	2	38.30	Cash	
	22,644	2	42.95	Cash	
November 15, 2022	34,680	2	47.40	Cash	2,112,872,696
	3,150	2	62.00	Cash	
	95,978	2	116.85	Cash	
	203,682	2	82.25	Cash	
	96,823	2	98.70	Cash	
	22,569	2	38.30	Cash	
	24,956	2	42.95	Cash	
November 21, 2022	250	2	47.40	Cash	2,113,174,399
	3,000	2	62.00	Cash	
	67,989	2	116.85	Cash	
	124,606	2	82.25	Cash	
	30,000	2	80.85	Cash	
	42,306	2	98.70	Cash	
	16,178	2	38.30	Cash	
	17,374	2	42.95	Cash	
December 2, 2022	1,510	2	47.40	Cash	2,113,542,064
	4,500	2	62.00	Cash	
	58,825	2	116.85	Cash	
	143,741	2	82.25	Cash	
	13,000	2	80.85	Cash	
	101,128	2	98.70	Cash	
	23,947	2	38.30	Cash	
	21,014	2	42.95	Cash	
December 9, 2022	2,300	2	62.00	Cash	2,113,874,376
	83,826	2	116.85	Cash	
	104,549	2	82.25	Cash	
	44,780	2	98.70	Cash	
	18,556	2	38.30	Cash	
	13,345	2	42.95	Cash	
	64,956	2	66.00	Cash	
December 17, 2022	250	2	47.40	Cash	2,114,202,038
	550	2	62.00	Cash	
	57,163	2	116.85	Cash	
	101,635	2	82.25	Cash	
	44,208	2	98.70	Cash	
	15,945	2	38.30	Cash	
	16,172	2	42.95	Cash	
	41,739	2	66.00	Cash	
	50,000	2	105.65	Cash	
December 23, 2022	300	2	62.00	Cash	2,114,371,048
	35,025	2	116.85	Cash	
	52,276	2	82.25	Cash	
	38,160	2	98.70	Cash	
	7,736	2	38.30	Cash	
	8,985	2	42.95	Cash	
	26,528	2	66.00	Cash	
December 31, 2022	5,750	2	62.00	Cash	2,114,570,368
	35,146	2	116.85	Cash	
	51,820	2	82.25	Cash	
	38,423	2	98.70	Cash	
	10,249	2	38.30	Cash	
	12,279	2	42.95	Cash	
	30,653	2	66.00	Cash	
	15,000	2	105.65	Cash	
January 6, 2023	2,000	2	62.00	Cash	2,114,752,236
	33,438	2	116.85	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	75,382	2	82.25	Cash	
	30,840	2	98.70	Cash	
	10,073	2	38.30	Cash	
	10,406	2	42.95	Cash	
	19,729	2	66.00	Cash	
January 14, 2023	1,400	2	62.00	Cash	2,114,935,725
	39,338	2	116.85	Cash	
	75,648	2	82.25	Cash	
	30,299	2	98.70	Cash	
	6,743	2	38.30	Cash	
	6,465	2	42.95	Cash	
	23,596	2	66.00	Cash	
January 22, 2023	1,000	2	62.00	Cash	2,115,160,533
	42,345	2	116.85	Cash	
	63,159	2	82.25	Cash	
	37,614	2	98.70	Cash	
	8,215	2	38.30	Cash	
	9,688	2	42.95	Cash	
	22,787	2	66.00	Cash	
	40,000	2	105.65	Cash	
January 31, 2023	5,750	2	62.00	Cash	2,115,318,243
	29,969	2	116.85	Cash	
	39,210	2	82.25	Cash	
	29,852	2	98.70	Cash	
	6,243	2	38.30	Cash	
	7,785	2	42.95	Cash	
	18,901	2	66.00	Cash	
	20,000	2	105.65	Cash	
February 4, 2023	7,250	2	62.00	Cash	2,115,469,452
	14,788	2	116.85	Cash	
	44,880	2	82.25	Cash	
	30,429	2	98.70	Cash	
	5,814	2	38.30	Cash	
	6,119	2	42.95	Cash	
	16,929	2	66.00	Cash	
	25,000	2	105.65	Cash	
February 13, 2023	13,275	2	116.85	Cash	2,115,554,742
	28,175	2	82.25	Cash	
	6,300	2	80.85	Cash	
	17,527	2	98.70	Cash	
	6,071	2	38.30	Cash	
	3,789	2	42.95	Cash	
	10,153	2	66.00	Cash	
February 22, 2023	48,988	2	116.85	Cash	2,115,715,028
	47,139	2	82.25	Cash	
	10,467	2	98.70	Cash	
	7,103	2	38.30	Cash	
	7,170	2	42.95	Cash	
	9,419	2	66.00	Cash	
	30,000	2	105.65	Cash	
February 27, 2023	3,650	2	62.00	Cash	2,115,793,219
	5,250	2	116.85	Cash	
	35,795	2	82.25	Cash	
	13,776	2	98.70	Cash	
	6,270	2	38.30	Cash	
	5,095	2	42.95	Cash	
	8,355	2	66.00	Cash	
March 4, 2023	5,250	2	62.00	Cash	2,115,931,506
	27,601	2	116.85	Cash	
	43,752	2	82.25	Cash	
	30,508	2	98.70	Cash	
	8,152	2	38.30	Cash	
	6,079	2	42.95	Cash	
	16,945	2	66.00	Cash	
March 13, 2023	1,250	2	62.00	Cash	2,116,058,189
	38,902	2	116.85	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	42,010	2	82.25	Cash	
	20,453	2	98.70	Cash	
	4,320	2	38.30	Cash	
	4,675	2	42.95	Cash	
	15,073	2	66.00	Cash	
March 20, 2023	1,400	2	62.00	Cash	2,116,201,143
	26,969	2	116.85	Cash	
	64,720	2	82.25	Cash	
	10,000	2	81.20	Cash	
	17,932	2	98.70	Cash	
	5,762	2	38.30	Cash	
	6,910	2	42.95	Cash	
	9,261	2	66.00	Cash	
April 7, 2023	1,000	2	62.00	Cash	2,116,333,018
	20,087	2	116.85	Cash	
	17,860	2	82.25	Cash	
	22,855	2	98.70	Cash	
	55,385	2	38.30	Cash	
	4,804	2	42.95	Cash	
	9,884	2	66.00	Cash	
April 13, 2023	3,300	2	62.00	Cash	2,116,494,384
	30,748	2	116.85	Cash	
	49,972	2	82.25	Cash	
	19,539	2	98.70	Cash	
	43,325	2	38.30	Cash	
	5,515	2	42.95	Cash	
	8,967	2	66.00	Cash	
April 26, 2023	750	2	62.00	Cash	2,116,593,690
	23,054	2	116.85	Cash	
	22,244	2	82.25	Cash	
	10,945	2	98.70	Cash	
	30,887	2	38.30	Cash	
	3,710	2	42.95	Cash	
	7,716	2	66.00	Cash	
April 29, 2023	20,338	2	116.85	Cash	2,116,691,019
	19,151	2	82.25	Cash	
	21,069	2	98.70	Cash	
	26,024	2	38.30	Cash	
	3,008	2	42.95	Cash	
	5,239	2	66.00	Cash	
	2,500	2	62.00	Cash	
May 4, 2023	24,362	2	116.85	Cash	2,116,777,525
	16,043	2	82.25	Cash	
	11,560	2	98.70	Cash	
	24,888	2	38.30	Cash	
	3,100	2	42.95	Cash	
	6,553	2	66.00	Cash	
May 11, 2023	5,300	2	62.00	Cash	2,117,052,702
	126,277	2	116.85	Cash	
	48,543	2	82.25	Cash	
	33,354	2	98.70	Cash	
	43,779	2	38.30	Cash	
	4,980	2	42.95	Cash	
	12,944	2	66.00	Cash	
May 22, 2023	6,150	2	62.00	Cash	2,117,237,720
	22,867	2	116.85	Cash	
	62,212	2	82.25	Cash	
	36,604	2	98.70	Cash	
	36,069	2	38.30	Cash	
	7,042	2	42.95	Cash	
	14,074	2	66.00	Cash	
May 31, 2023	4,250	2	62.00	Cash	2,117,338,202
	11,660	2	116.85	Cash	
	26,630	2	82.25	Cash	
	10,902	2	98.70	Cash	
	30,583	2	38.30	Cash	

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Cumulative number of Equity Shares
	6,760	2	42.95	Cash	
	9,697	2	66.00	Cash	
June 6, 2023	9,700	2	62.00	Cash	2,117,516,452
	39,592	2	116.85	Cash	
	52,185	2	82.25	Cash	
	27,617	2	98.70	Cash	
	30,429	2	38.30	Cash	
	4,920	2	42.95	Cash	
	13,807	2	66.00	Cash	
June 12, 2023	9,000	2	62.00	Cash	2,117,759,220
	50,073	2	116.85	Cash	
	90,580	2	82.25	Cash	
	25,049	2	98.70	Cash	
	41,829	2	38.30	Cash	
	1,250	2	52.90	Cash	
	8,165	2	42.95	Cash	
	15,197	2	66.00	Cash	
	1,625	2	55.70	Cash	
June 17, 2023	1,400	2	62.00	Cash	2,117,898,583
	31,212	2	116.85	Cash	
	50,914	2	82.25	Cash	
	15,474	2	98.70	Cash	
	24,577	2	38.30	Cash	
	4,375	2	42.95	Cash	
	8,911	2	66.00	Cash	
	2,500	2	86.20	Cash	
June 27, 2023	3,000	2	62.00	Cash	2,118,016,263
	11,122	2	116.85	Cash	
	50,221	2	82.25	Cash	
	500	2	80.85	Cash	
	10,389	2	98.70	Cash	
	21,778	2	38.30	Cash	
	5,770	2	42.95	Cash	
	11,150	2	66.00	Cash	
	3,750	2	86.20	Cash	
July 6, 2023	3,375	2	62.00	Cash	2,118,164,218
	41,453	2	82.25	Cash	
	14,852	2	98.70	Cash	
	34,386	2	38.30	Cash	
	30,960	2	116.85	Cash	
	6,179	2	42.95	Cash	
	12,300	2	66.00	Cash	
	4,450	2	86.20	Cash	

$Allotment pursuant to bonus issuance kept under abeyance and released pursuant to court order.
#Allotment pursuant to bonus issuance.

1. *Our Bank was incorporated on April 23, 1931 as a joint stock company and subsequently in 1949 became a company limited by shares.*
2. *Consisted of an offering of 2,525,000 Equity Shares in the issue 1: 2 to the existing shareholders of our Bank and 525,000 Equity Shares to the employees of our Bank. Of the above 377,981 Equity Shares were allotted to employees of our Bank, and 2,670,713 Equity Shares which included Equity Shares renounced by the employees were allotted to the existing shareholders of our Bank.*
3. *Forfeiture of 302,745 Equity Shares as calls in arrears.*
4. *Equity Shares issued pursuant to issue of GDRs.*
5. *Equity Shares issued pursuant to overallotment under GDRs.*
6. *Equity Shares issued pursuant to the rights entitlement kept under abeyance and released pursuant to court order.*
7. *Equity Shares issued pursuant to the bonus issuance kept under abeyance and released pursuant to court order.*
8. *Equity Shares issued pursuant to the rights entitlement kept under abeyance and released pursuant to court order.*
9. *Equity Shares issued pursuant to the rights entitlement kept under abeyance and released pursuant to court order.*
10. *Equity Shares issued pursuant to the rights entitlement kept under abeyance and released pursuant to court order.*

Our Bank has not been able to trace the corporate records in relation to the allotments made prior to 2006. For further details see *"Risk Factors 33 - Certain of our historical corporate records in connection with the allotment of our Equity Shares are not traceable."* on page 52.

Except as disclosed below, Our Bank has not made any allotment of Equity Shares in the one year immediately preceding the date of filing of this Preliminary Placement Document.

Federal Bank - ESOS 2010

As on the date of this Preliminary Placement Document, our Bank has a subsisting employees' stock option scheme, the Federal Bank - Employee Stock Option Scheme 2010 ("**ESOS 2010**"). Our Bank, pursuant to the resolutions passed by the Board on October 29, 2010 and Shareholders on December 24, 2010, adopted the ESOS 2010. The ESOS 2010 is in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Bank may grant an aggregate number of up to 82,811,799 employee stock options under the ESOS 2010. Upon exercise and payment of the exercise price, the option holder will be entitled to be allotted one Equity Share per employee stock option. Accordingly, the number of Equity Shares that may be issued under the ESOP Plan 2010 shall not exceed 82,811,799 Equity Shares.

The details of the stock options outstanding under the ESOS 2010 as of the date of the Preliminary Placement Document are as follows:

Details	Number of Stock Options
Options granted	104,075,200
Options vested	1,510,145
Options exercised	75,597,810
Options lapsed/forfeited	7,857,685
Options cancelled	13,580,010
Total options outstanding	7,039,695

Federal Bank - ESOS 2017

As on the date of this Preliminary Placement Document, our Bank has a subsisting employees' stock option scheme, the Federal Bank - Employee Stock Option Scheme 2017 ("**ESOS 2017**"). Our Bank, pursuant to the resolutions passed by the Board on April 28, 2017 and Shareholders on July 14, 2017, adopted the ESOS 2017.The ESOS 2017 is in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Bank may grant an aggregate number of up to 86,202,270 employee stock options under the ESOS 2017. Upon exercise and payment of the exercise price, the option holder will be entitled to be allotted one Equity Share per employee stock option. Accordingly, the number of Equity Shares that may be issued under the ESOP Plan 2017 shall not exceed 86,202,270 Equity Shares.

The details of the stock options outstanding under the ESOS 2017 as of the date of the Preliminary Placement Document are as follows:

Details	Number of Stock Options
Options granted	115,225,425
Options vested	46,450,693
Options exercised	11,698,013
Options lapsed/forfeited	-
Options cancelled	33,203,134
Total options outstanding	70,324,278

Proposed Allottees in the Issue

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment shall be made by our Bank, in consultation with the Book Running Lead Managers, to Eligible QIBs only, on a discretionary basis. For further details, see "*Proposed Allottees*" on page 774.

Pre-Issue and post-Issue shareholding pattern

The pre-Issue and post-Issue shareholding pattern of our Bank is set forth below:

S. No.	Category	Pre-Issue^		Post-Issue*	
		No. of Equity Shares held	% of shareholding	No. of Equity Shares held	% of shareholding
1.	**Promoter's holding**				
1.	Indian				
	Individual	N.A.	N.A.	[●]	[●]
	Bodies corporate	N.A.	N.A.	[●]	[●]
	Sub-total	**N.A.**	**N.A.**	**[●]**	**[●]**
2.	Foreign	N.A.	N.A.	[●]	[●]
	Sub-total (A)	**N.A.**	**N.A.**	**[●]**	**[●]**
2.	**Non – Promoter's holding**				
1.	Institutional Investors	1,479,346,409	69.83	[●]	[●]
2.	Non-Institutional Investors	N.A.	N.A.	[●]	[●]
	Private corporate bodies	32,104,114	1.53	[●]	[●]
	Directors and relatives	1,375,595	0.06	[●]	[●]
	Indian public	471,848,974	22.28	[●]	[●]
	Others including Non-resident Indians (NRIs)	133,489,126	6.30	[●]	[●]
	Sub-total (B)	**2,118,164,218**	**100.00**	**[●]**	**[●]**

S. No.	Category	Pre-Issue^		Post-Issue*	
		No. of Equity Shares held	% of shareholding	No. of Equity Shares held	% of shareholding
	Grand Total (A+B)	**2,118,164,218**	**100.00**	**[●]**	**[●]**

^ *Based on beneficiary position data of our Bank as on July 18, 2023.*

* ***Note:*** *The details of the post-Issue shareholding pattern have been intentionally left blank and will be filled in before filing of the Placement Document with the Stock Exchanges.*

Other confirmations

Our Equity Shares have been listed for a period of at least one year prior to the date of issuance of notice dated July 5, 2022 to the Shareholders for approval of this Issue.

Our Bank shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue.

There will be no change of control of our Bank pursuant to the Issue.

Our Bank has not made any allotments for consideration other than cash, in the last one year preceding the date of this Preliminary Placement Document.

Except employee stock options granted pursuant to ESOS 2010 and ESOS 2017, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into the Equity Shares as on the date of this Preliminary Placement Document.

On the basis of the offer letter dated July 18, 2023, our Bank proposes to undertake a preferential issue ("**Preferential Issue"**) of up to 72,682,048 Equity Shares aggregating up to ₹9,586.76 million to IFC Investors, as per the applicable provisions of the Companies Act 2013, SEBI ICDR Regulations and applicable law. The Preferential Issue will be undertaken subject to a minimum subscription price per share as prescribed under the SEBI ICDR Regulations and such issue price shall not exceed ₹131.91 per Equity Share. The Preferential Issue is subject to approval by our Board and Shareholders, execution of relevant agreements and receipt of regulatory approvals (including approval from the RBI**.** We cannot assure you that our Board, Shareholders, and RBI will accord their approval for the Preferential Issue and that our Bank will be able to raise funds through the Preferential Issue in a timely manner or at all due to market conditions and other considerations. Also see *Risk Factor 15- "Our Bank may undertake a preferential allotment of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations"*- on page 44.

DIVIDENDS

The declaration and payment of dividends will be recommended by our Board and approved by our Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and regulations and guidelines made thereunder (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005) ("**RBI Dividend Circular**"), the Articles of Association and other applicable law, including the Companies Act, 2013. Our Board has approved and adopted a formal dividend distribution policy in terms of Regulation 43A of the SEBI Listing Regulations. For further information, see "*Description of the Equity Shares*" on page 753. Subsequently, amendments to the dividend distribution policy were approved and adopted by our Board on March 18, 2023. The dividend, if any, will depend on various internal factors, including but not limited to business growth plans, future capital requirements etc. The decision of our Board regarding dividend shall be final. The dividend payout decision of our 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.

RBI, pursuant to a circular DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 read with circular DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4, 2020, has directed that banks shall not make any dividend payment on equity shares from the profits pertaining to the fiscal ended March 31, 2020 in order to conserve capital to retain their capacity to support the economy and absorb losses in an environment of heightened uncertainty caused by COVID-19. Further, vide a circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021, RBI partially modified the instructions contained in the RBI Dividend Circular, allowing the banks to pay dividend on equity shares from the profits for the fiscal ended March 31, 2021, subject to the quantum of dividend being not more than fifty percent of the amount determined as per the dividend payout ratio prescribed in the RBI Dividend Circular.

Our Bank has not declared any dividends or paid on Equity Shares from July 1, 2023 till the date of this Preliminary Placement Document.

The details of dividend paid by our Bank are set out in the following table:

Particulars	Three month period ended June 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
No. of Equity Shares*	No dividend was declared during the period	2,116,201,143	2,102,546,373	No dividend was declared during the year
Face value per Equity Share (in ₹)		2.00	2.00	
Aggregate Dividend (in ₹)		3,786,630,319.80	1,397,395,641.60	
Dividend per Equity Share (in ₹)		1.80	0.70	
Rate of dividend (%)		90.00	35.00	
Dividend Distribution Tax (%)		N.A.	N.A.	
Dividend Distribution Tax (in ₹)		N.A.	N.A.	

** Number of equity shares, subscribed called up and paid up as at 31 March of respective years.*

FINANCIAL INFORMATION

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
Off Kunjanbava Road,
Vytilla,
Kochi -682019

Borkar & Muzumdar
Chartered Accountants,
21/168, Anand Nagar, Om Co-op
Hsg Society, Anand Nagar Lane
Off Nehru Road, Santacruz(East)
Mumbai - 400 055

Limited Review Report on Special Purpose Unaudited Condensed Interim Standalone Financial Statements of the Federal Bank Limited for the quarter ended 30th June 2023

The Board of Directors,
The Federal Bank Limited

1. We have reviewed the accompanying Special Purpose Unaudited Condensed Interim Standalone Financial Statements of The Federal Bank Limited (hereinafter referred to as "the Bank") which comprise the Condensed Standalone Balance Sheet as at 30th June 2023, the Condensed Standalone Statement of Profit and Loss and the Condensed Standalone Statement of Cash Flows for the three month period then ended, and related explanatory notes (hereinafter referred to as "Unaudited Condensed Interim Standalone FinancialStatements").

2. The Unaudited Condensed Interim Standalone Financial Statements, which the responsibility of the Bank's Management and have been approved by the Bank's Board of Directors, have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard - 25 'Interim Financial Reporting' ('AS-25'), prescribed under section 133 of the Companies Act, 2013, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (the 'RBI') from time to time (the 'RBI Guidelines') and other accounting principles generally accepted in India. These Special Purpose Condensed Standalone Financial Statements have been prepared solely in connection with raising of funds in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (hereinafter referred to as "the SEBI ICDR Regulations").Our responsibility is to issue a report on the Unaudited Condensed Interim Standalone Financial Statements based on our review.

3. We conducted our review of the Unaudited Condensed Interim Standalone Financial Statements in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered

Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Unaudited Condensed Interim Standalone Financial Statements are free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly we do not express an audit opinion.

4. Our review primarily is conducted on the basis of review of the books of account and records of the Bank. We have also relied on the information and explanations furnished to us by the Bank and the returns as considered necessary by us for the review.

5. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Unaudited Condensed Interim Standalone Financial Statements prepared in accordance with applicable accounting standards, the RBI Guidelines and other accounting principles generally accepted in India, contain any material misstatement.

Restriction on Distribution and Use:

6. The Unaudited Condensed Interim Standalone Financial Statements have been prepared solely to assist the Bank to meet the requirements of preparation of Special Purpose Financial Statements for the three months ended 30th June 2023 in connection with raising of funds in accordance with the provisions of the SEBI ICDR Regulations. As a result, the Unaudited Condensed Interim Standalone Financial Statements may not be suitable for another purpose. Our report is intended solely for the Bank for use in connection with the above purpose and should not be distributed to or used by parties without our prior written consent.

For Varma & Varma
Chartered Accountants
FRM: 004532S

Vijay Narayan Govind
Partner
Membership No. 203094
UDIN: 23203094BGXYMV7400
Kochi
Date: 19.07. 2023

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
Membership No: 100938
UDIN: 23100938BGQQSW5935
Kochi
Date: 19.07.2023

THE FEDERAL BANK LIMITED
Unaudited Condensed Interim Standalone Balance Sheet

(₹ in Lakhs)

	As at June 30, 2023 (Unaudited)	As at March 31, 2023 (Audited)	As at June 30, 2022 (Unaudited)
CAPITAL AND LIABILITIES			
Capital	42,360	42,324	42,070
Reserves and Surplus	2,195,154	2,108,300	1,897,181
Deposits	22,249,550	21,338,604	18,335,529
Borrowings	2,117,774	1,931,928	1,583,424
Other Liabilities and Provisions	814,720	613,027	677,075
Total	**27,419,558**	**26,034,183**	**22,535,279**
ASSETS			
Cash and Balances with Reserve Bank of India	1,359,051	1,259,085	1,315,721
Balance with Banks and Money at Call and Short Notice	569,216	509,783	280,531
Investments	5,194,188	4,898,335	4,118,649
Advances	18,348,741	17,444,688	15,168,949
Fixed Assets	93,443	93,397	66,775
Other Assets	1,854,919	1,828,895	1,584,654
Total	**27,419,558**	**26,034,183**	**22,535,279**
Contingent liabilities	7,496,388	7,660,184	4,881,237

As per our limited review report of even date

For and on behalf of the Board of Directors

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Place: Kochi
Date : July 19, 2023

THE FEDERAL BANK LIMITED
Unaudited Condensed Interim Standalone Statement of Profit and Loss

(₹ in Lakhs)

	For the quarter ended June 30, 2023 (Unaudited)	**For the quarter ended June 30, 2022 (Unaudited)**
1. Interest earned (a)+(b)+(c)+(d)	502,453	362,886
(a) Interest/discount on advances/bills	403,958	288,682
(b) Income on investments	81,486	62,949
(c) Interest on balances with Reserve Bank of India and other inter bank funds	7,093	4,480
(d) Others	9,916	6,775
2. Other income	73,241	45,262
3. TOTAL INCOME (1+2)	**575,694**	**408,148**
4. Interest expended	310,594	202,435
5. Operating expenses (i)+(ii)	134,865	108,376
(i) Payments to and provisions for employees	61,674	49,932
(ii) Other operating expenses	73,191	58,444
6. TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)	**445,459**	**310,811**
7. OPERATING PROFIT (3-6) (Profit before provisions and contingencies)	**130,235**	**97,337**
8. Provisions (other than tax) and contingencies	15,558	16,668
9. Exceptional items	-	-
10. Profit from Ordinary Activities before tax (7-8-9)	**114,677**	**80,669**
11. Tax expense	29,303	20,603
12. Net Profit from Ordinary Activities after tax (10-11)	**85,374**	**60,066**
13. Extraordinary items (net of tax expense)	-	-
14. Net Profit for the period (12-13)	**85,374**	**60,066**
Earnings per Share (EPS) (in ₹)		
(a) Basic EPS (before and after extraordinary items)	4.03*	2.86*
(b) Diluted EPS (before and after extraordinary items)	3.98*	2.83*

* Not Annualised

As per our limited review report of even date

For and on behalf of the Board of Directors

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Place: Kochi
Date : July 19, 2023

THE FEDERAL BANK LIMITED
Unaudited Condensed Interim Standalone Cash Flow Statement

(₹ in Lakhs)

	For the quarter ended June 30, 2023 (Unaudited)	For the quarter ended June 30, 2022 (Unaudited)
1. Net Cash Flow from/ (used in) Operating Activities	153,569	(222,710)
2. Net Cash Flow from/ (used in) Investing Activities	(181,497)	(325,968)
3. Net Cash Flow from/ (used in) Financing Activities	187,286	44,627
4. Effect of Exchange Fluctuation on Translation Reserve	41	(732)
5. Net Increase/(Decrease) in Cash and Cash Equivalents	159,399	(504,783)
6. Cash and Cash Equivalents at the beginning of the period	1,768,868	2,101,035
7. Cash and Cash Equivalents at the end of the period	1,928,267	1,596,252

Notes:

Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice.

As per our limited review report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

Vijay Narayan Govind
Partner
Membership No: 203094

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Kaushal Muzumdar
Partner
Membership No: 100938

For and on behalf of the Board of Directors

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Place: Kochi
Date : July 19, 2023

Selected Explanatory Notes to the Unaudited Condensed Interim Standalone Financial Statements for the quarter ended June 30, 2023:

1 The above Unaudited Condensed Standalone Interim Financial Statements for the quarter ended June 30, 2023 were reviewed by the Audit Committee and adopted by the Board of Directors. These Unaudited Condensed Standalone Interim Financial Statements have been prepared solely in connection with raising of funds in accordance with the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended, the same has been subjected to limited review by the Joint Statutory Auditors of the Bank and an unqualified review report has been issued. There are no subsequent events between July 01, 2023 and July 19, 2023 which materially affects the financial position/ results of the Bank as at June 30, 2023.

2 The Bank has consistently applied its significant accounting policies in the preparation of the Unaudited Condensed Standalone Interim Financial Statements as those followed in the Annual Financial Statements for the year ended March 31, 2023.

3 During the quarter ended June 30, 2023, the Bank has allotted 1,815,120 equity shares of ₹ 2 each, pursuant to the exercise of stock options by employees.

4 Segment Information@

(₹ in Lakhs)

Particulars	For the quarter ended		For the year ended
	30.06.2023 (Unaudited)	30.06.2022 (Unaudited)	31.03.2023 (Audited)
Segment Revenue:			
Treasury	77,243	54,864	253,996
Corporate/Wholesale Banking	164,245	107,758	524,048
Retail Banking	331,117	243,361	1,120,482
a) Digital Banking	30,340	17,299	90,354
b) Other Retail Banking	300,777	226,062	1,030,128
Other Banking operations	2,949	2,123	14,350
Unallocated	140	42	487
Total Revenue	**575,694**	**408,148**	**1,913,363**
Less: Inter Segment Revenue	-	-	-
Income from Operations	**575,694**	**408,148**	**1,913,363**
Segment Results (net of provisions):			
Treasury	11,255	12,580	50,577
Corporate/Wholesale Banking	40,024	14,505	95,399
Retail Banking	60,751	51,737	245,789
a) Digital Banking	3,520	(379)	11,359
b) Other Retail Banking	57,231	52,116	234,430
Other Banking operations	2,507	1,805	12,198
Unallocated	140	42	487
Profit before tax	**114,677**	**80,669**	**404,450**
Segment Assets:			
Treasury	5,544,511	4,374,168	5,230,629
Corporate/Wholesale Banking	9,895,207	8,251,948	9,699,651
Retail Banking	11,269,975	9,177,241	10,441,427
a) Digital Banking	482,219	226,182	416,592
b) Other Retail Banking	10,787,756	8,951,059	10,024,835
Other Banking operations	-	-	-
Unallocated	709,865	731,922	662,476
Total	**27,419,558**	**22,535,279**	**26,034,183**
Segment Liabilities:			
Treasury	3,091,221	1,808,289	2,913,818
Corporate/Wholesale Banking	2,625,089	1,810,653	2,424,409
Retail Banking	19,151,679	16,617,656	18,277,723
a) Digital Banking	1,274,681	722,633	1,203,720
b) Other Retail Banking	17,876,998	15,895,023	17,074,003
Other Banking operations	-	-	-
Unallocated	314,055	359,430	267,609
Total	**25,182,044**	**20,596,028**	**23,883,559**
Capital Employed:			
(Segment Assets - Segment Liabilities)			
Treasury	2,453,290	2,565,879	2,316,811
Corporate/Wholesale Banking	7,270,118	6,441,295	7,275,242
Retail Banking	(7,881,704)	(7,440,415)	(7,836,296)
a) Digital Banking	(792,462)	(496,451)	(787,128)
b) Other Retail Banking	(7,089,242)	(6,943,964)	(7,049,168)
Other Banking operations	-	-	-
Unallocated	395,810	372,492	394,867
Total	**2,237,514**	**1,939,251**	**2,150,624**

@ For the above segment reporting, the reportable segments are identified as Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations in compliance with the RBI guidelines.

The business operations of the Bank are substantially concentrated in India and for the purpose of Segment Reporting as per Accounting Standard-17, the bank is considered to operate only in domestic segment.

5 Previous period's figures have been regrouped / reclassified, wherever necessary to conform to current period's classification.

As per our limited review report of even date

For Varma & Varma	**For Borkar & Muzumdar**	**For and on behalf of the Board of Directors**
Chartered Accountants	Chartered Accountants	
Firm's Registration No: 004532S	Firm's Registration No: 101569W	
		Shyam Srinivasan Managing Director & CEO (DIN: 02274773)
Vijay Narayan Govind Partner Membership No: 203094	Kaushal Muzumdar Partner Membership No: 100938	

Place: Kochi
Date : July 19, 2023

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
Off Kunjanbava Road,
Vytilla,
Kochi -682019

Borkar & Muzumdar
Chartered Accountants,
21/168, Anand Nagar, Om Co-op
Hsg Society, Anand Nagar Lane
Off Nehru Road, Santacruz(East)
Mumbai - 400 055

Limited Review Report on Special Purpose Unaudited Condensed Interim Consolidated Financial Statements of the Federal Bank Limited for the quarter ended 30th June 2023

The Board of Directors,
The Federal Bank Limited

1. We have reviewed the accompanying Special Purpose Unaudited Condensed Interim Consolidated Financial Statements of The Federal Bank Limited (hereinafter referred to as "the Bank") which comprise the Condensed Consolidated Balance Sheet as at 30th June 2023, the Condensed Consolidated Statement of Profit and Loss and the Condensed Consolidated Statement of Cash Flows for the three month period then ended, and related explanatory notes (hereinafter referred to as "Unaudited Condensed Interim Consolidated Financial Statements").

2. The Unaudited Condensed Interim Consolidated Financial Statements, which are the responsibility of the Bank's Management and have been approved by the Bank's Board of Directors, have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard - 25 'Interim Financial Reporting' ('AS-25'), prescribed under section 133 of the Companies Act, 2013, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (the 'RBI') from time to time (the 'RBI Guidelines') and other accounting principles generally accepted in India. These Special Purpose Condensed Consolidated Financial Statements have been prepared solely in connection with raising of funds in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (hereinafter referred to as "the SEBI ICDR Regulations").Our

responsibility is to issue a report on the Unaudited Condensed Interim Consolidated Financial Statements based on our review.

3. We conducted our review of the Unaudited Condensed Interim Consolidated Financial Statements in accordance with the Standard on Review Engagement (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Unaudited Condensed Interim Consolidated Financial Statements are free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly we do not express an audit opinion.

4. Our review primarily is conducted on the basis of review of the books of account and records of the Bank. We have also relied on the information and explanations furnished to us by the Bank and the returns as considered necessary by us for the review.

5. These Unaudited Condensed Interim Consolidated Financial Statements includes the financial statements of the following entities:
   a. Fedbank Financial Services Limited (Subsidiary)
   b. Federal Operations and Services Limited (Subsidiary)
   c. Ageas Federal Life Insurance Company Limited (Associate)
   d. Equirus Capital Private Limited (Associate)

6. Based on our review conducted and procedures performed as stated in Paragraphs 3 and 4 above, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with applicable accounting standards, the RBI Guidelines and other accounting principles generally accepted in India, contains any material misstatement.

7. Other Matters

a. These Unaudited Condensed Interim Consolidated Financial Statements includes the financial statements of two subsidiaries which have not been reviewed/ audited, whose condensed interim financial statements reflect total assets of Rs.938365.27 Lakhs, total revenues of Rs. 39,090.75 Lakhs, net profit after tax of Rs. 5280.54 Lakhs and net cash outflow of Rs.20802.78 Lakhs for the quarter ended 30th June 2023, as considered in the Unaudited Condensed Interim Consolidated Financial Statements. According to the information and explanations given to us by the Management, these interim condensed financial statements of the subsidiaries are not material to the Group.

Our conclusion on the Unaudited Condensed Interim Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of the said subsidiaries, is based solely on the above interim condensed financial statements furnished to us by the Management and the procedures performed by us as stated in Paragraphs 3 and 4 above.

b. These Unaudited Condensed Interim Consolidated Financial Statements also includes the Group's share of net profit after tax of Rs. 215.94 Lakhs for the quarter ended 30th June 2023 in respect of two associates, based on their interim condensed financial statements which have not been reviewed/ audited. According to the information and explanations given to us by the Management, these interim condensed financial statements of the associates are not material to the Group. Our conclusion on the Unaudited Condensed Interim Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of the said associates, is based solely on the above interim condensed financial statements furnished to us by the Management and the procedures performed by us as stated in Paragraphs 3 and 4 above.

Our conclusion on the Unaudited Condensed Interim Consolidated Financial Statements is not modified in respect of these matters.

Restriction on Distribution and Use:

8. The Unaudited Condensed Interim Consolidated Financial Statements have been prepared solely to assist the Bank to meet the requirements of preparation of Special Purpose Financial Statements for the three months ended 30th June 2023 in connection with raising of funds in accordance with the provisions of the SEBI ICDR Regulations. As a result, the Unaudited Condensed Interim Consolidated Financial Statements may not be suitable for another purpose. Our report is intended solely for the Bank for use in connection with the above

purpose and should not be distributed to or used by parties without our prior written consent.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
Membership No.203094
UDIN: 23203094BGXYMU4736
Kochi
Date: 19.07.2023

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
Membership No. 100938
UDIN:23100938BGQQSX8711
Kochi
Date: 19.07.2023

THE FEDERAL BANK LIMITED
Unaudited Condensed Interim Consolidated Balance Sheet

(₹ in Lakhs)

	As at June 30, 2023 (Unaudited)	As at March 31, 2023 (Audited)	As at June 30, 2022 (Unaudited)
CAPITAL AND LIABILITIES			
Capital	42,360	42,324	42,070
Reserves and Surplus	2,259,413	2,169,917	1,946,707
Minority Interest	36,576	35,197	31,649
Deposits	22,246,987	21,298,850	18,331,556
Borrowings	2,793,232	2,586,198	2,054,795
Other Liabilities and Provisions	848,553	667,920	704,162
Total	**28,227,121**	**26,800,406**	**23,110,939**
ASSETS			
Cash and Balances with Reserve Bank of India	1,360,843	1,260,424	1,317,812
Balance with Banks and Money at Call and Short Notice	595,338	519,969	288,426
Investments	5,187,895	4,870,224	4,106,335
Advances	19,100,842	18,195,675	15,719,096
Fixed Assets	97,722	97,171	70,424
Other Assets	1,884,481	1,856,943	1,608,846
Total	**28,227,121**	**26,800,406**	**23,110,939**
Contingent liabilities	7,497,232	7,660,597	4,882,910

As per our limited review report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

For and on behalf of the Board of Directors

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Place: Kochi
Date : July 19, 2023

THE FEDERAL BANK LIMITED

Unaudited Condensed Interim Consolidated Statement of Profit and Loss

(₹ in Lakhs)

	For the quarter ended June 30, 2023 (Unaudited)	**For the quarter ended June 30, 2022 (Unaudited)**
1. Interest earned (a)+(b)+(c)+(d)	534,977	384,309
(a) Interest/discount on advances/bills	436,293	310,420
(b) Income on investments	81,475	62,534
(c) Interest on balances with Reserve Bank of India and other inter bank funds	7,093	4,480
(d) Others	10,116	6,875
2. Other income	74,131	47,508
3. TOTAL INCOME (1+2)	**609,108**	**431,817**
4. Interest expended	325,451	210,376
5. Operating expenses (i)+(ii)	146,944	117,580
(i) Payments to and provisions for employees	69,326	55,837
(ii) Other operating expenses	77,618	61,743
6. TOTAL EXPENDITURE (4+5) (excluding provisions and contingencies)	**472,395**	**327,956**
7. OPERATING PROFIT (3-6) (Profit before provisions and contingencies)	**136,713**	**103,861**
8. Provisions (other than tax) and contingencies	16,469	17,521
9. Exceptional items	**-**	-
10. Profit from Ordinary Activities before tax (7-8-9)	**120,244**	**86,340**
11. Tax expense	31,070	22,040
12. Net Profit from Ordinary Activities after tax (10-11)	**89,174**	**64,300**
13. Extraordinary items (net of tax expense)	**-**	-
14. Net Profit for the period (12-13)	**89,174**	**64,300**
15. Minority interest	1,378	1,104
16. Share in Profit of Associates	216	226
17. Consolidated Net Profit of the group (14-15+16)	**88,012**	**63,422**
Earnings per Share (EPS) (in ₹)		
(a) Basic EPS (before and after extraordinary items)	4.16*	3.02*
(b) Diluted EPS (before and after extraordinary items)	4.11*	2.99*

* Not Annualised

As per our limited review report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Place: Kochi
Date : July 19, 2023

For and on behalf of the Board of Directors

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

THE FEDERAL BANK LIMITED
Unaudited Condensed Interim Consolidated Cash Flow Statement

(₹ in Lakhs)

	For the quarter ended June 30, 2023 (Unaudited)	**For the quarter ended June 30, 2022 (Unaudited)**
1. Net Cash Flow from/ (used in) Operating Activities	149,745	(278,149)
2. Net Cash Flow from/ (used in) Investing Activities	(183,852)	(326,177)
3. Net Cash Flow from/ (used in) Financing Activities	209,854	97,685
4. Effect of Exchange Fluctuation on Translation Reserve	41	(732)
5. Net Increase/(Decrease) in Cash and Cash Equivalents	175,788	(507,373)
6. Cash and Cash Equivalents at the beginning of the period	1,780,393	2,113,611
7. Cash and Cash Equivalents at the end of the period	1,956,181	1,606,238

Notes:

Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice.

As per our limited review report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

Vijay Narayan Govind
Partner
Membership No: 203094

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Kaushal Muzumdar
Partner
Membership No: 100938

For and on behalf of the Board of Directors

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Place: Kochi
Date : July 19, 2023

Selected Explanatory Notes to the Unaudited Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2023:

1 The above Unaudited Condensed Consolidated Interim Financial Statements for the quarter ended June 30, 2023 were reviewed by the Audit Committee and adopted by the Board of Directors. These Unaudited Condensed Consolidated Interim Financial Statements have been prepared solely in connection with raising of funds in accordance with the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended, the same has been subjected to limited review by the Joint Statutory Auditors of the Bank and an unqualified review report has been issued. There are no subsequent events between July 01, 2023 and July 19, 2023 which materially affects the financial position/ results of the Group as at June 30, 2023.

2 The Unaudited Condensed Consolidated Interim Financial Statements of the Group comprise the financial statements of The Federal Bank Limited and its subsidiaries viz. Fedbank Financial Services Limited & Federal Operations and Services Limited and its associates viz. Ageas Federal Life Insurance Company Limited & Equirus Capital Private Limited.

3 There has been no material change in the accounting policies adopted during the quarter ended June 30, 2023 as compared to those followed for the year ended March 31, 2023.

4 Segment Information@

(₹ in Lakhs)

Particulars	Quarter ended		Year ended
	30.06.2023	**30.06.2022**	**31.03.2023**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Segment Revenue:			
Treasury	76,433	54,705	253,555
Corporate/Wholesale Banking	163,630	106,784	520,704
Retail Banking	364,558	266,605	1,228,710
a) Digital Banking	30,340	17,299	90,354
b) Other Retail Banking	334,218	249,306	1,138,356
Other Banking operations	4,347	3,681	21,225
Unallocated	140	42	607
Total Revenue	**609,108**	**431,817**	**2,024,801**
Less: Inter Segment Revenue	-	-	-
Income from Operations	**609,108**	**431,817**	**2,024,801**
Segment Results (net of provisions):			
Treasury	11,024	13,000	52,460
Corporate/Wholesale Banking	39,858	14,362	94,335
Retail Banking	66,019	56,244	261,538
a) Digital Banking	3,520	(379)	11,359
b) Other Retail Banking	62,499	56,623	250,179
Other Banking operations	3,203	2,692	15,817
Unallocated	140	42	2,144
Profit before tax	**120,244**	**86,340**	**426,294**
Segment Assets:			
Treasury	5,542,708	4,361,104	5,206,924
Corporate/Wholesale Banking	9,840,909	8,204,925	9,672,729
Retail Banking	12,132,226	9,812,368	11,256,964
a) Digital Banking	482,219	226,182	416,592
b) Other Retail Banking	11,650,007	9,586,186	10,840,372
Other Banking operations	1,413	620	1,313
Unallocated	709,865	731,922	662,476
Total	**28,227,121**	**23,110,939**	**26,800,406**
Segment Liabilities:			
Treasury	3,149,951	1,856,739	2,942,093
Corporate/Wholesale Banking	2,628,875	1,813,320	2,414,080
Retail Banking	19,795,561	17,060,564	18,928,892
a) Digital Banking	1,274,681	722,633	1,203,720
b) Other Retail Banking	18,520,880	16,337,931	17,725,172
Other Banking operations	330	460	294
Unallocated	314,055	359,430	267,609
Total	**25,888,772**	**21,090,513**	**24,552,968**
Capital Employed:			
(Segment Assets - Segment Liabilities)			
Treasury	2,392,757	2,504,365	2,264,831
Corporate/Wholesale Banking	7,212,034	6,391,605	7,258,649
Retail Banking	(7,663,335)	(7,248,196)	(7,671,928)
a) Digital Banking	(792,462)	(496,451)	(787,128)
b) Other Retail Banking	(6,870,873)	(6,751,745)	(6,884,800)
Other Banking operations	1,083	160	1,019
Unallocated	395,810	372,492	394,867
Total	**2,338,349**	**2,020,426**	**2,247,438**

For the above segment reporting, the reportable segments are identified as Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations in compliance with the RBI guidelines.

The business operations of the Bank are substantially concentrated in India and for the purpose of Segment Reporting as per Accounting Standard-17, the bank is considered to operate only in domestic segment.

5 Previous period's figures have been regrouped / reclassified, wherever necessary to conform to current period's classification.

As per our limited review report of even date

For and on behalf of the Board of Directors

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Place: Kochi
Date : July 19, 2023

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
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Borkar & Muzumdar
Chartered Accountants,
21/168 Anand Nagar Om CHS,
Anand Nagar Lane, Off Nehru Road,
Santacruz (East), Mumbai - 400 055

INDEPENDENT AUDITORS' REPORT

To the Members of The Federal Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of The Federal Bank Limited ('the Bank'), which comprise the standalone Balance Sheet as at March 31, 2023, the standalone Profit and Loss Account, the standalone Cash Flow statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

	Key Audit Matters	How our audit addressed the Key Audit Matters
(i)	**Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 4.2 of Schedule 17 and Note 1.4 and Note 1.14.5 of Schedule 18 to the standalone financial statements)**	
	Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances. The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms') for the identification and classification of non-performing assets ('NPA') and the minimum provision required for such assets.. The identification of performing and non-performing advances (including advances restructured under applicable IRACP Norms) involves establishment of proper mechanism	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms). - Understanding, evaluation and testing the design and operating effectiveness of key controls (including system based automated controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI. - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: (a) Considering testing of the exception reports generated from the application systems where the advances have been recorded. (b) Considering the accounts reported by the Bank and other banks as Special Mention

	and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each advance applying both quantitative as well as qualitative factors prescribed by the regulations. Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on: - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions on restructured advances under applicable IRACP Norms) and income recognition on advances: - Requires proper control mechanism and significant level of estimation by the Bank; - Has significant impact on the overall financial statements of the Bank; we have ascertained this area as a Key Audit Matter.	Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. (c) Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors. (d) Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product. (e) Considering key observations arising out of Internal Audits, Systems Audits, Credit Audits and Concurrent Audits conducted as per the policies and procedures of the Bank. (f) Considering the RBI Annual Financial Inspection report on the Bank, the Bank's response to the observations and other communication with RBI during the year. (g) Examination of advances including stressed/ restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. (h) Seeking independent confirmation of account balances for sample borrowers. (i) Visits to branches/offices and examination of documentation and other records relating to advances. For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such

<table>
<tr><td></td><td></td><td>samples after considering the key input factors and compared our measurement outcome to that prepared by management.</td></tr>
<tr><td>(ii)</td><td colspan="2">Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 4.1 of Schedule 17 and Note 1.2 and Note 1.14.5 of Schedule 18 to the standalone financial statements)</td></tr>
<tr><td></td><td>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments('NPI'), non-recognition of income and provisioning against non-performing investments.

The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc. We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall</td><td>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular -
- We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments;
- We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments;
- For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security;
- We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs;</td></tr>
</table>

	significance to the financial results of the Bank.	- We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	**Information Technology ('IT') Systems and Controls for financial reporting**	
	The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested sample IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts. - We reviewed key observations arising out of audits conducted on the Bank's IT systems during the year. - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal financial controls over financial reporting. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and

		tested those changes that had a significant impact on financial reporting.
(iv)	**Assessment of Provisions and Contingent Liabilities (Schedule 5 and 12 read with Notes 4.13 & 4.21 of Schedule 17 to the standalone financial statements)**	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the standalone financial statements) and various employee benefits schemes (Schedule 5 to the standalone financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from independent legal / tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet. The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same	Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported; - Understanding the current status of the litigations/tax assessments; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matters identified as significant, with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice; - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements

	is also sensitive to changes in the assumptions. We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	provided by asset management companies managing the plan assets and - Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the standalone financial statements.

Information other than the standalone Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the other information. The Other Information comprises the information in Basel III - Pillar 3 disclosures which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date (but does not include the standalone financial statements, consolidated financial statements and our auditors' reports thereon).

Our opinion on the standalone financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and Those Charged with Governance for the standalone Financial Statements

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

In preparing the standalone financial statements, Management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the audit of the standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to standalone financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The standalone Balance Sheet and the standalone Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder.

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

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) the profit and loss account shows a true balance of profit for the year then ended.

Further, as required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books

c) The standalone Balance Sheet, the standalone Profit and Loss Account, the standalone 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 relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e) On the basis of written representations received from the directors as on March 31, 2023 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

g) With regard to matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, in our opinion, the entity being a banking company, the remuneration to its directors during the year ended March 31, 2023 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Schedule 12 and Note No 3.6 under Schedule 18 to the standalone financial statements;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 3.8 under Schedule 18 to the standalone financial statements; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank – Refer Note 3.10 under Schedule 18 to the standalone financial statements;.

iv.

a) The Management has represented that, to the best of its knowledge and belief, as disclosed in Note No.3.12 under Schedule 18 to the standalone financial statements, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The Management has represented, that, to the best of its knowledge and belief, as disclosed in Note No.3.12 under Schedule 18 to the standalone financial statements, no funds (which are material either individually or in the aggregate) have been received by the Bank from any person or entity, including foreign entity ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement; and

v. The dividend declared and paid by the Bank is in accordance with sec.123 of the Act.

vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only with effect from April 1, 2023, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
M. No.203094
UDIN: 23203094BGXYMB9748

Kochi
05th May 2023

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 23100938BGQQRH2390

Kochi
05th May 2023

Annexure A to the Independent Auditors' Report of even date on the standalone financial statements of The Federal Bank Limited

Report on the Internal Financial Controls Over Financial Reporting with reference to standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to standalone financial statements of The Federal Bank Limited ('the Bank') as at March 31, 2023 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('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 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 on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing (the 'Standards') as specified 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 auditors' 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 with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting with reference to its standalone financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, 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 issued by the ICAI.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
M. No.203094
UDIN: 23203094BGXYMB9748

Kochi
05th May, 2023

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 23100938BGQQRH2390

Kochi
05th May, 2023

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT MARCH 31, 2023

(₹ in Thousands)

	Schedule	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	4,232,402	4,205,089
Reserves and surplus	2	210,829,966	183,733,307
Deposits	3	2,133,860,385	1,817,005,861
Borrowings	4	193,192,891	153,931,151
Other Liabilities and provisions	5	61,302,651	50,587,680
TOTAL		**2,603,418,295**	**2,209,463,088**
ASSETS			
Cash and balances with Reserve Bank of India	6	125,908,463	160,492,707
Balances with banks and money at call and short notice	7	50,978,343	49,610,748
Investments	8	489,833,470	391,794,616
Advances	9	1,744,468,846	1,449,283,246
Fixed assets	10	9,339,740	6,339,444
Other assets	11	182,889,433	151,942,327
TOTAL		**2,603,418,295**	**2,209,463,088**
Contingent liabilities	12	766,018,373	389,147,678
Bills for collection		56,694,543	50,132,757
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

Vijay Narayan Govind
Partner
Membership No: 203094

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

THE FEDERAL BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
I. INCOME			
Interest earned	13	168,036,338	136,607,529
Other income	14	23,300,006	20,890,935
TOTAL		**191,336,344**	**157,498,464**
II. EXPENDITURE			
Interest expended	15	95,714,736	76,988,020
Operating expenses	16	47,677,655	42,931,938
Provisions and contingencies (Refer Note 1.14.5 of Schedule 18)		17,838,010	18,680,291
TOTAL		**161,230,401**	**138,600,249**
III. PROFIT/(LOSS)			
Net profit for the year		**30,105,943**	**18,898,215**
Profit brought forward from Previous Year		41,055,453	33,053,829
TOTAL		**71,161,396**	**51,952,044**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		4,265,747	2,667,208
Transfer to Statutory Reserve		7,526,486	4,724,554
Transfer to Capital Reserve		113,247	874,033
Transfer to Investment Fluctuation Reserve		9,690	-
Transfer to Special Reserve		1,606,900	1,233,400
Dividend pertaining to previous year paid during the year (Note 3.2 E of Schedule 18)		3,786,630	1,397,396
Balance carried over to Balance Sheet		53,852,696	41,055,453
TOTAL		**71,161,396**	**51,952,044**
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 3.1 of Schedule 18)			
Basic		14.27	9.13
Diluted		14.13	9.06
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Vijay Narayan Govind
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Membership No: 203094

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Partner
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Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

THE FEDERAL BANK LIMITED

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash Flow from Operating Activities		
Net Profit before taxes	40,445,043	25,360,778
Adjustments for:		
Depreciation on Bank's Property	1,646,071	1,229,606
Provision / Depreciation on Investments	411,319	797,923
Amortisation of Premium on Held to Maturity Investments	1,744,601	1,692,231
Provision / Charge for Non Performing Advances	5,913,370	6,111,105
Provision for Standard Assets and Contingencies	1,652,330	6,122,201
(Profit)/Loss on sale of fixed assets (net)	(8,228)	(53,163)
Dividend From Subsidiaries / Joint ventures / Associates	(83,748)	(276,658)
Employees Stock Option Expense	11,075	5,142
	51,731,833	**40,989,165**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *[excluding Held to Maturity Investments]*	(6,566,878)	(32,877,753)
(Increase)/ Decrease in Advances	(301,098,970)	(136,608,336)
(Increase)/ Decrease in Other Assets	(29,749,203)	(27,943,619)
Increase/ (Decrease) in Deposits	316,854,524	90,561,060
Increase/ (Decrease) in Other Liabilities and Provisions	9,062,641	9,334,059
	(11,497,886)	**(97,534,589)**
Direct taxes paid (net)	(11,537,004)	(8,428,637)
Net Cash Flow from / (used in) Operating Activities	**28,696,943**	**(64,974,061)**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(4,668,282)	(2,677,042)
Proceeds from Sale of Fixed Assets	30,144	72,441
Dividend From Subsidiaries / Joint ventures / Associates	83,748	276,658
Investment in Subsidiary	-	(1,479,940)
Investment in Associate	-	(24,116)
(Increase)/ Decrease in Held to Maturity Investments	(93,627,897)	11,959,138
Net Cash flow from / (used in) Investing Activities	**(98,182,287)**	**8,127,139**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	27,314	212,787
Proceeds from Share Premium (Net of share issue expenses)	924,872	9,038,453
Proceeds from Issue of Subordinate Debt	9,950,000	7,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	29,311,740	56,246,118
Dividend Paid	(3,786,630)	(1,397,396)
Net Cash flow from / (used in) Financing Activities	**36,427,296**	**71,099,962**
Effect of exchange fluctuation on translation reserve	(158,601)	(63,456)
Net Increase / (Decrease) in Cash and Cash Equivalents	**(33,216,649)**	**14,189,584**

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash and Cash Equivalents at the beginning of the year	210,103,455	195,913,871
Cash and Cash Equivalents at the end of the year	176,886,806	210,103,455

Notes:

1. Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Balance Sheet)

2. Corporate Social Responsibility related expenses spent in cash during the year is ₹438,803 Thousands (Previous Year: ₹400,601 Thousands)

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Vijay Narayan Govind
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Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	**As at March 31, 2022**
SCHEDULE 1 - CAPITAL		
Authorised Capital	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	4,235,053	4,207,778
2,117,526,438 (Previous year 2,103,889,168) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	4,232,403	4,205,093
2,116,201,143 (Previous year 2,102,546,373) Equity Shares of ₹ 2/-each		
Less: Calls in arrears	1	4
Total	**4,232,402**	**4,205,089**
Refer Note 3.2 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	38,534,280	33,809,726
Additions during the year	7,526,486	4,724,554
	46,060,766	**38,534,280**
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
	50,091	**50,091**
b) Others		
Opening balance	7,454,496	6,580,463
Additions during the year*	113,247	874,033
	7,567,743	**7,454,496**
Subtotal	**7,617,834**	**7,504,587**
III. Share premium (Refer Note 3.2 of Schedule 18)		
Opening balance	60,791,347	51,752,894
Additions during the year	924,872	9,038,453
	61,716,219	**60,791,347**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	25,133,417	22,466,209
Additions during the year	4,265,747	2,667,208
	29,399,164	**25,133,417**
b) Investment Fluctuation Reserve (Refer Note 1.2.1 B of Schedule 18)		
Opening Balance	1,897,200	1,897,200
Additions during the year	9,690	-
	1,906,890	**1,897,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	8,483,200	7,249,800
Additions during the year	1,606,900	1,233,400
	10,090,100	**8,483,200**
V. Foreign Currency Translation Reserve		
Opening Balance	19,116	82,572
Additions / (Deductions) during the year [Refer Schedule 17 (4.6)]	(158,601)	(63,456)
	(139,485)	**19,116**
VI. ESOP Reserve		
Opening Balance	13,704	8,562
Additions during the year	11,075	5,142
	24,779	**13,704**
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VIII. Balance in Profit and Loss Account	**53,852,696**	**41,055,453**
Total	**210,829,966**	**183,733,307**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :
a) Gain on sale of Held to Maturity Investments ₹ 111,106 Thousands (Previous year ₹ 842,569 Thousands)
b) Profit on sale of Premises ₹ 2,141 Thousands (Previous year ₹ 31,464 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	2,179,831	6,176,235
ii. From Others	155,654,726	137,707,100
	157,834,557	**143,883,335**
II. Savings Bank Deposits	**543,369,909**	**530,826,744**
III. Term Deposits		
i. From Banks	23,697,209	9,534,129
ii. From Others	1,408,958,710	1,132,761,653
	1,432,655,919	**1,142,295,782**
Total	**2,133,860,385**	**1,817,005,861**
B. I. Deposits of branches in India	2,133,576,516	1,817,002,880
II. Deposits of branches outside India	283,869	2,981
Total	**2,133,860,385**	**1,817,005,861**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	978,000	743,000
iii. Other institutions and agencies	161,875,129	133,754,081
Total	**162,853,129**	**134,497,081**
II.Borrowings outside India	30,339,762	19,434,070
Total	**193,192,891**	**153,931,151**
a) Secured borrowings included in I and II above	142,903,129	124,497,082
b) Tier II bond included in I(ii) & I(iii) above	19,950,000	10,000,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	6,254,620	6,175,507
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	5,972,034	2,563,996
IV. Others (including provisions)*	49,075,997	41,848,177
Total	**61,302,651**	**50,587,680**
*Includes		
General provision for standard assets (Refer Note 1.4.10 of Schedule 18)	14,484,103	13,155,103

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	10,705,056	17,128,797
II. Balance with Reserve Bank of India		
i. in Current Accounts	99,203,407	82,863,910
ii. in Other Accounts	16,000,000	60,500,000
Total	**125,908,463**	**160,492,707**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	5,695,142	3,808,853
b. in Other Deposit Accounts	402,500	3,632,500
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	4,992,580	1,500,000
Total	**11,090,222**	**8,941,353**
II. Outside India		
i. in Current Accounts	5,376,721	9,063,922
ii. in Other Deposit Accounts	34,511,400	29,938,038
iii. Money at call and short notice	-	1,667,435
Total	**39,888,121**	**40,669,395**
Grand Total (I and II)	**50,978,343**	**49,610,748**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities #	423,955,328	348,660,619
ii. Other approved Securities	-	-
iii. Shares	5,525,238	4,542,942
iv. Debentures and Bonds	23,478,022	15,815,372
v. Subsidiaries/ Joint Ventures	6,688,020	6,688,020
vi. Others @	28,837,118	15,487,304
Total	**488,483,726**	**391,194,257**
II. Investments outside India		
i. Government Securities (including Local authorities)	24,526	439,301
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments		
a. Debentures and Bonds	504,502	151,737
b. Shares	10,105	9,321
c. Others (Certificate of Deposit)	810,611	-
Total	**1,349,744**	**600,359**
Grand Total (I and II)	**489,833,470**	**391,794,616**
Gross Investments		
In India	493,849,157	396,157,926
Outside India	1,351,468	600,359
Total	**495,200,625**	**396,758,285**
Depreciation/ Provision for Investments		
In India	5,365,431	4,963,669
Outside India	1,724	-
Total	**5,367,155**	**4,963,669**
Net Investments		
In India	488,483,726	391,194,257
Outside India	1,349,744	600,359
Total	**489,833,470**	**391,794,616**

Securities costing ₹ 95,151,628 Thousands (Previous Year ₹ 77,383,897 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of: (₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Pass through certificates (PTCs)	25,761,611	5,596,808
Certificate of Deposits	1,340,611	5,323,433
Commercial Paper	492,518	2,481,328
Venture Capital Funds (VCFs)	1,242,378	1,141,681
Security Receipts	-	694,067
Mutual Fund	-	249,987
Total	**28,837,118**	**15,487,304**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 9 - ADVANCES		
A. i. Bills purchased and discounted	41,692,972	35,191,053
ii. Cash credits, overdrafts and loans repayable on demand	760,275,257	644,695,456
iii. Term loans	942,500,617	769,396,737
Total	**1,744,468,846**	**1,449,283,246**
B. i. Secured by tangible assets*	1,461,807,416	1,192,712,986
ii. Covered by Bank/Government guarantees #	18,521,711	17,611,147
iii. Unsecured	264,139,719	238,959,113
Total	**1,744,468,846**	**1,449,283,246**
C.I.Advances in India		
i. Priority sectors	559,026,962	442,727,087
ii. Public sector	124,018	1,234,065
iii. Banks	1,275,342	1,951
iv. Others	1,156,967,913	989,348,658
Total	**1,717,394,235**	**1,433,311,761**
C.II.Advances outside India (Refer note 1.4.3 of Schedule 18)		
i. Due from Banks	794,011	528,747
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	9,938,657	3,717,803
c) Others	16,341,943	11,724,935
Total	**27,074,611**	**15,971,485**
Grand Total (C I and C II)	**1,744,468,846**	**1,449,283,246**

* Includes Advances against book debts
# Includes Advances against Letter of Credit issued by banks
(Advances are net of provisions)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 10 - FIXED ASSETS		
A.Premises #		
Gross Block		
At the beginning of the year	2,968,642	2,436,549
Additions during the year	780,062	533,626
Deductions during the year	5,828	1,533
At the end of the year	**3,742,876**	**2,968,642**
Depreciation		
As at the beginning of the year	1,065,719	1,023,451
Charge for the Year	62,800	42,268
Deductions during the year	1,815	-
Depreciation to date	**1,126,704**	**1,065,719**
Net Block	**2,616,172**	**1,902,923**
B.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	14,520,202	12,789,402
Additions during the year	3,361,381	1,982,775
Deductions during the year	525,031	251,975
At the end of the year	**17,356,552**	**14,520,202**
Depreciation		
As at the beginning of the year	10,365,498	9,412,390
Charge for the year	1,583,271	1,187,339
Deductions during the year	507,130	234,231
Depreciation to date	**11,441,639**	**10,365,498**
Net Block	**5,914,913**	**4,154,704**
C. Capital Work in progress (Including Capital Advances)	**808,655**	**281,817**
Grand Total (A+B+C)	**9,339,740**	**6,339,444**

Includes buildings constructed on leasehold land at different places having original cost of ₹ 1,206,265 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 976,551 Thousands (Previous Year ₹ 443,380 Thousands) with remaining lease period varying from 52 - 63 years.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	15,274,277	11,473,117
III. Tax paid in advance/Tax Deducted at source (Net of provision)	13,375,417	11,735,513
IV. Stationery and Stamps	15,676	11,895
V. Non-banking assets acquired in satisfaction of claims	2,926	3,936
VI. Others #	154,221,137	128,717,866
Total	**182,889,433**	**151,942,327**
# Includes		
(a) Priority sector shortfall deposits	131,167,873	109,941,405
(b) Security deposits	2,392,736	2,169,125
(c) Deferred Tax Asset (Net) (Refer Note 2.4 of Schedule 18)	817,425	1,259,425
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	18,463,344	16,876,238
II. Liability on account of outstanding forward exchange contracts**	610,661,759	266,022,356
III. Guarantees given on behalf of constituents - in India	107,735,581	78,761,957
IV. Acceptances, endorsements and other obligations	25,350,115	22,885,851
V. Other items for which the Bank is contingently liable@	3,807,574	4,601,276
Total	**766,018,373**	**389,147,678**
(Refer Note 3.6 of Schedule 18)		
** - Includes		
(a) Contingent liability on Forward Exchange Contracts	384,868,019	189,738,623
(b) Contingent liability for Derivatives	225,793,740	76,283,733
@ - includes ₹ 2,796,757 Thousands (Previous Year : ₹ 2,486,487 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 1.10 of Schedule 18).		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	134,918,414	108,297,529
II. Income on investments	27,955,686	23,386,652
III.Interest on balances with Reserve Bank of India and other inter-bank funds	2,062,522	2,202,669
IV. Others*	3,099,716	2,720,679
Total	**168,036,338**	**136,607,529**
* - Includes interest on Income tax refunds amounting to ₹ Nil (Previous year ₹288,748 thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	18,021,479	12,830,973
II. Profit on sale of investments (Net)	775,334	3,842,303
III. Profit / (Loss) on revaluation of investments (Net)	(478,109)	(813,501)
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	8,228	53,163
V. Profit on foreign exchange/derivative transactions (Net)	2,971,391	2,420,161
VI. Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures.	83,748	276,658
VII.Miscellaneous income**	1,917,935	2,281,178
Total	**23,300,006**	**20,890,935**
** - Includes Recoveries in assets written off ₹ 1,407,335 Thousands (Previous year ₹ 1,791,353 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	86,130,177	73,328,832
II. Interest on Reserve Bank of India/Inter bank borrowings	906,535	358,479
III.Others	8,678,024	3,300,709
Total	**95,714,736**	**76,988,020**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	21,730,020	23,205,537
II. Rent, taxes and lighting	3,719,346	3,191,096
III. Printing and stationery	501,645	272,291
IV. Advertisement and publicity	391,789	113,662
V. Depreciation on Bank`s property	1,646,071	1,229,606
VI. Directors' fees, allowances and expenses	34,762	28,899
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	52,562	70,579
VIII.Law charges	207,059	123,811
IX. Postage, Telegrams, Telephones etc	1,139,026	826,566
X. Repairs and maintenance	916,082	747,454
XI. Insurance	2,296,985	2,132,461
XII. Other expenditure#	15,042,308	10,989,976
Total	**47,677,655**	**42,931,938**
# - Includes Corporate Social Responsibility expenditure amounting to ₹438,803 Thousands (Previous Year: ₹ 400,601 Thousands)		

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

1. Background

The Federal Bank Limited ('the Bank') was incorporated on April 23, 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 a publicly held banking company with a network of 1,355 branches in India and provides banking and financial services including retail and corporate banking, para banking activities such as debit and credit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The Global Depositary Receipts issued by the Bank in 2006 have been listed on London Stock Exchange. The Bank also has its Digital Banking Unit at Kolkata, Representative Office at Abu Dhabi & Dubai and had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The Standalone Financial Statements ('Financial Statements') have been prepared and presented in accordance with the statutory 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, notifications, guidelines and directives issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) as prescribed under Section 133 of the Companies Act, 2013 ("the Act") read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Act, and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except as otherwise stated.

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 necessary assumptions that affect the reported amounts of assets and liabilities including disclosure of contingent liabilities as at the date of the financial statements and the reported revenues and expenses during the reporting period. 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 recognized prospectively in the current and future periods.

4. Significant accounting policies

4.1 Investments

Classification

In accordance with the RBI guidelines, investments are categorized at the time of purchase as:

- Held for Trading (HFT)
- Available for Sale (AFS) and
- Held to Maturity (HTM)

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.

Basis of Classification

Investments which the bank intends to hold till maturity are classified as "Held to Maturity". 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 are not classified in either of the above two categories are classified as "Available for Sale."

Transfer of securities between Categories

Transfer of securities between categories of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The 'market value' for quoted securities included under AFS and HFT categories shall be the prices declared by the Financial Benchmark India Pvt. Ltd. (FBIL). For securities whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/trading platforms authorized by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Net depreciation, if any, within each category of each investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of each Investment classification is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Depreciation on the securities acquired by way of conversion of outstanding loan (restructured) is not offset against the appreciation in other securities. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

    - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL / FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
    - Pass Through Certificates ('PTC') and Priority Sector PTCs are valued as per extant FIMMDA guidelines

- In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company based on the stipulated norms as per RBI circular.
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.

f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.

g) The Bank follows settlement date method of accounting for purchase and sale of investments.

h) Non-Performing Investments are identified and valued based on RBI Guidelines. Provision for depreciation on non-performing investments is not offset against the appreciation in respect of other performing securities. Interest on non-performing investments is not reckoned in profit and loss account until it is received.

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 in accordance with the RBI Guidelines. Loss on sale / redemption is charged to the Profit and Loss account.

Repurchase and Reverse Repurchase Transactions

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Balance in Repo Account is classified under Schedule 4 -Borrowings. Balance in Reverse Repo account with RBI is classified under Schedule 6 (II) (ii) - Balance with RBI in Other accounts. Other balances in Reverse Repo Accounts with original tenor of 14 days or less are classified under Schedule 7 -Balance with Banks and Money at call & short notice. While Reverse Repos with original maturity more than 14 days are classified under Schedule 9 -Advances. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C, specifically created for this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

4.2 Advances

Classification

Advances are classified into performing (Standard) and non-performing ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs.. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria as per Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC) issued by RBI. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received.

Provisioning

The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

Non-performing advances are written-off in accordance with the Bank’s policy. Amounts recovered against debts written off are recognised in the Profit and Loss Account and included under “Other Income”.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

In addition to the above, the Bank on a prudent basis makes provisions on advances or exposures which are not NPAs, but it has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI. In respect of loans and advances subjected to restructuring under the Prudential Framework (IRAC), the account is upgraded to standard only after the specified period/ monitoring period, subject to satisfactory performance of the account during the period.

The Bank makes additional provisions as per RBI’s guidelines on ‘Prudential Framework on Resolution of Stressed Assets’ dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.
Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution frameworks are made as per extant RBI guidelines.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank makes additional provisions on loans to specific borrowers in specific stressed sectors, provision on incremental exposure to borrowers identified as per RBI’s large exposure framework and on projects where Date of Commencement of Commercial Operations is delayed, as per RBI guidelines.

In respect of borrowers classified as non-cooperative and wilful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

4.3 Securitisation and transfer of assets

The Bank enters into purchase of corporate and retail loans through direct assignments route and the same is accounted as per extant RBI guidelines.

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and 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. Further, such reversal shall be limited to the extent to which cash received exceeds the net book value of the loan at the time of transfer as per RBI guidelines.

4.4 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderately low, moderate, moderately high, high, very high as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

4.5 Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 07, 2016 trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

4.6 Transactions involving foreign exchange

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognized in the profit and loss account.

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) at the Balance Sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and

Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.

- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortized and recognized as interest income / interest expense in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

4.7 Derivative transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Profit and Loss Account. 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. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles.

4.8 Revenue Recognition

- Interest income is recognised in the profit and loss account on an accrual basis in accordance with AS – 9, ‘Revenue Recognition’ as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on “first in first out” policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees, are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.

- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

4.9 Fixed assets and depreciation / amortization

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortization 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 before it is ready to use. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis from the date of addition, except as mentioned below.

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvements to leased Premises are depreciated over lower of lease term or 5 years based on technical evaluation.
- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.
- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Premises	60 Years	60 Years
Electric equipment and installations	10 Years	10 Years
Furniture and fixtures	10 Years	10 Years
Motor Cars	8 Years	8 Years
Servers, Firewall & Network Equipment	6 Years	6 Years
ATM / CDM / Recyclers etc.	5 Years	15 Years
Currency Sorting Machines	5 Years	5 Years
Office equipments	5 Years	5 Years
Computer hardware	3 Years	3 Years
Modem, scanner, routers, switches etc.	3 Years	6 Years

Improvements to lease hold premises are amortised over the remaining primary period of lease.

Software is depreciated over a period of 3 to 5 years and eligible Cost of license is capitalized as intangible asset and amortized over the license period.

Depreciation on assets sold during the year is recognized on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognized as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

4.10 Impairment of Assets

The Bank assesses at each Balance Sheet date whether there is any indication based on internal / external factors that an asset is impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

4.11 Non-Banking Assets acquired in Satisfaction of Claims

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realizable value.

4.12 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognized as expense immediately in the Profit and Loss Account.

4.13 Employee benefits

Defined Contribution Plan

a) **Provident Fund**

Employees covered under contributory provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution paid/payable by the Bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) **National Pension System ('NPS')**

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

Defined Benefit Plan

a) **Pension Fund**

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid/payable by the Bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

b) **Gratuity**

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution paid/payable by the Bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss account.

Other Employee Benefits

Compensation for absence on Privilege / Sick / Casual Leave / Leave Travel Concession (LTC) & other Short-term employee benefits

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 recognized in the Profit and Loss account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employees render the service. These benefits include performance incentives.

4.14 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999, and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Schemes provided for grant of options to Employees and whole time Directors 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 Share-based payments" issued by the ICAI, the Bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the closing market price of the share on the date preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.

The market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

However, the stock options granted to Material risk takers, after March 31, 2021, are accounted as per ‘Fair value method’ using Black-Scholes model, which is recognized as compensation expense over the vesting period in line with extant RBI guidelines.

4.15 Debit and Credit card reward points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption, spends, discount rate, value of reward points etc. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss account and liabilities on the outstanding reward points as at the Balance Sheet date is included in ‘Others’ under Schedule 5 - Other liabilities and provisions.

4.16 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax incurred by the Bank. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards and as per Accounting Standard 22 – “Accounting for Taxes on Income” issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognized 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 recognized for all timing differences. Deferred tax assets are recognized 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 realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize 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 recognized and reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognized in reserves are adjusted in reserves and not in Profit and Loss Account.

The Bank has exercised option referred u/s 115BAA with respect to tax rate, accordingly Minimum Alternative Tax (‘MAT’) provision u/s 115JB are not applicable on Bank.

4.17 Input Credit under GST

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

4.18 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

4.19 Corporate Social Responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 is recognized in the Profit and Loss Account.

4.20 Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with Accounting Standard 20 - "Earnings per Share" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders outstanding by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

4.21 Provisions, contingent liabilities, and contingent assets

In accordance with Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, a provision is recognized when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits 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 management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

No provision is recognized, and a disclosure of contingent liability is made when there is:

I. 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

II. a present obligation arising from a past event which is not recognized because:

   a) it is not probable that an outflow of resources will be required to settle the obligation; or

   b) a reliable estimate of the amount of the obligation cannot be made.

The Bank does not expect the outcome of these contingencies to have a materially adverse effect on its financial results.

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

Contingent assets, if any, are not recognized nor disclosed in the financial statements since this may result in the recognition of income that may never be realized. 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 recognized in the period in which the change occurs.

4.22 Segment information

The disclosure relating to segment information is in accordance with Accounting Standard 17 - “Segment Reporting” issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and as per as per RBI Master Direction on Financial Statements-Presentation and Disclosures dated August 30, 2021, (as amended from time to time). As per the Master Direction, the reportable segments are identified as ‘Treasury’, ‘Corporate / Wholesale Banking’, ‘Retail Banking’ and ‘Other banking operations.

- Treasury’ includes the entire investment portfolio of the Bank.
- Retail Banking include exposures which fulfill the four criteria of orientation, product, granularity, and low value of individual exposures for retail exposures laid down in Master Directions on Basel III: Capital Regulations. Individual housing loans also form part of Retail Banking segment. Further, ‘Digital Banking’ has been identified as a sub-segment of the existing ‘Retail Banking’ segment as per Reserve Bank of India (RBI) guidelines.
- Corporate / Wholesale Banking include all advances to trusts, partnership firms, companies, and statutory bodies, which are not included under ‘Retail Banking’.
- Other Banking Business includes all other banking operations not covered under ‘Treasury, 'Wholesale Banking' and 'Retail Banking' segments. It also includes all other residual operations such as para banking transactions / activities.

4.23 Accounting for Dividend

In terms of Accounting Standard 4 - "Contingencies and Events occurring after the Balance sheet date" issued by the ICAI, as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, the Bank does not account for proposed dividend or Dividend declared after balance sheet date as a liability through appropriation from profit and loss account in current year balance sheet. This is disclosed in the notes to accounts. The same is recognized in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

4.24 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks ⁄ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

1. Disclosure Requirement as per RBI'S Master Direction on Financial Statements – Presentation and Disclosures

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1 Regulatory Capital

1.1. A. **Capital To Risk-Weighted Assets Ratio (Capital Adequacy Ratio)**

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI. Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 11.50% (previous year 11.50%) including Capital Conservation Buffer (CCB) at 2.50% (previous year 2.50%) of the total risk weighted assets (RWA). Out of the MTC, at least 8.00% (previous year 8.00%), shall be from Common Equity Tier 1 (CET1) capital and at least 9.50% (previous Year 9.50%) from Tier 1 capital, including 2.50% (previous year 2.50%) towards CCB.

The Composition of Regulatory Capital of the Bank is set out below:

(Amount in ₹ Crore)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
i)	Common Equity Tier 1 Capital (CET 1) *	20,431.35	17,638.52
ii)	Additional Tier 1 capital	-	-
iii)	Tier 1 Capital (i + ii)	20,431.35	17,638.52
iv)	Tier 2 Capital	2,813.15	1,637.28
v)	Total Capital (Tier 1+Tier 2)	23,244.50	19,275.80
vi)	Total Risk Weighted Assets (RWAs)	156,915.57	122,199.70
	Capital Ratios		
vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	13.02%	14.43%
viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	13.02%	14.43%
ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.79%	1.34%
x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	14.81%	15.77%
xi)	Leverage Ratio	7.18%	7.15%
xii)	Percentage of the shareholding of the Government of India	NA	NA
xiii)	Amount of Paid Up Equity Capital raised during the year#	2.73	21.28
xiv)	Amount of Non - Equity Tier 1 Capital raised during the year, of which:		
	a) Basel III compliant Perpetual Non- Cumulative Preference Shares (PNCPS)	-	-
	b) Basel III compliant Perpetual Debt Instruments (PDI)	-	-
xv)	Amount of Tier 2 Capital raised during the year, of which:		
	a) Basel III compliant Debt Capital instruments**	995.00	700.00
	b) Basel III compliant Preference Share Capital Instruments: [*Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]*	-	-

*Adjusted for proposed dividend of ₹ 1.00 per share (previous year: ₹ 1.80 per share). (Refer Note 3.2.E)

#**Capital Infusion:** During the year, the Bank has allotted 13,637,270 (previous year 1,547,231) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 2.73 Crore (previous year ₹ 0.31 Crore) and Reserves (share premium) increased by ₹ 92.40 Crore (previous year ₹ 9.08 Crore).

During the year, the share capital of the Bank increased by ₹ 0.35 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 8.40 Lakhs (previous year Nil) consequent to allotment of 17,500 shares pertaining to Rights issue of 2007 which were kept in abeyance following Orders from Courts.

Further, the share capital of the Bank increased by ₹ 0.04 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 0.53 Lakhs (previous year Nil) consequent to receipt of calls in arrears pertaining to 2,500 shares.

During the previous year, Bank had issued 104,846,394 equity shares of ₹ 2 each for cash pursuant to a preferential allotment at ₹ 87.39 per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the bank.

The details of the movement in the paid-up equity share capital of the Bank are given below:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening Balance	420.51	399.23
Addition pursuant to employee stock options/Release of rights kept in abeyance/Receipt of calls in arrears	2.73	0.31
Addition pursuant to preferential allotment	-	20.97
Closing Balance	423.24	420.51

**During the year ended March 31, 2023 the bank had raised ₹ 995 Crore (previous year ₹ 700 Crore) Tier 2 capital by way of issuance of Unsecured Basel III compliant Tier 2 Bonds the details of which are given below:

Particulars	March 31, 2023	March 31, 2022
Instrument	Subordinated Debt	Subordinated Debt
Capital	Tier 2	Tier 2
Date of Maturity	March 29, 2033	January 20, 2032
Period	10 Years	10 Years
Coupon	8.84%	8.20%
Amount in ₹ Crore	995.00	700.00

During the year ended March 31, 2023 and March 31, 2022 the Bank has not redeemed debt instruments eligible for Tier-1/Tier-2 capital.

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: https://www.federalbank.co.in/regulatory-disclosures. The Pillar 3 disclosures have not been subjected to audit.

1.1. B. **Reserves and Surplus**

Statutory Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 752.65 crore (previous year: ₹ 472.46 crore) out of profits for the year ended March 31, 2023 to the Statutory Reserve in terms of sections 17 of the Banking Regulation Act, 1949 and RBI guidelines.

Capital Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 11.32 crore (previous year: ₹ 87.40 crore), being the profit from sale or redemption of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.

Special Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 160.69 crore (previous year: ₹ 123.34 crore) out of profits for the year ended March 31, 2023 to the Special Reserve as required under Income Tax Act, 1961.

Investment Fluctuation Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 0.97 Crore (previous year: Nil) to Investment Fluctuation Reserve in compliance with extant RBI guidelines.

Revenue Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 426.57 crore (previous year: ₹ 266.72 crore) out of profits for the year ended March 31, 2023 to the Revenue Reserve.

Draw down from Reserves

The Bank has not drawn down any amount from any reserves during the years ended March 31, 2023 and March 31, 2022.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR

1.2 Investments

1.2.1. A. **Composition of Investment Portfolio**

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HT

	Investments in India							Inv
	Government Securities	Other Approved Securities	Shares	Debentures & Bonds	Subsidiaries and/or Joint Venture	Others	Total Investments In India	Government Securities (Including Local Authorities)
Held to Maturity								
Gross Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-
Net Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-
Available for Sale								
Gross Value	3,188.13	-	587.42	2,423.94	-	3,199.42	9,398.91	2.45
Less: Provision for Non-Performing Investments	-	-	14.63	63.23	-	-	77.86	-
Less: Provision for Depreciation	17.88	-	20.66	12.90	-	407.23	458.67	-
Net Value	3,170.25	-	552.13	2,347.81	-	2,792.19	8,862.38	2.45
Held for Trading								
Gross Value	-	-	0.40	-	-	-	0.40	-
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	0.01	-	-	-	0.01	-
Net Value	-	-	0.39	-	-	-	0.39	-
Total Investments								
Gross Value	42,413.41	-	587.82	2,423.94	668.80	3,290.95	49,384.92	2.45
Less: Provision for Non-Performing Investments	-	-	14.63	63.23	-	-	77.86	-
Less: Provision for Depreciation	17.88	-	20.67	12.90	-	407.23	458.68	-
Net Value	42,395.53	-	552.52	2,347.81	668.80	2,883.72	48,848.38	2.45

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) as at March 31, 2022 are as under:

(Amount in ₹ Crore)

	Investments in India							Investments outside India				
	Government Securities	Other Approved Securities	Shares	Debentures & Bonds	Subsidiaries and/or Joint Venture	Others	Total Investments In India	Government Securities (Including Local Authorities)	Subsidiaries and/or Joint Venture	Others	Total Investments Outside India	Total Investments
Held to Maturity												
Gross Value	30,024.28	-	-	-	668.80	104.20	30,797.28	-	-	-	-	30,797.28
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	30,024.28	-	-	-	668.80	104.20	30,797.28	-	-	-	-	30,797.28
Available for Sale												
Gross Value	4,857.27	-	496.75	1,631.87	-	1,830.88	8,816.77	43.93	-	16.11	60.04	8,876.81
Less: Provision for Non-Performing Investments	-	-	43.98	45.02	-		89.00	-	-	-	-	89.00
Less: Provision for Depreciation	15.49	-	0.22	5.31	-	386.35	407.37	-	-	-	-	407.37
Net Value	4,841.78	-	452.55	1,581.54	-	1,444.53	8,320.40	43.93	-	16.11	60.04	8,380.44
Held for Trading												
Gross Value	-	-	1.74	-	-	-	1.74	-	-	-	-	1.74
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	-	-	1.74	-	-	-	1.74	-	-	-	-	1.74
Total Investments												
Gross Value	34,881.55	-	498.49	1,631.87	668.80	1,935.08	39,615.79	43.93	-	16.11	60.04	39,675.83
Less: Provision for Non-Performing Investments	-	-	43.98	45.02	-	-	89.00	-	-	-	-	89.00
Less: Provision for Depreciation	15.49	-	0.22	5.31	-	386.35	407.37	-	-	-	-	407.37
Net Value	34,866.06	-	454.29	1,581.54	668.80	1,548.73	39,119.42	43.93	-	16.11	60.04	39,179.46

1.2.1. B. **Movement of Provisions for Depreciation and Investment Fluctuation Reserve**

(Amount in ₹ Crore)

Particulars	**March 31, 2023**	**March 31, 2022**
(1) Movement of provisions held towards depreciation on Investments		
a) Opening Balance	407.37	333.28
b) Add: Provisions made during the year	97.32	88.88
c) Add: Transfer (to) / from loan loss provision	8.04	-
d) Less: Write off / (Write back) of excess provisions during the year	53.88	14.79
e) Closing Balance	458.85	407.37
(2) Movement of provisions for Non-performing investments (NPIs)		
a) Opening Balance	89.00	100.09
b) Add: Provisions made during the year	-	17.03
c) Add: Transfer (to) / from loan loss provision	28.14	-
d) Less: Write off / (Write back) of excess provision during the year	39.28	18.69
e) Less: Transfer to / (from) Overdue Investments	-	9.43
f) Closing Balance	77.86	89.00
(3) Movement of Investment Fluctuation Reserve		
a) Opening balance	189.72	189.72
b) Add: Amount Transferred during the year	0.97	-
c) Less: Drawdown	-	-
d) Closing Balance	190.69	189.72
(4) Closing balance in IFR as a percentage of closing balance of Investments* in AFS and HFT/Current category	2.12%	2.26%

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis.

**The carrying value less net depreciation (ignoring net appreciation) ie, the net amount reflected in Balance Sheet.*

1.2.1. C. **Additional Details on Investments:**

a) Investments under SLR HTM as at March 31, 2023 account for 18.82% (previous year 16.78%) of demand and time liabilities, as against permitted ceiling of 23 % (previous Year :22%) stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 174.46 Crore (previous year: ₹ 169.22 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 ₹ 19.90 Crore (previous year: ₹ 150.95 Crore) has been taken to Profit and Loss Account. This includes Profit on sale / redemption on maturity of investments amounting to ₹ 0.20 Lakhs (previous year: ₹ 49 Lakhs). During the year the Bank had appropriated ₹ 11.11 Crore (previous year ₹ 84.26 Crore) [net of taxes and transfer to statutory reserve] to the Capital Reserve being the gain on sale / redemption of HTM Investments in accordance with RBI guidelines. (Also Refer Note 1.2.4)

d) As per Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021, Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio on a continuing basis.

   As on March 31, 2023 the bank is maintaining an IFR of ₹ 190.69 Crore (previous year: ₹ 189.72 Crore) and considered it as part of Tier II capital for capital adequacy purposes.

1.2.2. **Repo Transactions**

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2023 under repos/reverse repos:

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2023
	Minimum	Maximum	Daily Average	
A.1 Securities sold under RBI Repo				
a) Government Securities	-	350.00	7.51	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
A.2 Securities purchased under RBI Reverse Repo				
a) Government Securities	-	7,900.00	2,190.08	1,600.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.1 Securities sold under Market Repo				
a) Government Securities	-	3,842.59	1,307.61	508.06
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.2 Securities purchased under Reverse Market Repo				
a) Government Securities	-	1,555.80	165.71	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.1 Securities sold under TREPS				
a) Government Securities	-	3,398.14	1,793.49	3,398.11
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.2 Securities purchased under TREPS				
a) Government Securities	-	1,499.38	68.45	499.26
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2022 under repos/reverse repos:

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2022
	Minimum	Maximum	Daily Average	
A.1 Securities sold under RBI Repo				
a) Government Securities	-	750.00	6.27	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

A.2 Securities purchased under RBI Reverse Repo				
a) Government Securities	440.00	12,258.00	5,497.75	6,050.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.1 Securities sold under Market Repo				
a) Government Securities	25.82	3,900.32	1,969.50	3,829.76
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.2 Securities purchased under Reverse Market Repo				
a) Government Securities	-	809.72	86.45	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.1 Securities sold under TREPS				
a) Government Securities	-	4,005.59	2,579.91	2,582.66
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.2 Securities purchased under TREPS				
a) Government Securities	-	2,999.65	26.38	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

1.2.3. **Details of Non-SLR investment portfolio –**

a) Issuer composition as at March 31, 2023 of Non-SLR investments

(Amount 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	56.50	56.50	-	-	-
2	Financial Institutions	1,010.47	483.71	-	-	-
3	Banks	695.91	564.23	-	-	-
4	Private Corporates	266.30	252.40	-	-	100.00
5	Subsidiaries / Joint ventures	908.50	908.50	-	-	5.00
6	Others*	4,168.97	1,404.52	-	-	5.00
7	Less: Provision held towards depreciation on investment	440.98				
8	Less: Provision held towards non-performing investments	77.86				
	Total	**6,587.81**	**3,669.86**	**-**	**-**	**110.00**

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

* Includes Investments in Non-SLR government securities amounting to ₹ 2.45 Crore.

** Excludes investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Securities acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

Issuer composition as at March 31, 2022 of Non-SLR investments

(Amount 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	391.50	391.50	-	-	-
2	Financial Institutions	75.91	75.32	-	-	-
3	Banks	963.61	951.61	-	-	-
4	Private Corporates	1,694.61	1,159.49	-	-	100.00
5	Subsidiaries / Joint ventures	908.50	908.50	-	-	5.00
6	Others*	760.15	683.06	-	-	5.00
7	Less: Provision held towards depreciation on investment	391.88				
8	Less: Provision held towards non-performing investments	89.00				
	Total	**4,313.40**	**4,169.48**	**-**	**-**	**110.00**

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

* Includes Investments in Non-SLR government securities amounting to ₹ 43.93 Crore.

** Excludes investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Securities acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Shares	552.52	454.29
Debentures and Bonds	2,347.80	1,581.54
Subsidiaries/Joint Ventures	668.80	668.80
Others *	2,883.72	1,548.73
Investment outside India**	134.97	60.04
Total	**6,587.81**	**4,313.40**

* Includes investment in certificate of deposits, Commercial papers, Mutual Funds, Pass through certificates, Security Receipts and Venture Capital Fund.

** Includes Investments in Non-SLR government securities amounting to ₹ 2.45 Crore (Previous year: ₹ 43.93 Crore).

c) Non-performing Non-SLR investments:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening Balance	100.20	106.62
Additions during the year	-	17.43
Additions due to transfer (to) / from loan loss provision	28.14	-
Reductions during the year	50.09	14.42
Transfer (to) / from Overdue Investments	-	(9.43)
Closing Balance	**78.25**	**100.20**
Total Provisions held	77.86	89.00

1.2.4. **Sale and transfers to/ from HTM Category**

During the years ended March 31, 2023 and March 31, 2022, 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 respective years.

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:**

(Amount in ₹ Crore)

Sl. No	Particulars	March 31, 2023	March 31, 2022
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
	a) 6.10 G-Sec 2031(NSE)	70.40	240.12
	b) 6.10 G-Sec 2031(BSE)	-	20.00
	c) 5.85 G-Sec 2030 (NSE)	-	0.12
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	-	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-

1.3.1. **B)** The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2023 and March 31, 2022. As at March 31, 2023, the notional principal amount outstanding on open contracts is ₹ 3,153.01 Crore (Previous year: Nil).

1.3.2. **A) Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)**

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
(i) The notional principal of swap agreements	11,080.00	2,923.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	0.17	1.24
(iii) Collateral required by the bank upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	109.08	33.43
(v) The fair value of the swap book	4.53	3.30

The nature and terms of the IRS as on March 31, 2023 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	225	₹ 5,475.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	229	₹ 5,605.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	Nil	Nil	USD LIBOR 3M	Fixed receivable v/s floating payable
Trading	Nil	Nil	USD LIBOR 3M	Fixed receivable v/s floating payable

The nature and terms of the IRS as on March 31, 2022 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	53	₹ 1,375.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	46	₹ 1,200.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable

1.3.2. **B) Credit default swaps:** The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the years ended March 31, 2023 and March 31, 2022.

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 parameter's 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, Non Deliverable Forwards and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc.) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Investment Forex and Derivative Policy and Market Risk Management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Net loss, deal size and Price Value of a Basis Point (PVBP). Actual positions are monitored against these limits on a daily basis and breaches if any are reported promptly. Risk assessment of the portfolio is undertaken periodically.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals.

Interest rate contracts

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date at a price determined at the time of the contract.

Exchange rate contracts

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options (including Exchange Traded Currency Option) give the buyer on payment of a premium, the right but not an obligation to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Currency futures contract is a standardised contract traded on an exchange, to buy or sell a certain underlying currency at a certain date in the future at a specified price. The contract specifies the rate of exchange between one unit of currency with another.

Non-Deliverable Derivative Contracts

Non Deliverable Forwards are foreign exchange derivative contract involving the Rupee, entered into with a person resident outside India and which is settled without involving delivery of the Rupee.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts and provisioning

Bank deals in derivatives for hedging Domestic or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Transactions related to foreign exchange forward / Interest rate Future/IRS/Currency futures are marked to market daily and the MTM is accounted in the books.

(c) Collateral Security

Bank has provided Sufficient Collateral to Central counter Parties and Exchanges wherever Applicable. As per market practice no collateral is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. but if a CSA (Credit Support Annexure) is signed then collateral is insisted as per the terms of CSA agreement. For deals with Corporate Clients appropriate collateral security/margin etc. is stipulated wherever considered necessary as per the CSA Agreement.

(d) Credit Risk Mitigation

In the Interbank Space the Bank deals with other major banks and the default risk is perceived as low in this segment. Wherever the CSA (Credit Support Annexure) is signed the collateral is insisted as per the terms of the CSA agreement. This risk is managed under the limit framework laid down by the policy on Sovereign and Counterparty Bank Limits. Exposure against clients is mitigated by collecting proper collateral securities / margin as envisaged by the credit sanctioning team as per the CSA.

Quantitative Disclosures

(Amount in ₹ Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	-
	b) For trading	13,113.52	4,565.28	11,080.00	2,923.00
(ii)	Marked to Market positions				
	a) Asset (+)	179.39	97.41	79.61	38.68
	b) Liabilities (-)	129.98	81.07	75.08	35.38
(iii)	Credit Exposure	775.78	384.79	109.08	33.43
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	0.46	5.25	0.80
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	Max = 0.48	Max = 0.48	Max = 12.41	Max = 5.92
		Min = 0.00	Min = 0.46	Min = 0.01	Min = 0.25

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2023 amounted to ₹ 2,642.54 Crore (previous year ₹ 3,564.10 Crore) and ₹ 17,709.42 Crore (previous year ₹ 5,860.17 Crore) respectively. For the hedging contracts, as at March 31, 2023 the marked to market position was asset of ₹ 19.29 Crore and liability of ₹ 22.85 Crore (previous year asset ₹ 10.64 Crore and liability of ₹ 120.61 Crore). For the trading contract, as at March 31, 2023 the marked to market position was asset of ₹ 447.28 Crore and liability of ₹ 108.06 Crore (previous year asset ₹ 431.75 Crore and liability of ₹ 52.60 Crore). Credit exposure on forward exchange contracts classified as Hedging and Trading as at March 31, 2023 amounted to ₹ 70.49 Crore (previous year ₹ 79.21 Crore) and ₹ 841.83 Crore (previous year ₹ 675.97 Crore) respectively. 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.
- Interest rate derivative represents interest rate swaps.
- The Bank has computed the maximum and minimum of PV01 for the year based on the daily balances for Interest rate Derivatives and Currency Derivatives. During the previous year, maximum and minimum of PV01 was computed based on daily balances for Interest rate Derivatives and month end balances for Currency Derivatives.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of:
    a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.

    b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1. A1. Classification of advances and provisions held as on March 31, 2023

(Amount in ₹ Crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	143,502.71	1,148.60	2,500.14	488.00	4,136.74	147,639.45
Add: Additions during the year					1,719.13	
Less: Reductions during the year*					1,672.10	
Closing balance	173,192.76	1,017.07	2,721.41	445.29	4,183.77	177,376.53
*Reductions in Gross NPAs due to:						
(i) Upgradation					423.24	
(ii) Recoveries (excluding recoveries from upgraded accounts)					865.81	
(iii) Technical / Prudential write offs					302.66	
(iv) Write-offs other than those under (iii) above					72.37	
(v) Reduction by Sale of Assets to ARCs					-	
(vi) Reduction by conversion into debt / equity					8.02	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	1,302.76	368.11	1,785.83	488.00	2,641.94	3,944.70
Add: Fresh provisions made during the year					1,201.36	
Less: Excess provision reversed/ Write-off loans					982.83	
Closing balance of provisions held	1,435.66	303.94	2,111.24	445.29	2,860.47	4,296.13
Net NPAs						
Opening Balance		780.48	612.14	-	1,392.62	
Add: Fresh additions during the year					499.65	
Less: Reductions during the year					687.26	
Closing Balance		713.13	491.88	-	1,205.01	
Floating Provisions						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						3,039.96
Add: Technical/ Prudential write-offs during the year						302.66
Add: Change in balance of existing technically written off account due to exchange rate						14.81
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						131.82
Less: Reinstatement of technically written off accounts into advances/ Conversation of debt to investment or other securities						28.47
Less: Sacrifice made from previously technical/prudential written-off accounts during the year						81.93
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year						-
Closing balance						3,115.21

Note: Movement is the aggregate of quarterly movement during the year.

Classification of advances and provisions held as on March 31, 2022

(Amount in ₹ Crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	130,274.32	1,766.30	2,447.41	388.68	4,602.39	134,876.71
Add: Additions during the year					1,880.81	
Less: Reductions during the year*					2,346.46	
Closing balance	143,502.71	1,148.60	2,500.14	488.00	4,136.74	147,639.45
*Reductions in Gross NPAs due to:						
(i) Upgradation					591.34	
(ii) Recoveries (excluding recoveries from upgraded accounts)					665.88	
(iii) Technical / Prudential write offs					789.06	
(iv) Write-offs other than those under (iii) above					22.65	
(v) Reduction by Sale of Assets to ARCs					275.47	
(vi) Reduction by conversion into debt / equity					2.06	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	723.98	644.15	1,896.10	388.68	2,928.93	3,652.91
Add: Fresh provisions made during the year					1,188.67	
Less: Excess provision reversed/ Write-off loans					1,475.66	
Closing balance of provisions held	1,302.76	368.11	1,785.83	488.00	2,641.94	3,944.70
Net NPAs						
Opening Balance		1,122.15	447.13	-	1,569.28	
Add: Fresh additions during the year					689.25	
Less: Reductions during the year					865.91	
Closing Balance		780.48	612.14	-	1,392.62	
Floating Provisions						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2,419.99
Add: Technical/ Prudential write-offs during the year						789.06
Add: Change in balance of existing technically written off account due to exchange rate						3.62
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						157.74
Less: Reinstatement of technically written off accounts into advances/ Conversation to investment or other securities						8.97
Less: Sacrifice made from previously technical/prudential written-off accounts during the year						0.38
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year						5.62
Closing balance						3,039.96

Note: Movement is the aggregate of quarterly movement during the year.

1.4.1. A2 Details of accounts subjected to restructuring [1,2]

(Amount in ₹ Crore except number of borrowers)

		Agriculture and allied activities		Corporates (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
		As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022
Standard	Number of borrowers	52	89	4	3	28	43	233	340	317	475
	Gross Amount	4.42	6.39	18.54	18.66	49.57	82.02	15.65	11.73	88.18	118.80
	Provision held	0.20	0.32	0.93	0.95	1.79	3.55	0.76	2.51	3.68	7.33
Sub-standard	Number of borrowers	6	27	-	1	2	6	17	27	25	61
	Gross Amount	0.08	3.56	-	10.15	12.00	19.11	1.78	0.34	13.86	33.16
	Provision held	0.01	3.25	-	10.15	10.03	11.28	0.27	0.06	10.31	24.74
Doubtful	Number of borrowers	61	76	6	9	23	25	180	231	270	341
	Gross Amount	26.90	32.83	29.33	55.33	31.68	23.49	8.52	11.72	96.43	123.37
	Provision held	26.23	32.08	29.26	55.17	27.15	14.69	5.63	7.63	88.27	109.57
Loss	Number of borrowers	24	24	-	-	-	-	66	79	90	103
	Gross Amount	0.12	0.12	-	-	-	-	1.14	1.29	1.26	1.41
	Provision held	0.12	0.12	-	-	-	-	1.14	1.29	1.26	1.41
Total	Number of borrowers	143	216	10	13	53	74	496	677	702	980
	Gross Amount	31.52	42.90	47.87	84.14	93.25	124.62	27.09	25.08	199.73	276.74
	Provision held	26.56	35.77	30.19	66.27	38.97	29.52	7.80	11.49	103.52	143.05

Note:

1. Accounts where resolution plan is implemented under RBI Resolution Framework for Covid-19 related stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) are excluded.
2. Technically written off accounts are excluded.

1.4.1. B. **Significant Ratios**

(in %)

Particulars	March 31, 2023	March 31, 2022
Gross non-performing assets as a percentage of gross advances	2.36	2.80
Net non-performing assets as a percentage of net advances.	0.69	0.96
Provision Coverage Ratio (Including Technical write-offs)	83.49	80.60
Provision Coverage Ratio (Excluding Technical write-offs)	70.02	65.54

1.4.2. **Sector-wise Advances and Gross NPAs**

(Amount in ₹ Crore)

Sl. No.	Sector	March 31, 2023			March 31, 2022		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1.	Agriculture and allied activities	25,993.34	1,132.76	4.36	20,285.82	1,045.42	5.15
2.	Advances to industries sector eligible as priority sector lending	12,934.15	436.31	3.37	11,195.62	386.75	3.45
	Of which:						
	Infrastructure	*2,918.54*	*144.01*	*4.93*	*2,712.91*	*73.58*	*2.71*
	Textiles	*2,135.89*	*53.74*	*2.52*	*1,934.42*	*53.77*	*2.78*
3.	Services	15,043.37	347.36	2.31	10,196.11	205.57	2.02
	Of which:						
	NBFC	*1,789.72*	-	-	*1,121.70*	-	-
	Trade	*5,226.62*	*147.10*	*2.81*	*3,267.92*	*105.94*	*3.24*
4.	Personal loans	-	-	-	-	-	-
5.	Others	3,359.28	238.12	7.09	3,752.43	251.58	6.70
	Sub-total (A)	**57,330.14**	**2,154.55**	**3.76**	**45,429.98**	**1,889.32**	**4.16**
B	**Non-Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	26,118.77	229.27	0.88	20,216.81	396.23	1.96
	Of which:						
	Chemicals and Chemical Products	*3,042.42*	*2.61*	*0.09*	*2,195.31*	*3.15*	*0.14*
	Infrastructure	*7,725.29*	*81.61*	*1.06*	*5,737.07*	*110.17*	*1.92*
	Textiles	*2,750.64*	*18.48*	*0.67*	*1,578.80*	*96.71*	*6.13*
3.	Services	38,841.74	823.41	2.12	34,751.51	783.37	2.25
	Of which:						
	Commercial Real Estate	*4,516.47*	*31.47*	*0.70*	*3,712.22*	*36.85*	*0.99*
	Non-Banking Finance Companies	*16,460.09*	*0.04*	-	*14,707.06*	*17.19*	*0.12*
	Trade	*5,805.39*	*388.13*	*6.69*	*5,988.56*	*457.71*	*7.64*
4.	Personal loans	2,983.77	139.72	4.68	2,264.66	167.44	7.39
5.	Others	52,102.11	836.82	1.61	44,976.49	900.38	2.00
	Sub-total (B)	**120,046.39**	**2,029.22**	**1.69**	**102,209.47**	**2,247.42**	**2.20**
	Total (A+B)	**177,376.53**	**4,183.77**	**2.36**	**147,639.45**	**4,136.74**	**2.80**

Note: Disclosure of sub-sectors is made where the outstanding advances exceeds 10% of the outstanding total advances to that sector.

1.4.3. **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 Financial Services Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT City) and business transactions from the same are considered as a Foreign branch for most Regulatory purposes as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 01, 2015. Apart from the said IBU, the bank did not have any overseas branch as on March 31, 2023 and March 31, 2022. Details of Assets, NPAs and Revenue of IBU are given below:

(Amount in ₹ Crore)

Particulars	**March 31, 2023**	**March 31, 2022**
Total Assets	3,098.75	2,001.35
Total NPAs	205.42	189.48
Total Revenue	94.55	32.46

1.4.4. **Divergence in Asset classification and Provisioning for NPAs**

The divergence observed by RBI for the financial years 2021-22 and 2020-21 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Master Direction on 'Financial Statements-Presentation and Disclosures' on 'Divergence in the asset classification and provisioning', is not required to be made.

1.4.5. **Implementation of Resolution Plans (RPs):**

Cases eligible for RPs during the year ended March 31, 2023		**RPs Successfully implemented during the year ended March 31, 2023**		**RPs under implementation during the year ended March 31, 2023**	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
209.34	7	157.70	4	51.64	3

Out of the above, 2 cases are technically written off in our books amounting to total of ₹ 41.43 Crore.

Cases eligible for RPs during the year ended March 31, 2022		**RPs Successfully implemented during the year ended March 31, 2022**		**RPs under implementation during the year ended March 31, 2022**	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
391.02	9	176.88	1	214.14	8

Out of the above, 4 cases are technically written off in our books amounting to total of ₹ 170.19 Crore.

1.4.6 a) **Details of resolution plans implemented under the RBI Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) (including other facilities to the borrowers which have not been restructured) are given below:-**

As at March 31, 2023

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year *	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31, 2023
Personal Loans	2,169.24	79.38	-	194.68	1,913.88
Corporate persons	318.55	8.24	-	48.13	264.03
Of which MSMEs	-	-	-	-	-
Others	603.30	36.09	-	59.25	508.66
Total	**3,091.09**	**123.71**	**-**	**302.06**	**2,686.57**

*Represents net movement in balance outstanding.

As at March 31, 2022

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30, 2021 (A) (1)	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year (2)	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31, 2022
Personal Loans	2,211.69	51.63	-	16.85	2,153.25
Corporate persons	343.26	4.84	-	(9.18)	347.60
Of which MSMEs	-	-	-	-	-
Others	1,150.96	46.95	-	89.86	1,022.60
Total	**3,705.91**	**103.42**	**-**	**97.53**	**3,523.45**

1. Includes restructuring done in respect of requests received as of September 30, 2021, processed subsequently.
2. Represents net movement in balance outstanding.

1.4.6.b) **Details of resolution plans implemented under the RBI Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2023 (excluding other facilities to the borrowers which have not been restructured) are given below:**

As at March 31, 2023

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30 , 2022 (A) (1)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year(2)	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31 , 2023 (1)
Personal Loans	1,910.30	80.32	-	134.81	1,711.25
Corporate persons	234.99	5.29	-	42.72	187.81
Of which MSMEs	-	-	-	-	-
Others	338.29	23.08	-	46.52	268.91
Total	**2,483.58**	**108.69**	**-**	**224.05**	**2,167.97**

1. Excludes other facilities to the borrowers which have not been restructured.
2. Represents net movement in balance outstanding.

As at March 31, 2022

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30 , 2021 (A) (1,3)	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year (2)	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31 , 2022 (3)
Personal Loans	2,146.99	43.12	-	19.29	2,093.71
Corporate persons	198.41	-	-	0.11	198.30
Of which MSMEs	-	-	-	-	-
Others	569.44	19.09	-	151.15	399.90
Total	**2,914.84**	**62.21**	**-**	**170.55**	**2,691.91**

1. Includes restructuring done in respect of requests received as of September 30, 2021 processed subsequently.
2. Represents net movement in balance outstanding
3. Excludes other facilities to the borrowers which have not been restructured.

1.4.7. **Disclosures as per 'Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021' dated September 24, 2021 for the loans transferred / acquired are given below:**

i) Details of loans not in default acquired through assignment during the year ended March 31, 2023 are given below:

	March 31, 2023	March 31, 2022
Aggregate amount of loans acquired (₹ in Crore)	92.25	108.27
Weighted average residual maturity (in years)	6.50	2.46
Weighted average holding period by originator (in years)	0.50	1.20
Retention of beneficial economic interest by the originator (₹ in Crore)	Nil	12.03
Tangible security coverage	93.56%	-
Rating-wise distribution of rated loans	AA-	Not Rated

ii) Details of non-performing assets (NPAs) (excluding prudentially written off advances) transferred during the year ended March 31, 2023 and March 31, 2022 are given below:

(Amount in ₹ Crore except number of accounts)

Particulars	To ARCs		To permitted transferees		To other transferees	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Number of accounts	-	44	-	-	-	-
Aggregate principal outstanding of loans transferred	-	275.47	-	-	-	-
Weighted average residual tenor of the loans transferred (in years)	-	7.44	-	-	-	-
Net book value of loans transferred (at the time of transfer)	-	69.95	-	-	-	-
Aggregate consideration	-	158.26	-	-	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-	-	-	-	-
Provisions reversed to the profit and loss account on account of sale of stressed loans	-	88.31	-	-	-	-

iii) During the years ended March 31, 2023 and March 31, 2022, the bank has not acquired any stressed loans and not transferred any loan not in default / Special Mention Accounts (SMA).

iv) During the years ended March 31, 2023 and March 31, 2022, the bank has not invested in Security Receipts (SR) issued by Asset Reconstruction Companies (ARC) in respect of stressed loans transferred to ARCs.

v) Recovery ratings assigned for Security Receipts are given below:

As on March 31, 2023

(Amount in ₹ Crore)

Rating Scale	Rating	Book Value Outstanding	Provision held	Net Book Value
0-25%	RR5	13.45	13.45	-
25%- 50%	RR4	113.61	113.61	-
75% - 100%	RR2	2.28	2.28	-
Rating Withdrawn / Not rated	Not Rated	57.17	57.17	-
	Withdrawn	220.72	220.72	-
Total		**407.24**	**407.24**	**-**

As on March 31, 2022

(Amount in ₹ Crore)

Rating Scale	Rating	Book Value Outstanding	Provision held	Net Book Value
0-25%	NR6	205.94	203.88	2.06
	RR5	14.79	13.91	0.88
25% - 50%	R4	85.61	43.48	42.13
50% - 75%	NR4	30.51	9.15	21.36
100% - 150%	R1	0.64	-	0.64
	RR1	2.28	-	2.28
Rating Withdrawn / Not rated	Not Rated	0.06	-	0.06
	Withdrawn	115.93	115.93	-
Total		**455.76**	**386.35**	**69.41**

1.4.8. **Details of MSME accounts restructured as per RBI circular Nos.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020**

Position as on March 31, 2023

(Amount in ₹ Crore except number of accounts)

Number of accounts restructured	Amount Restructured	Amount outstanding
1,230	1,025.13	755.99

Position as on March 31, 2022

(Amount in ₹ Crore except number of accounts)

Number of accounts restructured	Amount Restructured	Amount outstanding
1,366	1,144.09	921.38

1.4.9. **Fraud accounts and Provisioning**

(Amount in ₹ Crore except number of frauds)

Particulars	March 31, 2023	March 31, 2022
No. of frauds reported during the year	1,298	413
Amount involved in fraud	181.45	347.92
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year requiring provision	75.63	100.20
Provision made during yesteryears for the above accounts	25.28	64.90
Provision made during the year	50.35	35.30
Provision held as at the end of the year for the above accounts	75.63	100.20
Amount of unamortised provision debited from “other reserves” as at the end of the year.	-	-

1.4.10. **Movement of Provision on Standard Assets**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
(a) Opening balance	1,315.51	736.73
(b) Additions during the year	132.90	619.00
(c) Deduction during the year	-	40.22
(d) Closing balance *	**1,448.41**	**1,315.51**

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 73.78 Crore (previous Year: ₹ 18.19 Crore) and floating provision of ₹ 12.75 Crore (previous year ₹ 12.75 Crore).

1.5. **Asset Liability Management**

1.5.1 **Maturity pattern of certain items of assets and liabilities**

As at March 31, 2023 (Amount in ₹ Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	1,147.67	2,550.19	9,256.56	-	652.86	137.88
2 -7 days	4,332.91	1,482.89	375.77	3,912.42	3,494.63	30.95
8-14 days	1,376.57	1,145.59	493.34	668.23	85.83	33.27
15-30 days	3,709.52	2,661.64	1,200.96	872.35	251.64	451.03
31 days and up to 2 months	6,473.61	6,523.82	1,042.71	383.33	838.75	514.36
Over 2 months and up to 3 months	4,191.17	6,042.12	432.62	290.23	409.26	428.27
Over 3 months and up to 6 months	12,886.97	17,519.88	855.63	1,959.53	1,127.71	1,458.61
Over 6 months and up to 1 Year	25,312.57	17,487.08	1,815.25	2,833.39	1,058.14	2,077.58
Over 1 Year and up to 3 Years	103,530.96	80,365.50	7,554.30	5,513.54	544.35	1,538.64
Over 3 Years and up to 5 Years	25,178.42	18,951.05	11,104.35	891.27	1,269.73	933.35
Over 5 Years	25,245.67	19,717.12	14,851.86	1,995.00	385.17	0.17
Total	**213,386.04**	**174,446.88**	**48,983.35**	**19,319.29**	**10,118.07**	**7,604.11**

As at March 31, 2022 (Amount in ₹ Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	1,119.30	2,676.62	6,416.05	12.97	1,170.16	237.33
2 -7 days	2,245.53	2,196.76	408.91	6,426.42	1,699.75	41.67
8-14 days	2,495.62	1,143.16	427.72	107.69	786.63	117.00
15-30 days	3,880.01	2,546.52	610.53	5.60	506.46	55.50
31 days and up to 2 months	6,278.06	4,261.70	948.35	414.16	753.22	484.70
Over 2 months and up to 3 months	4,951.31	6,150.53	794.31	669.03	740.33	781.64
Over 3 months and up to 6 months	14,881.74	13,608.86	1,973.64	1,684.36	1,002.09	974.18
Over 6 months and up to 1 Year	30,194.33	14,153.00	1,668.14	1,342.43	636.60	1,531.65
Over 1 Year and up to 3Years	79,073.03	66,024.25	2,633.57	3,143.76	321.53	1,733.21
Over 3 Years and up to 5 Years	3,357.64	15,363.13	7,394.27	586.69	542.49	242.67
Over 5 Years	33,224.02	16,803.79	15,903.97	1,000.01	609.74	0.15
Total	**181,700.59**	**144,928.32**	**39,179.46**	**15,393.12**	**8,769.00**	**6,199.70**

Note: Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities excludes forward exchange contracts and off-balance sheet items.

1.5.2 **Liquidity Coverage Ratio (LCR)**

a) Quantitative Disclosure

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2023:

(Amount in ₹ Crore)

	Particulars	Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**40,760.71**		**38,423.55**		**37,907.06**		**35,960.21**
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	161,348.61	14,488.64	157,887.26	14,195.24	153,099.54	13,773.80	152,661.14	13,723.73
(i)	Stable deposits	32,924.40	1,646.22	31,869.82	1,593.50	30,723.08	1,536.15	30,847.67	1,542.38
(ii)	Less stable deposits	128,424.21	12,842.42	126,017.44	12,601.74	122,376.46	12,237.65	121,813.47	12,181.35
3	Unsecured wholesale funding, of which:	24,233.25	18,919.37	19,589.00	14,503.92	18,422.97	13,279.16	18,240.60	13,077.02
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	24,233.25	18,919.37	19,589.00	14,503.92	18,422.97	13,279.16	18,240.60	13,077.02
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	0.60	0.60	5.62	5.62	2.83	2.83	1.87	1.87
(i)	Outflows related to derivative exposures and other collateral requirements	0.60	0.60	5.62	5.62	2.83	2.83	1.87	1.87
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	49,008.48	5,526.33	45,553.08	5,128.31	41,645.34	5,007.91	40,776.01	5,015.92
7	Other contingent funding obligations	12,992.22	389.77	11,863.27	355.90	11,302.56	339.08	10,642.73	319.28
8	**TOTAL CASH OUTFLOWS**		39,324.71		34,188.99		32,402.78		32,137.82

Particulars		Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
Cash Inflows									
9	Secured lending (e.g. reverse repos)	319.12	-	182.50	-	1,829.92	-	1,867.20	-
10	Inflows from fully performing exposures	10,594.44	7,490.10	10,650.36	7,718.39	8,196.41	5,587.90	8,397.33	6,172.09
11	Other cash inflows	20.51	20.51	7.14	7.14	10.86	10.86	11.21	11.21
12	**TOTAL CASH INFLOWS**	**10,934.07**	**7,510.61**	**10,840.00**	**7,725.53**	**10,037.19**	**5,598.76**	**10,275.74**	**6,183.30**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		40,760.71		38,423.55		37,907.06		35,960.21
14	**TOTAL NET CASH OUTFLOWS**		31,814.10		26,463.46		26,804.02		25,954.52
15	**LIQUIDITY COVERAGE RATIO (%)**		**128.12%**		**145.19%**		**141.42%**		**138.55%**

Note: LCR data has been computed based on simple average of daily observations.

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2022:

(Amount in ₹ Crore)

Particulars		Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
		Total Unweighted Value (average)	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**35,898.96**		**36,304.61**		**37,608.85**		**35,015.72**
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	156,122.23	13,353.67	154,690.57	13,105.50	152,194.60	12,870.85	149,338.73	12,617.91
(i)	Stable deposits	45,171.14	2,258.56	47,271.06	2,363.55	46,972.18	2,348.61	46,319.21	2,315.96
(ii)	Less stable deposits	110,951.09	11,095.11	107,419.51	10,741.95	105,222.42	10,522.24	103,019.52	10,301.95
3	Unsecured wholesale funding, of which:	10,382.00	8,016.94	10,768.00	8,241.88	11,107.21	5,413.52	14,011.42	7,990.42
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	10,382.00	8,016.94	10,768.00	8,241.88	11,107.21	5,413.52	14,011.42	7,990.42
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	0.66	0.66	7.11	7.11	0.76	0.76	1.32	1.32
(i)	Outflows related to derivative exposures and other collateral requirements	0.66	0.66	7.11	7.11	0.76	0.76	1.32	1.32
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	38,962.47	4,242.74	36,941.24	4,014.74	33,852.61	3,146.26	32,736.06	3,023.64
7	Other contingent funding obligations	9,993.00	299.79	9,244.38	277.33	8,764.83	262.95	8,536.05	256.08
8	**TOTAL CASH OUTFLOWS**		**25,913.80**		**25,646.56**		**21,694.34**		**23,889.37**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	5,497.73	-	6,058.63	-	7,231.36	-	3,627.83	-
10	Inflows from fully performing exposures	7,852.26	5,928.02	7,270.90	5,601.39	7,274.42	5,668.49	7,967.70	6,348.55
11	Other cash inflows	10.56	10.56	2.58	2.58	6.75	6.75	23.56	23.56
12	**TOTAL CASH INFLOWS**	**13,360.55**	**5,938.58**	**13,332.11**	**5,603.97**	**14,512.53**	**5,675.24**	**11,619.09**	**6,372.11**

Particulars		Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		35,898.96		36,304.61		37,608.85		35,015.72
14	**TOTAL NET CASH OUTFLOWS**		19,975.22		20,042.59		16,019.10		17,517.26
15	**LIQUIDITY COVERAGE RATIO (%)**		**179.72%**		**181.14%**		**234.78%**		**199.89%**

Note: LCR data has been computed based on simple average of daily observations.

b) Qualitative Disclosure

As at March 31, 2023

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. The regulatory threshold is embedded into the Risk Appetite Statement of the Bank and hence maintenance of LCR is subject to periodic review of Risk Management Committee/Board. The Bank computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review as well as to the Risk Management Committee of the Board. 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 daily from January 01, 2017 and in accordance with regulatory prescriptions, the LCR disclosures contain data on simple average of daily observations over a period of 90 days. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. Bank has consistently maintained LCR above the prescribed regulatory minimum.

On average, 97% 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 Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as per RBI guidelines from time to time, 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 and commercial papers, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and shall 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 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.

As at March 31, 2022

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 01, 2015. The regulatory threshold is embedded into the Risk Appetite Statement of the Bank and hence maintenance of LCR is subject to periodic review of Risk Management Committee/Board. The Bank computes the LCR and reports the same to the Asset Liability Committee (ALCO) every month as well as to the Risk Management Committee of the Board. 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 January 01, 2017 and in accordance with regulatory prescriptions. The LCR disclosures contain data on simple average of daily observations for the days in each quarter. Bank computes LCR of the IFSC Banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank is not computing LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. Bank has consistently maintained LCR above the prescribed regulatory minimum of 100% during the fiscal.

On an average, 96% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as per RBI guidelines from time to time, 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 and commercial papers, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and shall provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable deposits 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 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.

1.5.3 **Net Stable Funding Ratio (NSFR)**

Qualitative Disclosure

Net Stable Funding Ratio (NSFR) is introduced by Basel Committee on Banking Supervision (BCBS) in order to ensure that banks maintain a stable funding profile in relation to the composition of their assets, liabilities and off-balance sheet activities. NSFR limits overreliance on short-term wholesale funding and promotes funding their activities with longer term stable sources indicating funding stability.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") of the Bank is a function of the liquidity characteristics and residual maturities of the various assets as well as the off-balance sheet (OBS) exposures of the Bank.

As per the RBI Guideline, Bank is required to maintain a minimum NSFR of 100% on an ongoing basis effective from October 1, 2021.

The Available Stable funding primarily consists of Regulatory capital, Deposits from Retail Customers, Small business entities, Non-Financial and financial corporates and Borrowings. Whereas the Required Stable Funding comprises of mainly Advances and investments.

Quantitative Disclosure

(Amount in ₹ Crore)

Net Stable Funding Ratio (NSFR)											
	Particulars	Quarter ended March 31, 2023					Quarter ended December 31, 2022				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item											
1	Capital: (2+3)	20,431.35	-	-	1,995.00	22,426.35	17,590.15	-	-	1,000.00	18,590.15
2	Regulatory capital	20,431.35	-	-	-	20,431.35	17,590.15	-	-	-	17,590.15
3	Other capital instruments	-	-	-	1,995.00	1,995.00	-	-	-	1,000.00	1,000.00
4	Retail deposits and deposits from small business customers: (5+6)	60,968.99	28,459.17	22,801.00	59,182.02	161,258.40	61,376.53	32,955.83	26,635.78	45,865.60	155,904.20
5	Stable deposits	10,098.01	6,584.09	4,720.67	12,185.90	32,518.52	9,987.68	7,524.33	5,833.39	9,530.43	31,708.56
6	Less stable deposits	50,870.98	21,875.08	18,080.33	46,996.12	128,739.88	51,388.85	25,431.50	20,802.39	36,335.17	124,195.64
7	Wholesale funding: (8+9)	7,667.88	23,061.32	15,934.05	12,635.90	23,782.61	6,281.60	20,512.90	15,067.03	11,563.11	21,939.39
8	*Operational deposits*	-	-	-	-	-	-	-	-	-	-
9	*Other wholesale funding*	7,667.88	23,061.32	15,934.05	12,635.90	23,782.61	6,281.60	20,512.90	15,067.03	11,563.11	21,939.39
10	Other liabilities: (11+12)	5,982.49	1,222.67	-	-	-	8,251.95	3,546.12	-	-	-
11	*NSFR derivative liabilities*		-	-	-			-	-	-	
12	*All other liabilities and equity not included in the above categories*	5,982.49	1,222.67	-	-	-	8,251.95	3,546.12	-	-	-
13	Total ASF (1+4+7+10)					207,467.36					196,433.74
RSF Item											
14	Total NSFR high-quality liquid assets (HQLA)					2,208.86					2,135.50
15	Deposits held at other financial institutions for operational purposes	1,107.19	-	-	-	553.59	1,302.81	-	-	-	651.41
16	Performing loans and securities: (17+18+19+21+23)	2,826.33	55,081.86	19,921.71	99,426.23	118,664.76	2,419.46	52,644.01	19,678.68	94,191.15	113,094.07
17	Performing loans to financial institutions secured by Level 1 HQLA	-	499.26	-	-	49.93	-	320.00	-	-	32.00
18	Performing loans to financial institutions secured by non-Level 1 HQLA and	-	7,351.13	1,249.64	17,631.93	19,359.42	-	6,328.40	1,859.14	16,994.77	18,873.60

Net Stable Funding Ratio (NSFR)											
Particulars		Quarter ended March 31, 2023					Quarter ended December 31, 2022				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	unsecured performing loans to financial institutions										
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	47,228.40	18,661.02	58,395.63	80,518.15	18.59	45,992.48	17,808.22	54,618.99	76,551.16
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	6,411.94	823.06	10,314.24	10,321.76	0.14	7,277.42	761.53	8,923.16	9,819.60
21	Performing residential mortgages, of which:	-	3.07	11.05	23,398.67	16,334.88	-	3.13	11.32	22,577.39	15,596.57
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2.53	10.12	17,805.23	11,579.72	-	2.61	8.45	18,007.16	11,710.18
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,826.33	-	-	-	2,402.38	2,400.87	-	-	-	2,040.74
24	Other assets: (sum of rows 25 to 29)	6,994.82	2,633.68	2,746.54	14,994.74	26,808.72	7,079.10	3,035.65	1,998.38	14,707.25	26,136.50
25	Physical traded commodities, including gold	-				-	-				-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,037.52	-	-	881.89		1,098.15	-	-	933.43
27	NSFR derivative assets (Net)		89.68	-	-	89.68		24.58	-	-	24.58
28	NSFR derivative liabilities before deduction of variation margin posted		426.78	-	-	21.34		546.48	-	-	27.32
29	All other assets not included in the above categories	6,994.82	1,079.70	2,746.54	14,994.74	25,815.81	7,079.10	1,366.44	1,998.38	14,707.25	25,151.17
30	Off-balance sheet items		48,970.15	2,448.51	-	2,847.77		45,518.70	11,855.51	-	2,631.60
31	Total RSF (14+15+16+24+30)					151,083.70					144,649.08
32	**Net Stable Funding Ratio (%)**					**137.32%**					**135.80%**

(Amount in ₹ Crore)

Net Stable Funding Ratio (NSFR)											
	Particulars	Quarter ended September 30, 2022					Quarter ended June 30, 2022				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item											
1	Capital: (2+3)	17,615.85	-	-	1,000.00	18,615.85	17,619.54	-	-	1,000.00	18,619.54
2	Regulatory capital	17,615.85	-	-	-	17,615.85	17,619.54	-	-	-	17,619.54
3	Other capital instruments	-	-	-	1,000.00	1,000.00	-	-	-	1,000.00	1,000.00
4	Retail deposits and deposits from small business customers: (5+6)	61,069.09	36,210.52	28,067.88	36,637.62	150,691.43	61,225.31	33,597.57	32,815.97	31,644.02	147,768.80
5	Stable deposits	9,937.05	8,030.14	6,854.13	7,035.08	30,615.34	9,789.51	7,426.29	7,780.59	6,282.11	30,028.68
6	Less stable deposits	51,132.04	28,180.38	21,213.75	29,602.54	120,076.09	51,435.80	26,171.28	25,035.38	25,361.91	117,740.12
7	Wholesale funding: (8+9)	6,428.21	20,165.17	8,560.64	11,419.76	20,379.46	4,839.48	21,525.50	6,590.50	5,951.18	13,121.99
8	*Operational deposits*	-	-	-	-	-	-	-	-	-	-
9	*Other wholesale funding*	6,428.21	20,165.17	8,560.64	11,419.76	20,379.46	4,839.48	21,525.50	6,590.50	5,951.18	13,121.99
10	Other liabilities: (11+12)	7,200.27	2,737.43	-	-	-	6,691.96	1,851.75	-	-	-
11	*NSFR derivative liabilities*		-	-	-			-	-	-	
12	*All other liabilities and equity not included in the above categories*	7,200.27	2,737.43	-	-	-	6,691.96	1,851.75	-	-	-
13	Total ASF (1+4+7+10)					189,686.74					179,510.33
RSF Item											
14	Total NSFR high-quality liquid assets (HQLA)					2,052.80					1,946.53
15	Deposits held at other financial institutions for operational purposes	978.98	-	-	-	489.49	1,363.18	-	-	-	681.59
16	Performing loans and securities: (17+18+19+21+23)	1,631.08	51,532.45	18,395.22	88,247.50	106,914.99	1,245.92	48,492.33	17,841.07	83,574.82	99,708.63
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	1,514.30	-	-	151.43
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	5,493.21	2,215.69	15,411.03	17,342.86	-	6,630.03	1,270.21	14,292.33	15,921.92

Net Stable Funding Ratio (NSFR)											
Particulars		Quarter ended September 30, 2022					Quarter ended June 30, 2022				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	10.30	46,036.06	16,168.25	51,163.55	73,118.08	9.62	40,344.98	16,560.08	48,677.99	68,154.19
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.12	7,928.51	650.61	7,391.25	9,093.94	0.21	5,827.81	807.89	8,397.24	8,776.16
21	Performing residential mortgages, of which:	-	3.18	11.28	21,672.92	15,076.39	-	3.02	10.78	20,604.50	14,430.23
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2.69	8.41	16,764.09	10,902.21	-	2.51	8.88	15,452.50	10,049.82
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,620.78	-	-	-	1,377.66	1,236.30	-	-	-	1,050.86
24	Other assets: (sum of rows 25 to 29)	7,101.26	4,824.67	609.10	14,154.02	25,441.82	6,148.01	4,763.47	877.65	13,701.06	24,542.57
25	Physical traded commodities, including gold	-				-	-				-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,101.20	-	-	936.02		1,136.78	-	-	966.26
27	NSFR derivative assets (Net)		-	-	-	-		-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted		1,139.00	-	-	56.95		818.00	-	-	40.90
29	All other assets not included in the above categories	7,101.26	2,584.47	609.10	14,154.02	24,448.85	6,148.01	2,808.69	877.65	13,701.06	23,535.41
30	Off-balance sheet items		42,169.87	11,081.90	-	2,440.95		40,220.90	10,924.13	-	2,338.77
31	Total RSF (14+15+16+24+30)					137,340.05					129,218.09
32	**Net Stable Funding Ratio (%)**					**138.11%**					**138.92%**

(Amount in ₹ Crore)

Net Stable Funding Ratio (NSFR)											
	Particulars	Quarter ended March 31, 2022					Quarter ended December 31, 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item											
1	Capital: (2+3)	17,638.52	-	-	1,000.00	18,638.52	16,072.65	-	-	300.00	16,372.65
2	Regulatory capital	17,638.52	-	-	-	17,638.52	16,072.65	-	-	-	16,072.65
3	Other capital instruments	-	-	-	1,000.00	1,000.00	-	-	-	300.00	300.00
4	Retail deposits and deposits from small business customers: (5+6)	59,637.36	31,428.73	34,549.10	31,677.74	145,973.13	57,775.05	27,428.82	30,357.92	35,002.69	140,087.05
5	Stable deposits	9,653.36	7,235.99	7,945.01	6,512.69	30,105.33	9,660.03	5,682.63	6,232.40	6,288.69	26,785.00
6	Less stable deposits	49,984.00	24,192.74	26,604.09	25,165.05	115,867.80	48,115.02	21,746.19	24,125.52	28,714.00	113,302.05
7	Wholesale funding: (8+9)	6,067.89	19,273.28	6,820.39	6,639.21	14,058.29	5,258.52	17,079.96	6,858.69	3,520.01	10,317.37
8	*Operational deposits*	-	-	-	-	-	-	-	-	-	-
9	*Other wholesale funding*	6,067.89	19,273.28	6,820.39	6,639.21	14,058.29	5,258.52	17,079.96	6,858.69	3,520.01	10,317.37
10	Other liabilities: (11+12)	5,340.14	873.95	-	-	-	6,049.71	3,172.36	-	-	-
11	*NSFR derivative liabilities*		-	-	-			-	-	-	
12	*All other liabilities and equity not included in the above categories*	5,340.14	873.95	-	-	-	6,049.71	3,172.36	-	-	-
13	Total ASF (1+4+7+10)					178,669.94					166,777.07
RSF Item											
14	Total NSFR high-quality liquid assets (HQLA)					1,882.70					1,852.10
15	Deposits held at other financial institutions for operational purposes	1,287.28	-	-	-	643.64	1,020.48	-	-	-	510.24
16	Performing loans and securities: (17+18+19+21+23)	838.35	52,109.96	17,924.10	79,748.31	95,285.18	623.47	45,342.21	19,052.16	75,988.74	91,444.84
17	Performing loans to financial institutions secured by Level 1 HQLA	-	6,200.00	-	-	620	-	1,900.00	-	-	190.00
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	8,075.75	1,827.55	13,038.94	15,164.08	-	6,723.07	2,711.44	12,557.58	14,921.76

Net Stable Funding Ratio (NSFR)											
Particulars		Quarter ended March 31, 2022					Quarter ended December 31, 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	12.00	37,830.86	16,085.80	46,776.13	64,745.32	11.83	36,715.15	16,331.64	44,662.85	62,497.64
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.03	5,643.61	808.89	9,893.59	9,657.10	0.28	6,493.95	2,147.32	9,975.46	10,804.83
21	Performing residential mortgages, of which:	-	3.35	10.75	19,933.24	14,053.38	-	3.99	9.08	18,768.31	13,315.55
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2.72	9.41	14,484.57	9,421.03	-	3.17	7.93	13,220.29	8,598.74
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	826.35	-	-	-	702.40	611.64	-	-	-	519.89
24	Other assets: (sum of rows 25 to 29)	5,853.54	3,087.81	2,082.54	13,279.27	23,641.99	5,638.78	3,782.43	2,258.27	12,020.92	23,197.61
25	Physical traded commodities, including gold	-				-	-				-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		791.47	-	-	672.75		712.68	-	-	605.78
27	NSFR derivative assets (Net)		-	-	-	-		8.96	-	-	8.96
28	NSFR derivative liabilities before deduction of variation margin posted		571.00	-	-	28.55		416.73	-	-	20.84
29	All other assets not included in the above categories	5,853.54	1,725.34	2,082.54	13,279.27	22,940.69	5,638.78	2,644.06	2,258.27	12,020.92	22,562.03
30	Off-balance sheet items		38,722.76	10,164.78	-	2,241.08		35,255.86	9,008.63	-	2,033.05
31	Total RSF (14+15+16+24+30)					123,694.59					119,037.84
32	**Net Stable Funding Ratio (%)**					**144.44%**					**140.10%**

1.6. **Exposures**

1.6.1 **Exposure to Real Estate Sector**

(Amount in ₹ Crore)

Category	March 31, 2023	March 31,2022
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; Exposure also includes non-fund based (NFB) limits; (of which individual housing loans eligible for inclusion in Priority sector advances).	30,045.06 (3,009.25)	26,145.51 (3,530.37)
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;	8,143.12	6,264.06
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a) Residential	-	-
b) Commercial Real Estate	-	-
B. Indirect Exposure:		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	7,879.89	8,058.34
Total Exposure to Real Estate sector	**46,068.07**	**40,467.91**

1.6.2 **Exposure to Capital Market**

(Amount in ₹ Crore)

Category	March 31, 2023	March 31, 2022
(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;	396.55	419.00
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	25.94	21.90
(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;	1,171.89	382.83
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,009.94	554.21
(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)	172.10	163.16
Total Exposure to Capital Market	**2,776.42**	**1,541.10**

1.6.3 **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:

(Amount in ₹ Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2023	March 31, 2023	March 31, 2022	March 31, 2022
Insignificant	1,978.23	-	1,436.27	-
Low	530.51	-	608.59	-
Moderately low	59.95	-	-	
Moderate	-	-	10.62	-
Moderately high	4.04	-	-	
High	-	-	-	-
Very High	-	-	-	-
Total	**2,572.73**	**-**	**2,055.48**	**-**

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

Note: The bank has compiled the data for the purpose of disclosure in Note No. 1.6.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

1.6.4. During the years ended March 31, 2023 and March 31, 2022, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.6.5 **Unsecured Advances:** During the years ended March 31, 2023 and March 31, 2022 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. have been taken as collateral by the Bank.

1.6.6 **Factoring exposure:** The factoring exposure of the Bank as on March 31, 2023 is ₹ 1,020.44 Crore (previous year: ₹ 729.40 Crore)

1.6.7 **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 ₹ 73.78 Crore (previous year ₹ 18.19 Crore) as provision and ₹ 100.89 Crore (previous year ₹ 19.56 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers.

1.6.8 **Details of Intra-Group Exposure**

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023	March 31, 2022
1	Total amount of intra-group exposures*	358.92	620.94
2	Total amount of top-20 intra group exposures*	358.92	620.94
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *	0.15%	0.32%
4	Details of breach of limits on intra-group exposures and regulatory action thereon if any	-	-

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

1.7. Concentration of Deposits, Advances, Exposures and NPAs

1.7.1 Information on Concentration of deposits:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total deposits of twenty largest depositors	11,082.46	6,078.19
Percentage of deposits of twenty largest depositors to total deposits of the bank	5.19%	3.35%

Note: Excludes holders of certificate of deposits which are tradable instruments.

1.7.2 Information on Concentration of advances:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total advances to the twenty largest borrowers	18,271.67	17,660.91
Percentage of advances to the twenty largest borrowers to total advances of the bank	8.03%	9.26%

Note: As per Master Direction, Advances is computed based on credit exposure i.e. funded and non-funded limits including derivative exposures. The sanctioned limits or outstanding, whichever are higher, is reckoned. However, in the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, bank reckon the outstanding as the credit exposure.

1.7.3 Information on Concentration of exposures:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total exposures to the twenty largest borrowers/customers	19,204.04	18,606.95
Percentage of exposures to the twenty largest borrowers/customers to the total exposure of the bank on borrowers/customers	8.11%	9.44%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 1.7.1 to 1.7.3 from its internal MIS system and has been furnished by the Management, which has been relied upon by the auditors.

1.7.4 Information on Concentration of NPAs:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total exposures to the top twenty NPA accounts	610.56	664.52
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	14.59%	16.06%

1.8. Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2023 and March 31, 2022.

1.9. Sponsored SPVs

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at March 31, 2023 and March 31, 2022.

1.10. Transfers to Depositor Education and Awareness (DEA) Fund

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEA Fund. Details of amounts transferred to / reimbursed by DEA Fund are set out below:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance of amounts transferred to DEA Fund	248.65	212.03
Add: Amounts transferred to DEA Fund during the year	38.88	40.99
Less: Amounts reimbursed by DEA Fund towards claims	7.85	4.37
Closing balance of amounts transferred to DEA Fund	279.68	248.65

1.11. **Disclosure of complaints**

A. Summary information on complaints received by the bank from customers and from the Offices of Ombudsman

Sl. No.	Particulars	Year ended March 31, 2023	Year ended March 31, 2022
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	5,390	3,498
2	Number of complaints received during the year	170,278	160,857
3	Number of complaints disposed during the year	169,804	158,965
	3.1. Of which, number of complaints rejected by the bank	73,002	61,018
4	Number of complaints pending at the end of the year	5,864	5,390
	Maintainable complaints received by the bank from Offices of Ombudsman		
5	Number of maintainable complaints received by the bank from Office of Ombudsman	1,049	569
	5.1. Of which, number of complaints resolved in favour of the Bank by Office of Ombudsman	467	245
	5.2. Of which, number of complaints resolved through conciliation/ mediation/advisories issued by Office of Ombudsman	571	324
	5.3. Of which, number of complaints resolved after Passing of Awards by Office of Ombudsman against the bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-
Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme.			

B) Top Five grounds of complaints received by the Bank from customers.

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/ (decrease) in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
1	2		3		4		5		6	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
ATM/Debit Cards	2,038	2,481	109,776	117,181	(6.32)	(0.62)	2,353	2,038	263	218
Internet/Mobile/Electronic Banking	3,288	860	50,612	36,367	39.17	86.09	3,086	3,288	81	795
Loans and advances	31	44	2,659	1,799	47.80	36.81	25	31	-	-
Credit Cards	01	-	2,524	955	164.29	*	334	01	64	-
Account opening/difficulty in operation of accounts	14	37	2,035	1,212	67.90	(52.99)	27	14	-	-
Others	18	76	2,672	3,343	(20.07)	(49.06)	39	18	-	-
Total	**5,390**	**3,498**	**170,278**	**160,857**	**-**	**-**	**5,864**	**5,390**	**408**	**1,013**

*-. The bank has introduced credit cards during the Financial Year 2021-22 and hence there are no comparable figures to reported for the previous year.

1.12. **Details of penalties imposed by the Reserve Bank of India**

(Amount in ₹ Lakh)

Particulars	March 31, 2023	March 31, 2022
a) Penalty imposed on currency chests		
Number of instances of default	14	14
Quantum of penalty imposed	3.07	0.56
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	81	4
Quantum of penalty imposed	630.65	0.40

1.13. **Disclosures on Remuneration**

i) Qualitative disclosures

a) Information relating to the composition and mandate of the Nomination, Remuneration, Ethics and Compensation Committee (or Remuneration Committee in short):

The Nomination, Remuneration, Ethics and Compensation Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. As per the code of corporate governance and code of conduct for the board of directors and management, The Committee shall consist of only Non-Executive Directors and the minimum number of members shall be three. At least half of the members attending the meeting of the Remuneration Committee shall be independent directors, of which one shall be a member of the Risk Management Committee of the Board.

As on March 31, 2023, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. A P Hota (Chairman)
- Mr. C Balagopal
- Mr. Siddhartha Sengupta
- Mr. Manoj Fadnis (wef. February 14, 2023)

Out of the above, Mr. Siddhartha Sengupta is also a member of Risk Management Committee of the Board.

The Nomination, Remuneration, Ethics and Compensation Committee of the Board functions with the following mandate, in respect of matters related to remuneration:

i. To oversee the framing, review and implementation of an effective Compensation Policy, as per RBI Guidelines.
ii. To review the compensation package for the MD & CEO and Executive Directors and recommend revisions for Board approval.
iii. To consider and approve issuance and allotment of shares under ESOS to MD & CEO /EDs and employees of the Bank.
iv. Work in coordination with Risk Management Committee of the Bank, to achieve effective alignment between risk and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formulated and adopted a comprehensive compensation policy covering all the employees and the policy is reviewed on an annual basis. The policy covers all aspects of the compensation structure such as fixed pay, variable compensation, perquisites, performance bonus, guaranteed bonus (joining/sign-on bonus), severance package, share-linked instruments e.g. Employee Stock Option Scheme (ESOS), pension, gratuity, etc., taking into account the Guidelines issued by Reserve Bank of India from time to time.

The objectives of the remuneration policy are four-fold:

- To align compensation with prudent risk taken
- To drive sustainable performance in the Bank
- To ensure financial stability of the Bank; and
- To attract and retain talent

The compensation paid to the **Chief Executive Officer (CEO) / Whole Time Directors (WTDs) /Material Risk Takers (MRTs)** is divided into two components:

1. **Fixed Pay and Perquisites:** The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will also be treated as part of fixed pay.

2. **Variable Compensation:** The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is fixed based on organizational performance (both business-unit and firm-wide) and KPAs set for the official. The organization's performance is charted based on Performance Scorecard which takes into

account various financial indicators like revenue earned, cost incurred, profit earned, NPA position and other intangible factors like leadership and employee development. The Scorecard provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. Additionally, serious supervisory observations (if any) are also factored. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments.

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

Grander Compensation Package to Executives in Level IV and above: The Compensation package applicable to Executives in Level IV and above are governed under the provisions of Grander Compensation Package, a performance linked pay structure implemented in the Bank with effect from May 01, 2017. Annual Increment under the "Grander Compensation Package" will depend on the annual performance rating of the Executive concerned.

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

c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the Bank are arranged under the following three categories:

1. MD & CEO/Whole Time Directors/ Material Risk Takers (MRTs)
2. Risk Control and Compliance Staff
3. Other Categories of Staff

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, the Bank maintains proper balance between fixed pay and variable pay. A significant portion (i.e. at least 50 per cent) of total compensation payable to MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) is variable.

Committees to mitigate risks caused by an individual decision.

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

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

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and claw back arrangements) embedded in their compensation arrangement. Appropriate compliance arrangements have been established to ensure that employees do not insure or hedge their compensation structure.

Committee of Management for reviewing the linkage of Risk Based Performance with Remuneration (ED Level Committee): The ED Level Committee, comprising of ED and Heads of Risk Division and HR Department would assist the Nomination and Remuneration Committee of the Board to monitor, review and control various risks and to balance prudent risk taking with the compensation paid out to top Executives, WTDs and other employees.

d) Linkage of performance during a performance measurement period with levels of remuneration.

The Bank's performance is charted based on performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through Scorecard for MD & CEO / EDs. The scorecard provides a mix of financial and non-financial, quantitative and qualitative metrics.

The compensation package applicable to Executives in Level IV to VII was earlier fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance-based compensation package called "Grander Compensation Package" has been introduced for Executives in Level IV (Associate Vice President / Assistant Vice President) and above with effect from May 01, 2017.

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks Association.

e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.

MD & CEO, Whole Time Directors and Material Risk Takers (MRTs).

Deferral of Variable Pay: For MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 crore, deferral requirements would not be necessary.

Period of Deferral Arrangement: The deferral period would be minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.
Vesting: Deferred remuneration would either vest fully at the end of the deferral period or be spread out over the course of the deferral period, subject to the following conditions:

- The first such vesting will be not before one year from the commencement of the deferral period.
- The vesting will be no faster than on a pro rata basis.
- Vesting will not take place more frequently than on a yearly basis.

In case of deferred compensation (cash component), the payment will be made as per the Schedule mentioned below.

Proportion of deferred Variable Pay	Timelines*
50.00%	Year N - Upfront
16.50%	Year N +1
16.50%	Year N +2
17.00%	Year N+3

(* subject to approval of RBI for MD & CEO and WTD's)

Risk Control and Compliance Staff

At least 25% of the total compensation would be variable and the total variable pay will be limited to a maximum of 100% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 75% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 crore, deferral requirements would not be necessary.

Other categories of Staff

The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 crore, deferral requirements would not be necessary.

Malus / Claw back arrangement

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

- Malus arrangement wherein Bank shall withhold vesting of all or part of the amount of deferred remuneration.

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

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

f) Description of the different forms of variable remuneration

The variable pay is in the form of share-linked instruments, or a mix of cash and share-linked instruments. The Bank uses an optimum and proper mix of cash (Performance Linked Incentive/Ex- Gratia) and share-linked instruments (Stock Options) to decide the compensation of employees in all categories.

The distribution of Stock Options and variable Performance Linked Incentives are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments.

ii) Quantitative disclosures

The quantitative disclosures include only Whole Time Directors/Chief Executive Officer/Material Risk Takers

Particulars			March 31, 2023	March 31, 2022
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		3 ₹ 0.03 Crore	6 ₹ 0.05 Crore
(b)	(i)	Number of employees having received a variable remuneration award during the financial year.	8#	8
	(ii)	Number and total amount of sign-on/joining bonus made during the financial year.	-	-
	(iii)	Details of severance pay in addition to accrued benefits if any.	-	-
(c)	(i)	Total amount of outstanding deferred remuneration split into cash, shares and share-linked instruments and other forms	Cash – Nil Shares – Nil Share-linked instruments (Unvested Stock Options granted after April 01, 2021) - 1,206,400 Options having Fair Value of ₹ 3.78 Crore.	Cash – Nil Shares – Nil Share-linked instruments (Unvested Stock Options granted after April 01, 2021) - 619,000 Options having Fair Value of ₹ 1.94 Crore.
	(ii)	Total amount of deferred remuneration paid out in the financial year.	-	-
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred		Fixed - ₹ 10.10 Crore Variable - ₹ 2.87 Crore Deferred - ₹ 1.84 Crore (Fair Value of 587,400 Options granted during the year)	Fixed - ₹ 9.02 Crore Variable - ₹ 2.70 Crore Deferred - ₹1.94 Crore (Fair Value of 619,000 Options granted during the year)

Particulars			March 31, 2023	March 31, 2022
(e)	(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	₹ 3.78 Crore (Fair Value of 1,206,400 Options granted during the year)	₹ 1.94 Crore (Fair Value of 619,000 Options granted during the year)
	(ii)	Total amount of reductions during the financial year due to ex- post explicit adjustments	-	-
	(iii)	Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
(f)	Number of MRTs identified.		9	9
(g)	(i)	Number of cases where malus has been exercised.	-	-
	(ii)	Number of cases where clawback has been exercised.	-	-
	(iii)	Number of cases where both malus and claw back have been exercised.	-	-

Note: Only the stock Options granted after April 01, 2021, i.e. after including Stock Options as a part of Variable Pay as per the revised criteria given by RBI in its guidelines dated November 04, 2019 are included.
#Variable Pay includes one MRT who had retired from the service on 30.06.2022

iii) General Quantitative Disclosure

(Amount in ₹ Crore)

Particulars		March 31, 2023	March 31, 2022
(i)	The mean pay for the bank as a whole (excluding sub-staff) *	0.13	0.13
(ii)	The deviation of the pay of each of its WTDs from the mean pay.		
	• Mr. Shyam Srinivasan, Managing Director & CEO	2.83	2.82
	• Mr. Ashutosh Khajuria, Executive Director	1.14	1.04
	• Ms. Shalini Warrier, Executive Director	1.19	0.98

**Mean pay is computed on annual fixed pay that includes basic salary, other allowances, and performance linked incentive / ex-gratia paid to the employees along with the value of perquisites*

iv) Remuneration (including sitting fees, profit related commission and honorarium) paid to non-executive directors during the year is ₹ 3.46 Crore (previous year ₹ 2.82 Crore)

1.14. **Other Disclosures**

1.14.1. **The Key business ratios and other information:**

Particulars	March 31, 2023	March 31, 2022
(i) Interest Income as a percentage to Working Funds* (%)	7.13	6.77
(ii) Non-interest income as a percentage to Working Funds* (%)	0.99	1.04
(iii) Cost of Deposits (%)	4.58	4.33
(iv) Net Interest Margin (%) **	3.31	3.20
(v) Operating Profit$ as a percentage to Working Funds* (%)	2.04	1.86
(vi) Return on Assets [Based on Average Working Fund] *(%)	1.28	0.94
(vii) Business (Deposits less inter-bank deposits plus advances) per employee (Amount in ₹ Crore) ***	29.36	25.61
(viii) Profit per employee (Amount in ₹ Crore) ***	0.23	0.15

* 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.
** Net Interest Income / Average Earning Assets. (Net Interest Income = Interest Income – Interest Expense).
*** Productivity ratios are based on average number of employees for the year.
$ Operating profit represents total income as reduced by interest expended and operating expenses.

1.14.2. **Bancassurance Business**

Details of income earned from Bancassurance business:

(Amount in ₹ Crore)

Sl. No.	Nature of Income	March 31, 2023	March 31, 2022
1	For selling life insurance policies	86.47	62.76
2	For selling non-life insurance policies	26.69	22.29
	Total	**113.16**	**85.05**

1.14.3. **Marketing and distribution (excluding Bancassurance Business)**

Details of income earned from marketing and distribution business:

(Amount in ₹ Crore)

Sl. No.	Nature of Income	March 31, 2023	March 31, 2022
1	For Wealth Management Services	21.10	12.11
2	Others - *Etrade/PIS/SGB/NPS/ASBA*	9.28	11.21
	Total	**30.38**	**23.32**

1.14.4 **Priority Sector Lending Certificates (PSLC)**

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 07, 2016 the PSLCs purchased and sold is given below:

(Amount in ₹ Crore)

Particulars	March 31, 2023		March 31, 2022	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	2,433.00	200.00	-
PSLC – Micro Enterprises	4,850.00	-	2,250.00	-
PSLC – General	-	-	13,750.00	-

1.14.5. **Provisions and Contingencies recognised in the Profit and Loss Account include:**

(Amount in ₹ Crore)

	Provision debited to Profit and Loss Account	Year ended March 31, 2023	Year ended March 31,2022
i)	Provision towards Non-Performing Assets	591.34	611.11
ii)	Provision for Non-Performing Investments	(6.68)	(1.56)
iii)	Provision for Standard Assets	132.90	578.78
iv)	Provision for Taxation@	1,033.91	646.26
v)	Provision towards diminution in fair value of restructured assets, other contingencies, etc.	32.33	33.44
	Total	**1,783.80**	**1,868.03**

@**Amount of Provisions made for income-tax during the year**

(Amount in ₹ Crore)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Provision for Income tax		
a) Current tax	1,030.36	797.74
b) Deferred tax	3.55	(151.48)
Total	**1,033.91**	**646.26**

1.14.6. **Implementation of IFRS converged Indian Accounting Standards (Ind AS)**

The Ministry of Corporate Affairs (MCA), Government of India notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release dated January 18, 2016, was issued by the MCA outlining the roadmap for implementation of IFRS converged Ind AS for banks. This roadmap required banks to prepare Ind AS based standalone & consolidated financial statements for the accounting periods beginning April 01, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. RBI, through its notification dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements from the stated periods and also stated that early adoption of Ind AS is not permitted.

The implementation of Ind AS by banks requires certain legislative amendments to make the format of financial statements, prescribed in the Third Schedule to Banking Regulation Act, 1949, compatible with accounts under Ind AS. Considering the amendments needed to the Banking Regulation Act, 1949, as well as the level of preparedness of several banks, RBI, through its Statement on Developmental and Regulatory Policies dated April 05, 2018, had deferred the implementation of Ind AS by a year.

The legislative amendments recommended by the Reserve Bank are under consideration of the Government of India. Accordingly, RBI through its notification dated March 22, 2019 deferred the implementation of Ind AS till further notice.

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

- A steering committee was formed by MD & CEO with ED as its Chairman with members from all cross-functional departments. The Committee oversees the progress of Ind AS implementation in the Bank and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management.
- The implementation of IT solution procured to automate the computation of Expected Credit Losses (ECL), Effective Interest Rate, Fair valuation and other accounting changes required under Ind AS is completed and Bank is generating extracts from the system on a half yearly basis.
- The Bank is now in the process of implementing the other assessed changes required in existing IT architecture and other processes to enable smooth transition to Ind AS.
- The Bank is continuing to submit the quarterly progress report on the status of Ind AS implementation to the Audit Committee of the Board.
- The Bank is submitting half yearly Proforma Ind AS financial statements to the RBI within the stipulated timeline.
- Training to the employees is imparted in a phased manner.

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

1.14.7. **Payment of DICGC Insurance Premium**

(Amount in ₹ Crore)

Sl.No.	Particulars	March 31, 2023	March 31, 2022
i)	Payment of DICGC Insurance Premium	221.27	204.89
ii)	Arrears in payment of DICGC premium	-	-

1.14.8. **Amortisation of expenditure on account of enhancement in family pension of employees of banks**

As part of the 11th Bipartite Settlement/ Joint note dated November 11, 2020 between the banks and the workmen, among other aspects, it was agreed that family pension shall be payable at the uniform rate of 30% of the Pay of the deceased employee and that there shall be no ceiling on family pension, subject to the approval of Government of India.

The same was approved by Government of India vide letter dated August 25, 2021 and accordingly, family pension for the employees covered under the 11th Bipartite Settlement/ Joint Note dated November 11, 2020 was revised. Based on the request from Indian Banks association, Reserve Bank of India vide letter dated October 04, 2021 had permitted the banks either to fully recognise the liability for enhancement of family pension as per the applicable accounting standards or amortize over a period not exceeding five years beginning with the financial year ending March 31, 2022, subject to a minimum of 1/5th of the total amount involved being expensed every year.

The bank has opted to fully recognise and provide the liability for enhancement of family pension as per the applicable accounting standards. Accordingly, during the financial year ended March 31, 2022, the bank has recognised and provided the entire estimated additional liability amounting to ₹ 177.32 crore for enhancement of family pension. There is no unamortised expenditure outstanding as on March 31,2022 for enhancement of family pension.

1.14.9. **Income and Expenses exceeding one percentage of the Total Income**

Details of items under "Other expenditure" in Schedule 16 – Operating Expenses & "Miscellaneous income" in Schedule 14 – Operating Income exceeding 1% of total income of the Bank are given below:

(Amount in ₹ Crore)

Sl. No.	Nature	Description	March 31, 2023	March 31, 2022
i)	Other Expense	Service Charge payment to various service providers	314.10	249.68
ii)	Other Expense	Channel transaction expense to card networks	339.78	227.76
iii)	Other Income	Recoveries on assets previously written off	140.73*	179.14

**Not exceeded 1% of Total income of the Bank during the current year.*

1.14.10. **Assets and Liabilities exceeding one percentage of the Total Asset**

Details of items under "Others (including provisions)" in Schedule 5 – Other Liabilities and provisions & "Others" in Schedule 11 – Other Assets exceeding 1% of total assets of the Bank are given below:

(Amount in ₹ Crore)

Sl. No.	Nature	Description	March 31, 2023	March 31, 2022
i)	Other Assets	Priority sector shortfall deposits	13,116.79	10,994.14

2. Disclosure requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts'

2.1. **Employee Benefits (AS 15)**

a) Defined Contribution Plan

Provident Fund

Employees who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

The Bank recognised ₹ 0.65 Crore (previous Year: ₹ 0.65 Crore) for provident fund contribution in the Profit and Loss Account.

National Pension System

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the National Pension System (introduced for employees of Central Government) was implemented and employees who are covered under National Pension System are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank shall contribute 14% of the Basic Pay and Dearness Allowance towards DCPS. There is no separate Provident Fund for employees covered under National Pension System.

The Bank recognised ₹ 83.04 Crore (previous year: ₹ 77.82 Crore) for DCPS contribution in the Profit and Loss Account.

b) Defined Benefit Plan

Gratuity

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of 4 years and 240 days of service as per Payment of Gratuity Act, 1972 and its amendment with effect from March 29, 2018 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognised in the Bank's Financial Statements for the years indicated:

i) Change in benefit obligations:

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	**March 31, 2022**	**March 31, 2023**	**March 31, 2022**
Projected benefit obligation at the beginning of the year	451.29	467.81	1,747.94	1,486.28
Current Service Cost	30.56	29.27	381.76	388.95
Interest cost	31.45	31.79	116.86	70.65
Actuarial (gain)/ loss	(7.48)	(5.84)	(165.37)	295.67
Benefits paid	(65.09)	(71.74)	(379.63)	(493.61)
Projected benefit obligation at the end of the year	**440.73**	**451.29**	**1,701.56**	**1,747.94**

ii) Change in plan assets:

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Plan assets at the beginning of the year at fair value	493.78	469.49	1,803.99	1,494.71
Expected return on plan assets	35.40	37.56	131.15	119.58
Actuarial gain/(loss)	0.01	1.67	0.09	12.35
Employer's Contributions	-	56.79	141.54	670.96
Benefits paid	(65.09)	(71.73)	(379.63)	(493.61)
Plan assets at the end of the year at fair value	**464.10**	**493.78**	**1,697.14**	**1,803.99**

iii) Reconciliation of present value of the obligation and the fair value of the plan assets:

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Fair value of plan assets at the end of the year	464.10	493.78	1,697.14	1,803.99
Present value of the defined benefit obligations at the end of the year	440.73	451.29	1,701.56	1,747.94
Liability/ (Asset) recognised in the Balance Sheet	**(23.37)**	**(42.49)**	**4.42**	**(56.05)**

iv) Gratuity/ pension cost

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Current Service cost	30.56	29.27	381.76	388.95
Interest cost	31.45	31.79	116.86	70.65
Expected return on plan assets	(35.40)	(37.56)	(131.15)	(119.58)
Actuarial (gain)/loss	(7.50)	(7.51)	(165.45)	283.32
Net Cost	19.11	15.99	202.02	623.34
Other direct contributions to the Fund	-	-	(0.51)	(37.52)
Net cost Debit to Profit and Loss account	19.11	15.99	201.51	585.82[#]
Actual return on plan assets*	35.42	39.23	131.23	131.93

* - Figures taken from Audited Financial Statements of respective trusts.

- Includes entire additional liability of ₹ 177.32 Crore provided by Bank during the year ended March 31, 2022 pursuant to the revision in family pension payable to employees of the Bank covered under 11th Bipartite Settlement/ Joint Note dated November 11, 2020.

v) Investment details of plan Assets*

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	-	5.00
Balance in Saving bank account with the Bank	0.86	2.07	13.04	3.90
Net current assets	-	-	-	0.32
Balance with LIC/ABSL[#]	463.24	491.71	1,684.10	1,794.77
Total	**464.10**	**493.78**	**1,697.14**	**1,803.99**

* - Figures taken from Audited Financial statements of respective trusts.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit Obligations	440.73	451.29	467.81	374.63	329.19	311.55
Plan Assets	464.10	493.78	469.49	369.30	334.23	265.75
Surplus/(Deficit)	23.37	42.49	1.68	(5.33)	5.04	(45.80)
Experience adjustments on Plan Liabilities [(Gain) / Loss]	2.78	8.09	(89.21)	(10.09)	(6.56)	(7.08)
Experience Adjustments on Plan Assets [Gain / (Loss)]	4.11	(7.67)	7.20	3.29	0.77	1.97

ii) Pension Plan

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit Obligations	1,701.56	1,747.94	1,486.28	1,197.98	983.39	899.64
Plan Assets	1,697.14	1,803.99	1,494.71	1,129.93	978.09	893.06
Surplus/ (Deficit)	(4.42)	56.05	8.43	(68.05)	(5.30)	(6.58)
Experience adjustments on Plan Liabilities [(Gain) / Loss]	(128.95)	(342.70)	(327.78)	(95.10)	(39.39)	(33.27)
Experience Adjustments on Plan Assets [Gain / (Loss)]	13.25	(0.49)	13.79	7.54	(3.14)	9.60

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	7.51%	7.36%	7.50%	7.25%
Annuity rate per Rupee (in ₹)	-	-	134.64	146.69
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.17%	8.00%	7.27%	8.00%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

(c) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 86.76 Crore (previous year ₹ 111.94 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:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Privilege leave	389.17	313.01
Sick leave	27.60	27.42
Leave travel concession	44.21	33.48
Casual leave	1.92	2.23
Total actuarial liability	**462.90**	**376.14**
Assumptions		
Discount rate	7.51%	7.36%
Salary escalation rate	5.00%	5.00%
Attrition rate	2.00%	2.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

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

2.2. **Segment Reporting (AS 17)**

A. Business Segments

Business of the Bank is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and Other Banking Operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings in the form of interest from the investment portfolio of the Bank, gains, losses, margins and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consist of diminution in the value of non-performing portfolio of the segment.

Corporate/Wholesale Banking:

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the Bank. Provisions allocated to the segment include the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail banking:

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, on the basis of the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

As per the RBI Circular DOR.AUT.REC.12/22.01.001/2022-23 dated April 07, 2022 on establishment of Digital Banking Unit (DBU), for the purpose of disclosure under 'Accounting Standard 17 - Segment Reporting', ‘Digital Banking’ has been identified as a sub-segment of the existing ‘Retail Banking’ segment by Reserve Bank of India (RBI). The DBU of the Bank commenced operations during the quarter ended December 31, 2022 and accordingly the bank has disclosed the business involving digital banking products acquired by DBU, together with existing digital banking products under the Digital Banking segment.

Other Banking Operations

This segment includes banking operations, not covered under any of the above segments such as para banking operations. The income from such services and associated costs are disclosed in this segment.

Unallocated

All items that are reckoned at enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, fixed assets, cash and balances in other bank current accounts, etc. Unallocated segment revenue consists of profit on sale of fixed assets, notice pay on resignation of employees etc.

The following table sets forth, for the years indicated, the business segment results:

March 31, 2023:

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	2,539.96	5,240.48	11,204.82	143.50	19,128.76
Result (net of provisions)	505.77	953.99	2,457.89	121.98	4,039.63
Unallocated Income / (expense)					4.87
Operating profit (PBT)					4,044.50
Income taxes					(1,033.91)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					3,010.59
OTHER INFORMATION					
Segment Assets	52,306.29	96,996.51	104,414.27	-	253,717.07
Unallocated assets					6,624.76
Total assets					260,341.83
Segment liabilities	29,138.18	24,244.09	182,777.23	-	236,159.50
Unallocated liabilities					2,676.09
Total liabilities					238,835.59

Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (net of provision)	Segment Assets	Segment liabilities
Digital Banking	903.54	113.59	4,165.92	12,037.20
Other Retail Banking	10,301.28	2,344.30	100,248.35	170,740.03

March 31, 2022:

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	2,351.30	4,267.34	8,987.00	108.00	15,713.64
Result (net of provisions)	641.35	556.57	1,210.15	91.80	2,499.87
Unallocated Income / (expense)					36.21
Operating profit (PBT)					2,536.08
Income taxes					(646.26)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					1,889.82
OTHER INFORMATION					
Segment Assets	47,684.40	78,588.57	87,986.46	-	214,259.43
Unallocated assets					6,686.88
Total assets					220,946.31
Segment liabilities	18,021.89	18,679.06	162,985.55	-	199,686.50
Unallocated liabilities					2,465.97
Total liabilities					202,152.47

Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (net of provisions)	Segment Assets	Segment liabilities
Digital Banking	567.72	68.80	2,043.46	6,275.64
Other Retail Banking	8,419.28	1,141.35	85,943.00	156,709.91

B. Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segment reporting, the Bank considered to operate only in domestic segment, though the Bank has its operation in International Financial Services Centre (IFSC) Banking Unit in Gujarat International Finance Tec-City (GIFT City). 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:

Subsidiaries, associates/joint ventures/other related entities

Name of the entity	Nature of Relationship
Fedbank Financial Services Limited	Subsidiary
Federal Operations and Services Limited	Subsidiary
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Federal Bank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

Key Management Personnel

Name of the Key Management personnel	Relatives of the Key Management Personnel	Description of Relationships
Mr. Shyam Srinivasan, Managing Director & CEO	• Mr. T S Srinivasan • Ms. Kamala Srinivasan • Ms. Maya Shyam • Ms. Meena Lochani • Ms. Rohini	• Father • Mother • Wife • Sister • Sister
Mr. Ashutosh Khajuria, Executive Director	• Ms. Sunita Khajuria • Ms. Vasundhara Khajuria • Ms. Yashodhara Khajuria	• Wife • Daughter • Daughter
Ms. Shalini Warrier, Executive Director	• Ms. Parvathi Warrier • Ms. Asha Warrier	• Mother • Sister

b) Transactions with related parties

For the year ended March 31, 2023:

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	403.61 (403.86)	71.79 (76.35)	6.58 (6.79)	2.69 (2.79)	484.67 (489.79)
Advances#	333.17 (545.32)	- (1.04)	0.17 (0.21)	0.07 (0.10)	333.41 (546.67)
Investments in shares#	465.80 (465.80)	232.01 (232.01)	- -	- -	697.81 (697.81)
Other investments (NCD, PTC held through trust, etc)	234.70 (234.70)	- -	- -	- -	234.70 (234.70)
Interest paid	0.26	*	0.35	0.13	0.74
Interest received	60.01	0.13	0.01	0.01	60.16
Income from services rendered	10.72	86.53	-	-	97.25
Expenses for receiving services	93.64	-	-	-	93.64
Leasing arrangements provided	0.01	-	-	-	0.01
Leasing arrangements availed	0.84	-	-	-	0.84
Receivable #	0.21 (1.36)	13.73 (76.63)	- -	- -	13.94 (77.99)
Payable#	8.90 (19.72)	- -	- -	- -	8.90 (19.72)
Directors sitting fee received	-	0.31	-	-	0.31
Remuneration paid	-	-	5.56	-	5.56
Dividend received	0.43	7.95	-	-	8.38

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Dividend paid	-	-	0.24	-	0.24
Share capital received on exercise of ESOS	-	-	2.31	-	2.31
Number of options granted under ESOS	-	-	157,400	-	157,400
Number of options outstanding under ESOS.	-	-	3,234,080	-	3,234,080

* Denotes figures less than ₹ 1 Lakh.
\# - Represents outstanding as on March 31, 2023

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

For the year ended March 31, 2022:

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	27.97 (71.63)	46.55 (81.55)	4.50 (4.66)	2.08 (2.11)	81.10 (159.95)
Advances#	570.94 (761.72)	-	0.21 (0.24)	0.10 (0.11)	571.25 (762.07)
Investments in shares#	465.80 (465.80)	232.01 (232.01)	-	-	697.81 (697.81)
Other investments (NCD, PTC held through trust, etc)	234.70 (234.70)	-	-	-	234.70 (234.70)
Interest paid	0.77	*	0.20	0.09	1.06
Interest received	76.99	0.11	0.01	*	77.11
Income from services rendered	9.41	62.76	-	-	72.17
Expenses for receiving services	68.71	-	-	-	68.71
Leasing arrangements provided	0.01	-			0.01
Leasing arrangements availed	0.27	-	-	-	0.27
Receivable #	0.92 (0.92)	10.20 (20.63)	-	-	11.12 (21.55)
Payable#	8.35 (12.05)	-	-	-	8.35 (12.05)
Directors sitting fee received	-	0.14	-	-	0.14
Remuneration paid	-	-	5.92	-	5.92
Dividend received	-	27.67	-	-	27.67
Dividend paid	-	-	0.08	-	0.08
Share capital received on exercise of ESOS	-	-	-	-	-
Number of options granted under ESOS	-	-	226,000	-	226,000
Number of options outstanding under ESOS.	-	-	3,536,680	-	3,536,680

* Denotes figures less than ₹ 1 Lakh.
\# - Represents outstanding as on March 31, 2022

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

The significant transactions between the Bank and the related parties during the year ended March 31, 2023 and March 31, 2022 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2023	March 31, 2022
Deposits	Ageas Federal Life Insurance Company Limited	70.61	46.46
	Fedbank Financial Services Limited	392.39	20.09
Advances	Fedbank Financial Services Limited	333.17	570.94
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
	Fedbank Financial Services Limited	455.80	455.80
Other investments (NCD, PTC held through trust etc)	Fedbank Financial Services Limited	234.70	234.70
Interest paid	Mr. Shyam Srinivasan	0.29	0.15
	Fedbank Financial Services Limited	-@	0.60
	Federal Operations and Services Limited	0.26	0.18
Interest received	Fedbank Financial Services Limited	60.01	76.99
Income from services rendered	Ageas Federal Life Insurance Company Limited	86.53	62.76
	Federal Operations and Services Limited	10.72	8.40
Expenses for receiving services	Fedbank Financial Services Limited	34.07	26.03
	Federal Operations and Services Limited	59.56	42.68
Leasing arrangements availed	Federal Operations and Services Limited	0.84	0.27
Leasing arrangements Provided	Federal Operations and Services Limited	0.01	0.01
	Fedbank Financial Services Limited	-@	*
Receivable	Ageas Federal Life Insurance Company Limited	13.73	10.20
Payable	Fedbank Financial Services Limited	4.21	3.28
	Federal Operations and Services Limited	4.68	5.07
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.23	0.14
	Equirus Capital Private Limited	0.08	-#
Remuneration paid	Mr. Shyam Srinivasan	2.96	2.94
	Mr. Ashutosh Khajuria	1.27	1.52
	Ms. Shalini Warrier	1.32	1.46
Dividend received	Ageas Federal Life Insurance Company Limited	7.28	27.04
Dividend paid	Mr. Shyam Srinivasan	0.14	0.05
	Mr. Ashutosh Khajuria	0.09	0.03
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	0.76	-#
	Ms. Shalini Warrier	1.55	-#
Number of options granted under ESOS	Mr. Ashutosh Khajuria	91,000	113,000
	Ms. Shalini Warrier	66,400	113,000
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	851,500	960,500
	Ms. Shalini Warrier	2,061,900	2,255,500

Not significant related party transaction in FY 2021-22

@Not significant related party transaction in FY 2022-23

* Denotes figures less than ₹ 1 Lakh.

2.4. **Deferred Tax Assets / Liability (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	198.40	148.15
(ii) Depreciation on Investments	3.37	3.77
(iii) Depreciation on Fixed assets	4.81	-
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	239.43	199.16
(v) Others	3.41	9.16
Total - (A)	**449.42**	**360.24**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.36	0.38
(ii) Provision for Standard Assets	364.54	331.09
(iii) Depreciation on Fixed assets	-	2.65
(iv) Others	166.26	152.06
Total - (B)	**531.16**	**486.18**
Net Deferred tax liability/ (Asset) (A-B)	**(81.74)**	**(125.94)**

3. Other Disclosures

3.1. Earnings Per Share (AS 20)

Basic and diluted earnings per equity share of the Bank have been computed in accordance with AS 20 – Earnings Per Share. Basic earnings per equity share has been computed by dividing net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share has been computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effect of all dilutive potential equity shares outstanding during the period. The dilutive impact is on account of stock options granted to employees by the Bank.

The following table sets forth, for the years indicated, the computation of earnings per share.

Particulars	March 31, 2023	March 31,2022
Earnings used in the computation of basic and diluted earnings per share (Net profit after tax) (₹ in Crore)	3,010.59	1,889.82
Basic earnings per share (in ₹)	14.27	9.13
Effect of potential equity shares (in ₹)	(0.14)	(0.07)
Diluted earnings per share (in ₹)	14.13	9.06
Nominal value per share (in ₹)	2.00	2.00
Reconciliation between weighted average number of equity shares used in computation of basic and diluted earnings per share		
Basic weighted average number of equity shares outstanding (in Crore)	210.91	206.92
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	2.22	1.64
Diluted weighted average number of equity shares outstanding (in Crore)	213.13	208.56

3.2. Share Capital

A. Equity Issue

During the year, the Bank has allotted 13,637,270 (previous year 1,547,231) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 2.73 Crore (previous year ₹ 0.31 Crore) and Reserves (share premium) increased by ₹ 92.40 Crore (previous year ₹ 9.08 Crore).

During the year, the share capital of the Bank increased by ₹ 0.35 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 8.40 Lakhs (previous year Nil) consequent to allotment of 17,500 shares pertaining to Rights issue of 2007, which were kept in abeyance following Orders from Courts.

Further, the share capital of the Bank increased by ₹ 0.04 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 0.53 Lakhs (previous year Nil) consequent to receipt of calls in arrears pertaining to 2,500 shares.

During the previous year, Bank had issued 104,846,394 equity shares of ₹ 2 each for cash pursuant to a preferential allotment at ₹ 87.39 per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the bank.

B. Subscribed and paid up capital includes:

(i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.

(ii) 25,361,023 underlying equity shares of ₹ 2/- each (previous year 28,361,023 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following Orders from various Courts:

(i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share.

(ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share.

(iii) 1,056,665 equity shares of ₹ 2/- each (previous year 1,074,165 equity shares of ₹ 2/- each) at a premium of ₹ 48/- per share pertaining to Rights issue of 2007.

Listing of shares and credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various Courts.

(i) 396,670 equity shares of ₹ 2/- each (previous year 406,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and

(ii) 597,005 equity shares of ₹ 2/- each (previous year 612,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

Listing of shares and subsequent credit in demat account of shareholders concerned respect of 10,000 equity shares out of the Bonus issue of 2004 and 15,000 equity shares out of the Bonus issue of 2015 which were kept in abeyance were executed on receipt of order from court during FY 2022-23.

D. Employee Stock Option Scheme (ESOS)

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	8,277,686	28.63 - 112.35	51.40	0.81
Granted during the year	-	-	-	-
Exercised during the year	5,038,853	28.63- 79.45	48.76	-
Forfeited/lapsed during the year	1,678,963	28.63 - 62.00	44.09	-
Outstanding at the end of the year	1,559,870	53.70 -112.35	67.76	0.97
Exercisable at the end of the year	1,559,870	53.70 -112.35	67.76	0.97

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,196,193	28.63 - 112.35	50.80	1.76
Granted during the year	-	-	-	-
Exercised during the year	918,047	28.63 - 62.00	45.45	-
Forfeited/lapsed during the year	460	28.63 – 28.63	28.63	-
Outstanding at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81
Exercisable at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023(previous year Nil).

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,129,660	38.30 - 116.85	81.24	4.49
Granted during the year*	4,503,375	87.30-135.65	89.07	7.49
Exercised during the year	8,598,417	38.30-116.85	82.05	-
Forfeited/lapsed during the year	750,956	38.30-116.85	64.12	-
Outstanding at the end of the year	72,283,662	38.30-135.65	81.81	3.83
Exercisable at the end of the year	47,477,097	38.30-116.85	91.75	2.48

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	74,926,966	38.30 - 116.85	80.98	5.35
Granted during the year**	3,733,250	77.55 - 91.35	83.85	7.44
Exercised during the year	629,184	81.95 - 98.70	82.92	-
Forfeited/lapsed during the year	901,372	38.30 - 116.85	69.03	-
Outstanding at the end of the year	77,129,660	38.30 - 116.85	81.24	4.49
Exercisable at the end of the year	43,042,257	38.30 - 116.85	94.96	2.87

*Details of options granted during the year ended March 31, 2023 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
June 18, 2022	4,258,375	87.30
July 07, 2022	35,000	95.55
October 07, 2022	150,000	120.85
November 14, 2022	5,000	135.05
January 10, 2023	5,000	135.65
February 17, 2023	50,000	130.25

**Details of options granted during the year ended March 31, 2022 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
April 30, 2021	1,000,000	77.55
June 09, 2021	2,675,250	86.20
August 27, 2021	33,000	78.20
January 10, 2022	25,000	91.35

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023 (previous year Nil).

In compliance with RBI guidelines, stock options granted to Whole Time Directors/Chief Executive Officer and Material Risk Takers after the year ended March 31, 2021 have been accounted using fair value method. Accordingly, the Bank has recognised ₹ 1.11 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2023 (previous year ₹ 0.51 Crore).

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2023 was ₹ 116.59 (previous year ₹ 88.68).

iii) Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 15.17 Crore (previous year ₹ 21.10 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 14.20 and ₹ 14.07 (previous year ₹ 9.03 and 8.97) respectively.

Weighted average fair value of options granted during the years ended March 31, 2023 and March 31, 2022 are as follows:

Particulars	**March 31, 2023**	**March 31, 2022**
Weighted average fair value of options granted during the year (in ₹)	31.93	30.53

The fair value of the options is estimated on the date of the grant using the Black-Scholes pricing model, with the following assumptions:

Particulars	**March 31, 2023**	**March 31, 2022**
Dividend yield	1% - 2%	1% - 2%
Expected life (in years)	3-5	3 - 4.63
Risk free interest rate	5.00% -8.50%	5.00% - 7.75%
Expected volatility	20% - 50%	30% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

Note: The above information is certified by the actuary and relied upon by the auditors.

E. Dividend

The Board of Directors have recommended a dividend of 50% i.e. ₹ 1.00/- per Equity Share on face value of ₹ 2.00/- each for the year 2022-23 (Previous Year ₹ 1.80/- per Equity Share) subject to the approval of the members at the ensuing Annual General Meeting.

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 211.62 Crore from the Profit and loss account for the year ended March 31, 2023. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio.

3.3. Fixed Assets

a) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure. Details regarding the same are tabulated below:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Gross Block		
At the beginning of the year	370.81	305.14
Additions during the year	133.15	65.67
Deductions / Adjustments during the year	-	-
At the end of the year	**503.96**	**370.81**
Depreciation / Amortization		
At the beginning of the year	261.07	227.18
Charge for the year	53.15	33.89
Deductions / Adjustments during the year	-	-
Depreciation to date	**314.22**	**261.07**
Net Block	**189.74**	**109.74**

b) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2023 and March 31, 2022.

3.4. Leases (AS 19)

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 ₹ 192.72 Crore (previous year: ₹ 174.16 Crore) was charged to Profit and loss account.

The Bank has not sub-leased its properties taken on lease.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

3.5. Provisions and Contingencies

a) Movement in provision for non-credit related* frauds included under other liabilities

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	6.67	5.54
Additions during the year	23.16	1.13
Reductions during the year	0.10	-
Closing balance	**29.73**	**6.67**

* Provision for credit related frauds is included in Provision towards NPAs.

b) Movement in provision for debit and credit card reward points

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision	10.89	5.84
Provision made during the year	12.00	31.68
Reductions during the year	12.51	26.63
Closing provision *	**10.38**	**10.89**

* The closing provision is based on the actuarial valuation of accumulated debit and credit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit and credit card reward points.

c) Movement in provision for other contingencies

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision	76.47	42.22
Provision made during the year	11.10	35.88
Provision utilized for Write off during the year	0.78	1.15
Reductions during the year	1.48	0.48
Closing provision	**85.31**	**76.47**

d) Movement in floating provision

(Amount in ₹ Crore)

Particulars	Standard Asset Provision		NPA Provision	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Amount drawn down during the year	-	-	-	-
Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

3.6. Description of contingent liabilities:

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Bank.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which the bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund, (Refer schedule 12 for amounts relating to Contingent Liabilities).

3.7. 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, 2023 was ₹ 4,813.29 Crore (previous year: ₹ 3,275.14 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2023 was ₹ 1,120.00 Crore (previous year: ₹ 1,300.00 Crore).

3.8. 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.

3.9. Corporate Social Responsibility (CSR)

a) The gross amount required to be spent by the Bank on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2023, was ₹ 43.88 Crore (previous year ₹ 39.89 Crore).

b) The amount approved by the Board of the bank to be spent during the year was ₹ 43.88 Crore (previous year ₹ 40.06 Crore).

c) Amount spent/transferred to separate CSR unspent account during the year is given below:

The following table sets forth, for the years indicated, the amount spent by the Bank on CSR related activities.

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023			March 31, 2022		
		Spent during the year	Transferred to separate CSR unspent a/c	Total	Spent during the year	Transferred to separate CSR unspent a/c	Total
1.	Construction / acquisition of any asset	-	-	-	-	-	-
2.	On purpose other than (1) above	30.86*	15.97	46.83*	36.77	3.29	40.06

**Includes ₹ 2.95 Crore spent from unspent CSR account pertaining to ongoing projects of FY22.*

The following table sets forth the summary of amount pertaining to ongoing projects transferred to separate CSR unspent account:

(Amount in ₹ Crore)

Year	Opening Balance in Separate CSR Unspent A/c	Amount required to be spent during the year	Amount spent during the year		Amount transferred to Separate CSR unspent A/c during the year	Closing Balance in Separate CSR Unspent A/c
			From Bank's A/c	From Separate CSR Unspent A/c		
2021-22	-	39.89	36.77	-	3.29	3.29
2022-23	3.29	43.88	27.91	2.95	15.97	16.31

The following table sets forth, for the years indicated, the details of related party transactions pertaining to CSR related activities as per Accounting Standard (AS) 18, Related Party Disclosures.

(Amount in ₹ Crore)

Sl. No.	Related Party	March 31, 2023	March 31, 2022
1	Federal Bank Hormis Memorial Foundation*	27.30	39.26
	Total	**27.30**	**39.26**

**Federal Bank Hormis Memorial Foundation is a trust in which KMPs of the Bank can exercise significant influence and is the implementation agency for Bank's CSR activities / programs / projects.*

3.10. 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 during the years ended March 31, 2023 and March 31, 2022.

3.11. Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 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 during the years ended March 31, 2023 and March 31, 2022. The above is based on the information available with the Bank which has been relied upon by the auditors.

3.12. Disclosure under Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity (ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank ("Ultimate Beneficiaries"). The Bank has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

3.13. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the years ended March 31, 2023 and March 31, 2022.

3.14. Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

Manikandan Muthiah Head - Financial Reporting	Samir P Rajdev Company Secretary	Shalini Warrier Executive Director (DIN: 08257526)	C Balagopal Chairman (DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Place: Kochi
Date: May 05, 2023

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
Off Kunjanbava Road, Vytilla,
Kochi -682019

Borkar & Muzumdar
Chartered Accountants,
21/168 Anand Nagar Om CHS,
Anand Nagar Lane, Off Nehru Road,
Santacruz (East), Mumbai - 400 055

INDEPENDENT AUDITORS' REPORT

To the Members of The Federal Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Federal Bank Limited (hereinafter referred as the 'the Bank' or 'Holding Company') and its two subsidiaries (Holding Company and subsidiaries together referred to as 'the Group') and its two associates which comprise the consolidated Balance Sheet as at March 31, 2023, the consolidated Profit and Loss Account and the consolidated Cash Flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements of such subsidiaries and associates as were audited by other auditors, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Group and its associates as at March 31, 2023, of its consolidated profit and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the consolidated Financial Statements' section of our report. We are independent of the Group and its associates in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of other auditors referred to in the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

	Key Audit Matters	**How our audit addressed the Key Audit Matters**
(i)	**Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 5.2 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)**	
	Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances. The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms') for the identification and classification of non-performing	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms). - Understanding, evaluation and testing the design and operating effectiveness of key controls (including system based automated controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI. - Performing other procedures including substantive audit procedures covering the

	assets ('NPA') and the minimum provision required for such assets. The identification of performing and non-performing advances (including advances restructured under applicable IRACP Norms) involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each advance applying both quantitative as well as qualitative factors prescribed by the regulations. Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on: - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions on restructured advances under applicable IRACP	identification of NPAs by the Bank. These procedures included: i. Considering testing of the exception reports generated from the application systems where the advances have been recorded. ii. Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. iii. Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors iv. Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product v. Considering key observations arising out of Internal Audits, Systems Audits, Credit Audits and Concurrent Audits as per the policies and procedures of the Bank. vi. Considering the RBI Annual Financial Inspection report on the Bank, the Bank's response to the observations and other communication with RBI during the year. vii. Examination of advances including stressed/ restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. viii. Seeking independent confirmation of account balances for sample borrowers. ix. Visits to branches/offices and examination of documentation and other records relating to advances.

	Norms) and income recognition on advances: - Requires proper control mechanism and significant level of estimation by the Bank; - Has significant impact on the overall financial statements of the Bank; we have ascertained this area as a Key Audit Matter.	For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.
(ii)	**Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 5.1 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)**	
	Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments ('NPI'), non-recognition of income and provisioning against non-performing investments. The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc. We identified valuation of investments and identification of NPI as a Key Audit Matter because	- Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/ depreciation related to Investments. In particular - - We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected

	of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.	samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; - We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	**Information Technology ('IT') Systems and Controls for financial reporting**	
	The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested sample IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts - We reviewed key observations arising out of audits conducted on the Bank's IT systems during the year. - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal financial controls over financial reporting. Where deficiencies were identified, we sought

		explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
(iv)	**Assessment of Provisions and Contingent Liabilities (Schedules 5 and 12 read with Notes 5.13 & 5.21 of Schedule 17 to the consolidated financial statements)**	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the consolidated financial statements) and various employee benefits schemes (Schedule 5 to the consolidated financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from independent legal/ tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet.	- Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported; - Understanding the current status of the litigations/tax assessments for the Bank; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matters identified as significant, with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice; - Our audit procedures included an assessment of the assumptions used by the

	The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions. We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets; - Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.

Information other than the consolidated financial statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the other information. The Other Information comprises the information in Basel III - Pillar 3 disclosures which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date (but does not include the standalone financial statements, consolidated financial statements and our auditors' reports thereon).

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with the relevant rules issued thereunder, provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the entities included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the entities included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the entities included in the Group and of its associates are also responsible for overseeing the financial reporting process of the Group and of its associates.

Auditors' Responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the

direction, supervision and performance of the audit of financial information of such entities included in consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described under 'Other Matters' in this audit report.

Materiality is the magnitude of the misstatements in the consolidated financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

I. The Consolidated Financial Statements include the audited financial statements of one subsidiary, whose financial statements/ financial information reflecting total assets of Rs. 26.07 crores as at 31st March 2023, total revenues of Rs. 61.85 crores and total net profit after tax of Rs. 4.78 crores for the year ended 31st March 2023, and net cash inflow amounting to Rs.3.33 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by one of the joint auditors of the Bank whose reports have been furnished to us by the management. The Consolidated Financial Statements also include the audited financial of one subsidiary, whose financial statements/ financial information reflecting total assets of Rs 9020.48 crores as at 31st March 2023, total revenues of Rs 1225.97 crores and total net profit after tax of Rs 168.39 crores for the year ended 31st March 2023 and net cash inflow amounting to Rs 384.92 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by another independent auditor, whose reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, as well as our report in terms of subsection (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, is based solely on the respective reports of the aforesaid joint auditor and other auditor.

II. The consolidated financial statements also include the Group's share of net profit of Rs.34.06 crores for the year ended 31 March 2023, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of its associates and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid associates is based solely on the report of the other auditors.

Our opinion on the consolidated financial statements and our Report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters and with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and the consideration of the reports of the other auditors on separate financial statements of such subsidiaries and associates as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report that, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated Balance Sheet, the consolidated Profit and Loss Account, the consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e) On the basis of written representations received from the directors as on March 31, 2023 and taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiaries and associates, none of the directors of the Group companies and its associates is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to the consolidated financial statements, and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

g) With regard to matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, in our opinion, being a banking company, the remuneration to its directors during the year ended March 31, 2022 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiaries and associates which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to their directors is in accordance with the provisions of Section 197 of the Act. The auditors of Ageas Federal Life Insurance Company Limited, (Formerly known as IDBI Federal Life Insurance Company Limited) ('the associate') have reported, managerial remuneration is governed u/s 34A of the Insurance Act, 1938 and requires IRDAI approval. Accordingly, the provisions of Section 197 read with schedule V to the Act are not applicable, and hence reporting under Section 197(16) is not required.

h) With respect to the other matters to be included in the Auditors' Report in accordance with the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Schedule 12 and Note No 1.13 under Schedule 18 to the consolidated financial statements;

ii. Provision as required, 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 1.14 under 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 Bank or its subsidiaries and associates during the year ended 31 March 2023;

iv.

a) The respective managements of the Holding Company, its subsidiaries and its associates which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the note 1.18 under Schedule 18 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries or associates to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiaries or associates ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The respective managements of the Holding Company, its subsidiaries and its associates, which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the note 1.18 under Schedule 18 to the consolidated financial statements, no funds (which are material either individually or in the aggregate) have been received by the respective Holding Company or any of such subsidiaries or associates from any person(s) or entity(ies), including foreign entities (Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries or associates shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the Bank's subsidiaries and associates which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.

v. The dividend declared and paid by the Holding Company, its subsidiaries, and associates, where applicable, is in accordance with sec.123 of the Act

vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only with effect from April 1, 2023, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
M. No.203094
UDIN: 23203094BGXYMC5010

Kochi
05th May 2023

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 23100938BGQQRI1840

Kochi
05th May 2023

Annexure A to the Independent Auditors' Report of even date on the consolidated financial statements of The Federal Bank Limited

Report on the Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to consolidated financial statements of The Federal Bank Limited ('the Bank'), its subsidiary companies and its associates which are companies incorporated in India, as at March 31, 2023 in conjunction with our audit of the consolidated financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Respective Board of Directors of the Bank, its subsidiaries and associates which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (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 company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing (the 'Standards') as specified 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiaries and associates, in terms of their report referred to in the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting with reference to consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank, its subsidiaries and its associate companies have, in all material respects, an adequate internal financial controls system over financial reporting with reference to consolidated financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, based on the internal control over financial reporting with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

1. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to two subsidiaries and two associates, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.

Our opinion on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
M. No.203094
UDIN: 23203094BGXYMC5010

Kochi
05th May 2023

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 23100938BGQQRI1840

Kochi
05th May 2023

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2023

(₹ in Thousands)

	Schedule	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	4,232,402	4,205,089
Reserves and surplus	2	216,991,688	188,350,098
Minority interest	2A	3,519,706	3,053,307
Deposits	3	2,129,885,009	1,816,775,213
Borrowings	4	258,619,785	195,873,861
Other liabilities and provisions	5	66,791,976	54,152,877
TOTAL		**2,680,040,566**	**2,262,410,445**
ASSETS			
Cash and balances with Reserve Bank of India	6	126,042,359	160,661,105
Balances with banks and money at call and short notice	7	51,996,928	50,699,948
Investments	8	487,022,380	390,651,931
Advances	9	1,819,567,490	1,499,514,616
Fixed assets	10	9,717,110	6,721,033
Other assets	11	185,694,299	154,161,812
TOTAL		**2,680,040,566**	**2,262,410,445**
Contingent liabilities	12	766,059,726	389,315,038
Bills for collection		56,694,543	50,132,757
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

Directors:

A P Hota (DIN: 02593219)

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
I. INCOME			
Interest earned	13	178,117,772	143,815,315
Other income	14	24,362,374	21,209,332
TOTAL		**202,480,146**	**165,024,647**
II. EXPENDITURE			
Interest expended	15	99,752,389	79,593,793
Operating expenses	16	52,112,053	45,921,464
Provisions and contingencies (Refer Note 1.8 of Schedule 18)		18,858,074	19,855,432
TOTAL		**170,722,516**	**145,370,689**
III. NET PROFIT FOR THE YEAR		**31,757,630**	**19,653,958**
Less: Minority interest		451,036	266,386
Add: Share in Profit of Associates		340,597	310,281
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		**31,647,191**	**19,697,853**
Balance in Profit and Loss Account brought forward from previous year		43,540,278	34,958,136
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		2,073	11,114
V. AMOUNT AVAILABLE FOR APPROPRIATION		**75,185,396**	**54,644,875**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		4,265,747	2,667,208
Transfer to Statutory Reserve		7,526,486	4,724,554
Transfer to Capital Reserve		113,247	888,693
Transfer to Investment Fluctuation Reserve		9,690	-
Transfer to Special Reserve		1,606,900	1,233,400
Transfer to Reserve fund		246,567	146,293
Redemption of Preference Shares		-	47,053
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		3,786,630	1,397,396
Balance carried over to Consolidated Balance Sheet		57,630,129	43,540,278
TOTAL		**75,185,396**	**54,644,875**
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		15.01	9.52
Diluted		14.85	9.44
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

THE FEDERAL BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Year ended March 31, 2023	**Year ended March 31, 2022**
Cash Flow from Operating Activities		
Net Profit before taxes	42,518,956	26,506,665
Adjustments for:		
Depreciation on Group's Property	1,821,767	1,388,981
Provision / Depreciation on Investments	407,523	806,251
Amortisation of Premium on Held to Maturity Investments	1,744,601	1,692,231
Provision / Charge for Non Performing Advances	6,552,808	6,615,437
Provision for Standard Assets and Contingencies	1,500,290	6,438,433
(Profit)/ Loss on sale of fixed assets (net)	(8,299)	(53,304)
Employees Stock option Expense	11,364	5,690
	54,549,010	**43,400,384**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *[excluding Held to Maturity Investments]*	(4,894,678)	(37,792,807)
(Increase)/ Decrease in Advances	(326,605,682)	(150,985,929)
(Increase)/ Decrease in Other Assets	(30,283,802)	(28,165,675)
Increase/ (Decrease) in Deposits	313,109,796	94,914,171
Increase/ (Decrease) in Other liabilities and provisions	11,138,809	9,826,099
	(37,535,557)	**(112,204,141)**
Direct taxes paid (net)	(12,120,449)	(8,932,766)
Net Cash Flow from / (used in) Operating Activities	**4,893,004**	**(77,736,523)**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(4,840,245)	(2,955,200)
Proceeds from Sale of Fixed Assets	30,700	73,359
(Increase)/ Decrease in Held to Maturity Investments	(93,627,897)	11,959,138
Net Cash flow from / (used in) Investing Activities	**(98,437,442)**	**9,077,297**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	27,313	212,787
Proceeds from Share Premium (net of share issue expenses)	930,938	9,057,309
Increase / (Decrease) in Minority Interest	463,727	885,833
Proceeds from Issue of Subordinate Debt	9,950,000	7,048,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	52,795,924	66,119,853
Dividend Paid	(3,786,630)	(1,397,396)
Net Cash flow from / (used in) Financing Activities	**60,381,272**	**81,926,386**
Effect of exchange fluctuation on translation reserve	(158,601)	(63,456)
Net Increase/(Decrease) in Cash and Cash Equivalents	**(33,321,767)**	**13,203,704**

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash and Cash Equivalents at the beginning of the year	211,361,053	198,157,349
Cash and Cash Equivalents at the end of the year	178,039,286	211,361,053

Note:

Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Consolidated Balance Sheet)

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

Vijay Narayan Govind
Partner
Membership No: 203094

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)

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Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 1 - CAPITAL		
Authorised Capital	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	4,235,053	4,207,778
2,117,526,438 (Previous year 2,103,889,168) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	4,232,403	4,205,093
2,116,201,143 (Previous year 2,102,546,373) Equity Shares of ₹ 2/-each		
Less: Calls in arrears	1	4
Total	**4,232,402**	**4,205,089**
Refer Note 1.1 of Schedule 18		

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	38,534,280	33,809,726
Additions during the year	7,526,486	4,724,554
	46,060,766	**38,534,280**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
	50,091	**50,091**
(b) Capital Redemption Reserve		
Opening balance	14,661	-
Additions / (Deductions) during the year	(18)	14,661
	14,643	**14,661**
(c) Others		
Opening balance	7,454,496	6,580,463
Additions during the year*	113,247	874,033
	7,567,743	**7,454,496**
	7,632,477	**7,519,248**
III. Share premium (Refer Note 1.1 of Schedule 18)		
Opening balance	62,424,782	53,303,285
Additions during the year	932,058	9,121,497
	63,356,840	**62,424,782**
IV. Revenue and Other Reserves		
(a) Revenue Reserve		
Opening Balance	25,133,417	22,466,209
Additions during the year	4,265,747	2,667,208
	29,399,164	**25,133,417**
(b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	9,690	-
	1,906,890	**1,897,200**
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	8,483,200	7,249,800
Additions during the year	1,606,900	1,233,400
	10,090,100	**8,483,200**
V. Foreign Currency Translation Reserve		
Opening Balance	19,116	82,572
Additions / (Deductions) during the year [Refer Schedule 17 (5.6)]	(158,601)	(63,456)
	(139,485)	**19,116**
VI. ESOP Reserve		
Opening Balance	22,912	17,222
Additions during the year	11,364	5,690
Deductions during the year	1,120	-
	33,156	**22,912**
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VIII. Reserve Fund		
Opening balance	473,905	330,723
Additions during the year	245,987	143,182
	719,892	**473,905**
IX. General Reserve		
Opening balance	757	764
Additions / (Deductions) during the year	(1)	(7)
	756	**757**
X. Balance in Consolidated Profit and Loss Account	**57,630,129**	**43,540,278**
Total	**216,991,688**	**188,350,098**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :
a) Gain on sale of Held to Maturity Investments ₹ 111,106 Thousands (Previous year ₹ 842,569 Thousands)
b) Profit on sale of Premises ₹ 2,141 Thousands (Previous year ₹ 31,464 Thousands)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 2A - MINORITY INTEREST		
Minority interest at the date on which parent-subsidiary relationship came into existence	786,638	786,638
Subsequent increase	2,733,068	2,266,669
	3,519,706	**3,053,307**
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	2,179,831	6,176,235
ii. From Others	151,728,327	137,523,300
	153,908,158	**143,699,535**
II. Savings Bank Deposits	**543,369,909**	**530,826,744**
III. Term Deposits		
i. From Banks	23,697,209	9,534,129
ii. From Others	1,408,909,733	1,132,714,805
	1,432,606,942	**1,142,248,934**
Total	**2,129,885,009**	**1,816,775,213**
B. I. Deposits of branches in India	2,129,601,140	1,816,772,232
II. Deposits of branches outside India	283,869	2,981
Total	**2,129,885,009**	**1,816,775,213**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	64,201,770	39,124,195
iii. Other institutions and agencies	164,078,253	137,315,596
Total	**228,280,023**	**176,439,791**
II.Borrowings outside India	30,339,762	19,434,070
Total	**258,619,785**	**195,873,861**
a) Secured borrowings included in I and II above	205,860,584	162,209,403
b) Tier II bond included in I(ii) & I(iii) above	20,103,000	10,153,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	6,254,620	6,175,507
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	6,314,345	2,834,252
IV. Others (including provisions)*	54,223,011	45,143,118
Total	**66,791,976**	**54,152,877**
*Includes		
General provision for standard assets	15,197,410	14,009,955

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	10,838,952	17,297,195
II. Balance with Reserve Bank of India		
i. in Current Accounts	99,203,407	82,863,910
ii. in Other Accounts	16,000,000	60,500,000
Total	**126,042,359**	**160,661,105**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	6,206,561	4,148,052
b. in Other Deposit Accounts	909,666	4,382,501
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	4,992,580	1,500,000
Total	**12,108,807**	**10,030,553**
II. Outside India		
i. in Current Accounts	5,376,721	9,063,922
ii. in Other Deposit Accounts	34,511,400	29,938,038
iii. Money at call and short notice	-	1,667,435
Total	**39,888,121**	**40,669,395**
Grand Total (I and II)	**51,996,928**	**50,699,948**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities #	426,889,671	352,689,974
ii. Other approved Securities	-	-
iii. Shares##	5,585,178	4,562,519
iv. Debentures and Bonds	21,197,649	13,543,328
v. Joint Venture*	2,963,031	2,738,499
vi. Others @	29,037,108	16,517,252
Total	**485,672,637**	**390,051,572**
II. Investments outside India		
i. Government Securities (including Local authorities)	24,526	439,301
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments		
a. Debentures and Bonds	504,502	151,737
b. Shares	10,105	9,321
c. Others (Certificate of Deposit)	810,611	-
Total	**1,349,744**	**600,359**
Grand Total (I and II)	**487,022,381**	**390,651,931**
Gross Investments		
In India	491,054,724	395,023,569
Outside India	1,351,468	600,359
Total	**492,406,192**	**395,623,928**
Depreciation/ Provision for Investments		
In India	5,382,088	4,971,997
Outside India	1,724	-
Total	**5,383,812**	**4,971,997**
Net Investments		
In India	485,672,636	390,051,572
Outside India	1,349,744	600,359
Total	**487,022,380**	**390,651,931**

Securities costing ₹ 95,151,628 Thousands (Previous Year ₹ 77,383,897 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

Includes Cost of Investment in Associate amounting to ₹ 346,282 Thousands (Previous Year ₹ 309,714 Thousands) including Goodwill of ₹ 150,181 Thousands (Previous Year ₹ 150,181 Thousands)

* represents investment accounted as an associate in line with AS -23 , Accounting for Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2023	As at March 31, 2022
Pass through certificates (PTCs)	25,761,611	5,596,808
Certificate of Deposits	1,340,611	5,323,433
Commercial Paper	492,518	2,481,327
Venture Capital Funds (VCFs)	1,242,378	1,141,681
Security Receipts	-	694,067
Mutual Fund	199,990	1,279,936
Total	**29,037,108**	**16,517,252**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 9 - ADVANCES		
A. i. Bills purchased and discounted	41,692,972	35,191,053
ii. Cash credits, overdrafts and loans repayable on demand	759,432,674	644,095,456
iii. Term loans	1,018,441,844	820,228,107
Total	**1,819,567,490**	**1,499,514,616**
B. i. Secured by tangible assets*	1,526,044,412	1,234,097,232
ii. Covered by Bank/Government guarantees #	18,754,982	18,091,031
iii. Unsecured	274,768,096	247,326,353
Total	**1,819,567,490**	**1,499,514,616**
C.I.Advances in India		
i. Priority sectors	559,026,962	442,727,087
ii. Public sector	124,018	1,234,066
iii. Banks	1,275,342	1,951
iv. Others	1,232,066,558	1,039,580,028
Total	**1,792,492,880**	**1,483,543,132**
C.II.Advances outside India		
i. Due from Banks	794,011	528,746
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	9,938,657	3,717,803
c) Others	16,341,942	11,724,935
Total	**27,074,610**	**15,971,484**
Grand Total (C I and C II)	**1,819,567,490**	**1,499,514,616**

* Includes Advances against book debts
# Includes Advances against Letter of credit issued by banks
(Advances are net of provisions)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
SCHEDULE 10 - FIXED ASSETS		
A.Premises #		
Gross Block		
At the beginning of the year	2,968,642	2,436,549
Additions during the year	780,062	533,626
Deductions during the year	5,828	1,533
At the end of the year	**3,742,876**	**2,968,642**
Depreciation		
As at the beginning of the year	1,065,719	1,023,451
Charge for the year	62,800	42,268
Deductions during the year	1,815	-
Depreciation to date	**1,126,704**	**1,065,719**
Net Block	**2,616,172**	**1,902,923**
B.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	15,378,278	13,371,686
Additions during the year	3,534,735	2,263,894
Deductions during the year	531,487	257,302
At the end of the year	**18,381,526**	**15,378,278**
Depreciation		
As at the beginning of the year	10,848,649	9,740,715
Charge for the year	1,758,970	1,346,713
Deductions during the year	513,103	238,779
Depreciation to date	**12,094,516**	**10,848,649**
Net Block	**6,287,010**	**4,529,629**
C. Capital Work in progress (Including Capital Advances)	813,928	288,481
Grand Total (A+B+C)	**9,717,110**	**6,721,033**

Includes buildings constructed on leasehold land at different places having original cost of ₹1,206,265 Thousands (Previous Year ₹659,861 Thousands) and Written down value of ₹976,551 Thousands (Previous Year ₹443,380 Thousands) with remaining lease period varying from 52 - 63 years.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2023	**As at March 31, 2022**
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	16,805,866	12,523,377
III. Tax paid in advance/tax deducted at source (Net of provision)	13,512,455	11,844,772
IV. Stationery and Stamps	15,676	11,895
V. Non-banking assets acquired in satisfaction of claims	2,926	3,936
VI. Others#	155,357,376	129,777,832
Total	**185,694,299**	**154,161,812**
# Includes		
(a) Priority sector shortfall deposits	131,167,873	109,941,405
(b) Deferred Tax Asset (Refer Note 1.7 of Schedule 18)	1,196,139	1,615,138
(c) Security deposits	2,605,333	2,354,945
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	18,470,244	16,878,498
II. Liability on account of outstanding forward exchange contracts**	610,661,759	266,022,356
III. Guarantees given on behalf of constituents - in India	107,735,581	78,761,957
IV. Acceptances, endorsements and other obligations	25,350,115	22,885,851
V. Other items for which the Bank is contingently liable[@]	3,842,027	4,766,376
Total	**766,059,726**	**389,315,038**
(Refer Note 1.13 of Schedule 18) ** - Including Derivatives		
@ - includes ₹ 2,796,757 Thousands (Previous Year : ₹ 2,486,487 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.		

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	145,078,824	115,643,106
II. Income on investments	27,818,767	23,164,920
III.Interest on balances with Reserve Bank of India and other inter-bank funds	2,062,522	2,202,669
IV. Others*	3,157,659	2,804,620
Total	**178,117,772**	**143,815,315**
* - Includes interest on Income tax refunds amounting to ₹ 12,176 Thousands (Previous year ₹ 288,977 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	18,678,006	13,228,649
II. Profit on sale of investments (Net)	902,443	3,886,879
III. Profit / (Loss) on revaluation of investments (Net)	(474,312)	(813,501)
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	8,299	53,304
V. Profit on foreign exchange/derivative transactions (Net)	2,971,391	2,420,161
VI. Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures.	-	-
VII.Miscellaneous income**	2,276,547	2,433,840
Total	**24,362,374**	**21,209,332**
** - Includes Recoveries in assets written off ₹ 1,407,335 Thousands (Previous year ₹ 1,791,353 Thousands)		

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	86,127,812	73,322,891
II. Interest on Reserve Bank of India/Inter bank borrowings	906,535	358,479
III.Others	12,718,042	5,912,423
Total	**99,752,389**	**79,593,793**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	24,402,440	25,116,596
II. Rent, taxes and lighting	4,302,499	3,655,870
III. Printing and stationery	533,198	294,405
IV. Advertisement and publicity	409,295	121,696
V. Depreciation on group's property	1,821,767	1,388,981
VI. Directors' fees, allowances and expenses	38,052	31,809
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	63,188	78,282
VIII.Law charges	544,431	316,507
IX. Postage, Telegrams, Telephones etc	1,256,729	912,628
X. Repairs and maintenance	1,152,573	858,127
XI. Insurance	2,318,902	2,145,710
XII. Other expenditure#	15,268,979	11,000,853
Total	**52,112,053**	**45,921,464**
# - Includes Corporate Social Responsibility expenditure amounting to ₹ 452,436 Thousands (Previous Year: ₹ 407,404 Thousands)		

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

1. Background

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail and corporate 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 on April 23, 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 a publicly held banking company governed by Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts/ regulations. The Bank also has its Digital Banking Unit at Kolkata, Representative Office at Abu Dhabi & Dubai and had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). 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 Bank, its subsidiary companies and the Group's share of Profit/Loss in its associates. The details of subsidiaries and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				Mar 31, 2023	Mar 31, 2022
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	73.21	73.30
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	19.79	19.89

(ii) The audited financial statements of the subsidiary companies and the audited financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2023.

(iii) The financial statements of the Bank and its subsidiary companies have been combined on a line-by-line basis as per *AS 21, Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

(iv) The consolidated financial statements include the share of profit of the associate companies which have been accounted for using equity method as per *AS 23 Accounting for Investments in Associates in Consolidated Financial Statements*. Accordingly, the share of profit of the associate companies has been added to the cost of respective investment.

(v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.

(vi) Differences in accounting policies followed by the subsidiaries and associates have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. Basis of accounting and preparation of Consolidated Financial Statements

The Consolidated Financial Statements of the Bank and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Companies Act, 2013 ("the Act"), circulars and guidelines issued by the RBI as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Third Schedule of Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year, except otherwise stated.

The financial statements of Fedbank Financial Services Limited are prepared in accordance with notified Indian Accounting Standards ('Ind-AS') prescribed under section 133 of the Act. However, the financial statements of the referred subsidiary used for consolidation purpose is a special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') and applicable Accounting Standards, to align with the format of the Bank's financial statements.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosure of contingent liabilities as at the date of the financial statements and the reported revenues and expenses during the reporting period. 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 recognized prospectively in the current and future periods.

5. Significant accounting policies

5.1 Investments

The Bank

Classification

In accordance with the RBI guidelines, investments are categorized at the time of purchase as:

- Held for Trading (HFT)
- Available for Sale (AFS) and
- Held to Maturity (HTM)

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.

Basis of Classification

Investments which the bank intends to hold till maturity are classified as "Held to Maturity". 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 are not classified in either of the above two categories are classified as "Available for Sale".

Transfer of securities between Categories

Transfer of securities between categories of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

a. Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The ‘market value’ for quoted securities shall be the prices declared by the Financial Benchmark India Pvt. Ltd. (FBIL). For securities included under AFS and HFT categories whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/trading platforms authorized by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Net depreciation, if any, within each category of each investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of each Investment classification is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Depreciation on the securities acquired by way of conversion of outstanding loan (restructured) is not offset against the appreciation in other securities. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b. Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c. Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d. Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

    - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL / FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
    - Pass Through Certificates ('PTC') and Priority Sector PTCs are valued as per extant FIMMDA guidelines
    - 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 “breakup” value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company based on the stipulated norms as per RBI circular.

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.

f. Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.

g. The Bank follows settlement date method of accounting for purchase and sale of investments.

h. Non-Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

a. Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss Account.

b. Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve in accordance with the RBI Guidelines. Loss on sale / redemption is charged to the Profit and Loss Account.

Repurchase and Reverse Repurchase Transactions

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Balance in Repo Account is classified under Schedule 4 -Borrowings. Balance in Reverse Repo account with RBI is classified under Schedule 6 (II) (ii) - Balance with RBI in Other accounts. Other balances in Reverse Repo Accounts with original tenor of 14 days or less are classified under Schedule 7 -Balance with Banks and Money at call & short notice.While Reverse Repos with original maturity more than 14 days are classified under Schedule 9 -Advances. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in Securities Short Sold ('SSS') A/C, specifically created for this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiaries

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long-Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortized over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

5.2 Advances

The Bank

Classification

Advances are classified into performing (Standard) and non-performing ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria as per Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC) issued by RBI. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in Profit and Loss Account until received.

Provisioning

The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

Non-performing advances are written-off in accordance with the Bank’s policy. Amounts recovered against debts written off are recognised in the Profit and Loss Account and included under “Other Income”.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

In addition to the above, the Bank on a prudent basis makes provisions on advances or exposures which are not NPAs, but it has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI. In respect of loans and advances subjected to restructuring under the Prudential Framework (IRAC), the account is upgraded to standard only after the specified period/ monitoring period, subject to satisfactory performance of the account during the period.

The Bank makes additional provisions as per RBI’s guidelines on ‘Prudential Framework on Resolution of Stressed Assets’ dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution frameworks are made as per extant RBI guidelines.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank makes additional provisions on loans to specific borrowers in specific stressed sectors, provision on incremental exposure to borrowers identified as per RBI’s large exposure framework and on projects where Date of Commencement of Commercial Operations is delayed, as per RBI guidelines.

In respect of borrowers classified as non-cooperative and wilful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

Fedbank Financial Services Limited

Advances are classified as Standard Assets or Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ".

For gold loans, the Company may roll over/ repledge the overdue loan into a fresh loan, provided –

• the customer brings in additional margin in the form of gold or cash to meet the LTV margin requirements as per RBI guidelines; or
• if the revalued collateral value of the gold is adequate to meet the LTV margin requirements as per RBI guidelines.

Irrespective of the days past due status, if these gold loans have adequate margin available as required by the regulatory norms, these loans are classified as ‘standard’ and standard asset provision rates are applied.

Over and above the DPD based provision, the Company also carries overlays for provision basis assessment of future credit risk. The estimate of such management overlay provision to be carried in the books is reviewed & assessed on a quarterly basis.

5.3 Securitisation and transfer of assets

The Bank

The Bank enters into purchase of corporate and retail loans through direct assignments route and the same is accounted as per extant RBI guidelines.

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and 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. Further, such reversal shall be limited to the extent to which cash received exceeds the net book value of the loan at the time of transfer as per RBI guideline.

Fedbank Financial Services Limited

The Company enters into securitisation / assignment transactions and assets are de-recognised upon sale only if the Company surrenders the control over the contractual rights that comprises in the financial assets i.e. when they meet true sale criteria. The Company has adopted the accounting policy for securitisation / assignment transactions, as notified by RBI in its circular “Revision to the guidelines on transfer of assets through Securitisation and Transfer of loan assets" as amended from time to time.

Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle (SPV), losses if any are recognised upfront.

The amount of cash profit on assignment transaction is held under “Cash Profit on loan transfer transactions pending recognition” maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at every reporting period end as prescribed by RBI in the afore mentioned circular. The unamortised portion is reflected as “Other long term liabilities” / “Other current liabilities”.

5.4 Country risk

The Bank

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorized into seven risk categories namely insignificant, low, moderately low, moderate, moderately high, high, very high as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

5.5 Priority Sector Lending Certificates (PSLC)

The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016, trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

5.6 Transactions involving foreign exchange

The Bank

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognized in the Profit and Loss Account.

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) at the Balance Sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11 'The Effect of changes in Foreign Exchange Rate' as notified under the Act. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortized and recognized as interest income / interest expense in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

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Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction. Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date. The resulting net valuation profit or loss is recognized in the Statement of Profit and Loss account.

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Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency outstanding at the Balance Sheet date are translated at the applicable exchange rates prevailing at the year-end. The exchange gain/ loss arising during the year are adjusted to the Statement of Profit and Loss.

5.7 Derivative transactions

The Bank

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Profit and Loss Account. 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. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles.

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The Company recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Statement of Profit and Loss.

5.8 Revenue Recognition

The Bank

- Interest income is recognised in the profit and loss account on an accrual basis in accordance with AS – 9, 'Revenue Recognition' as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on "first in first out" policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.

- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees, are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

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- Revenue is recognized as and when it is earned, and no significant uncertainty exists as to its realization or collection.
- Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically Important Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2016" and the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.
- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- Processing Fees are recovered and recognised at the time of disbursement of loan.
- Penal interest income and other charges (like bouncing charges, foreclosure charges etc.) levied are recognized upon realisation basis.

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- Revenue from Operations is recognized as and when services are rendered, as per the terms of Master Service Agreement entered into by the company.
- Other Income
  a. Interest income is recognised on accrual basis using effective interest rate method.
  b. Dividend income is recognised when the Company's right to receive is established.
  c. Other incomes are recognised on accrual basis except when there are significant uncertainties.

5.9 Fixed assets and depreciation / amortization

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortization 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 before it is ready to use. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis from the date of addition, except as mentioned below.

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvements to leased Premises are depreciated over lower of lease term or 5 years based on technical evaluation.

- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Premises	60 Years	60 Years
Electric equipment and installations	10 Years	10 Years
Furniture and fixtures	10 Years	10 Years
Motor Cars	8 Years	8 Years
Servers, Firewall & Network Equipment	6 Years	6 Years
ATM / CDM / Recyclers etc.	5 Years	15 Years
Currency Sorting Machines	5 Years	5 Years
Office equipments	5 Years	5 Years
Computer hardware	3 Years	3 Years
Modem, scanner, routers, switches etc.	3 Years	6 Years

Improvements to lease hold premises are amortised over the remaining primary period of lease.

Software is depreciated over a period of 3 to 5 years and eligible Cost of license is capitalised as intangible asset and amortized over the license period.

Depreciation on assets sold during the year is recognized on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognized as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

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- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

Asset Type	**Useful Life (In Years)**	**Method**	**Rate of Depreciation (%)**
Computer Equipment's	3	SLM	31.67
Server	6		15.83
Office Equipment's	5	WDV	45.08
Vehicles - Cars	8		31.24
Furniture & Fixtures	10		25.88

- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on Straight Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

Federal Operations and Services Limited

- Property, Plant and Equipments are stated at cost less accumulated depreciation and impairment in value if any. Cost includes purchase price, (inclusive of import duties and non - refundable purchase taxes, after deducting trade discounts and rebates), other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacement spares/ major inspection relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.
- On disposal of an item of property, plant and equipment, the differences between the disposal proceeds and its carrying amount is recognised in the Statement of Profit and Loss. The residual values, useful life and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate. Capital work in progress comprises of the cost of fixed asset that are not yet ready for their intended use at the reporting date.
- Intangible assets are recorded at the cost of acquisition of such assets and are carried at cost less accumulated depreciation and impairment, if any.
- Depreciation is provided on Written Down Value Method in accordance with Schedule II of the Companies Act, 2013. The useful life adopted is as prescribed under Schedule II of the Companies Act 2013, except for the following assets for which a different useful life has been adopted on the basis of technical evaluation/management estimate, based on a review by the management at the year end:-

a) The cost of lease holds improvements are amortised on a straight-line basis over the lease period.
b) Cost of license is capitalised as intangible asset and amortized over the license period. Also, the cost of software is capitalised as intangible asset and amortised on a straight-line basis over the useful life of 5 years.
c) Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

5.10 Impairment of Assets

Group

The Group assesses at each Balance Sheet date whether there is any indication that an asset is impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

5.11 Non-Banking Assets acquired in Satisfaction of Claims

The Bank

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realizable value.

5.12 Lease transactions

Operating Lease

The Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognized as expense immediately in the Profit and Loss Account.

5.13 Employee benefits

The Bank

Defined Contribution Plan

a) **Provident Fund**

Employees covered under contributory provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution paid/payable by the Bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) **National Pension System ('NPS')**

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution and recognises such contributions as an expense in the year incurred.

Defined Benefit Plan

a) **Pension Fund**

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid/payable by the Bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

b) **Gratuity**

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution paid/payable by the Bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss account.

Other Employee Benefits

Compensation for absence on Privilege / Sick / Casual Leave / Leave Travel Concession (LTC) & other Short-term employee benefits

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 recognized in the Profit and Loss account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employees render the service. These benefits include performance incentives.

Fedbank Financial Services Limited

a) **Defined Contribution Plan**

The Company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Statement of Profit and Loss for the year.

b) **Defined Benefit Plan**

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company, makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

c) **Other Long Term Employee Benefits**

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 Statement of Profit and Loss for the period in which they occur.

d) **Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

Federal Operations and Services Limited

a) **Defined Contribution Plan**
The Company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance and labour welfare fund. The contributions paid/payable to these plans during the year are charged to Statement of Profit and Loss for the year.

b) **Defined Benefit Plan**
The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on actuarial valuation, conducted annually using projected unit credit method at balance sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

c) **Short Term Employee Benefits**
All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

5.14 Employee Stock Option Scheme

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999, and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Schemes provided for grant of options to Employees and whole time Directors 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 Share-based payments” issued by the ICAI, the Bank follows ‘Intrinsic value method’ for accounting of ESOS based on which, the excess, if any, of the closing market price of the share on the date preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.

The market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

However, the stock options granted to Material risk takers, after March 31, 2021 are accounted as per ‘Fair value method’ using Black-Scholes model, which is recognized as compensation expense over the vesting period in line with extant RBI guidelines.

Fedbank Financial Services Limited

Stock options granted to employees under the stock option schemes are accounted using the intrinsic value method prescribed in the Guidance Note on Employees Share Based Payments issued by The Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is considered as deferred employee compensation. The expense on deferred employee compensation is recognized in Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to expense, equal to the amortized portion of value of lapsed portion.

5.15 Debit and Credit card reward points

The Bank

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption, spends, discount rate, value of reward points etc. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss account and liabilities on the outstanding reward points as at the Balance Sheet date is included in 'Others' under Schedule 5 - Other liabilities and provisions.

5.16 Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws. Deferred tax is recognized 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 recognized for all timing differences. Deferred tax assets are recognized 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 realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognized in reserves are adjusted in reserves and not in Profit and Loss Account.

5.17 Input Credit under GST

Group

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

5.18 Share issue expenses

Group

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.19 Corporate Social Responsibility

Group

Expenditure towards Corporate Social Responsibility, in accordance with Companies Act, 2013 is recognized in the Profit and Loss Account.

5.20 Earnings per Share

Group

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 - "Earnings per Share", issued by the ICAI, as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders outstanding by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

5.21 Provisions, contingent liabilities, and contingent assets

Group

In accordance with Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, a provision is recognized when the group has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits 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 management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

No provision is recognized and a disclosure of contingent liability is made when there is:

I. 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

II. a present obligation arising from a past event which is not recognized because:

   a) it is not probable that an outflow of resources will be required to settle the obligation; or

   b) a reliable estimate of the amount of the obligation cannot be made.

The group does not expect the outcome of these contingencies to have a materially adverse effect on its financial results.

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

Contingent assets, if any, are not recognized nor disclosed in the financial statements since this may result in the recognition of income that may never be realized. 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 recognized in the period in which the change occurs.

Further in the case of ***Fedbank Financial Services Limited-***

Secured/Unsecured Loans are classified/ provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding Company, employee benefits or any kind of provision which is in dispute with regulatory authority.

5.22 Segment information

Group

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

5.23 Accounting for Dividend

Group

In terms of Accounting Standard 4 - "Contingencies and Events occurring after the Balance sheet date" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognized in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.24 Cash and Cash Equivalents

Group

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks ⁄ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Amounts in Notes to Accounts forming part of the Consolidated Financial Statements for the year ended March 31, 2023 are denominated in ₹ Crore to conform to extant RBI guidelines except where stated otherwise.

1.1. **Share Capital**

A. Equity Issue

During the year, the Bank has allotted 13,637,270 (previous year 1,547,231) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 2.73 Crore (previous year ₹ 0.31 Crore) and Reserves (share premium) increased by ₹ 92.40 Crore (previous year ₹ 9.08 Crore).

During the year, the share capital of the Bank increased by ₹ 0.35 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 8.40 Lakhs (previous year Nil) consequent to allotment of 17,500 shares pertaining to Rights issue of 2007, which were kept in abeyance following Orders from Courts.

Further, the share capital of the Bank increased by ₹ 0.04 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 0.53 Lakhs (previous year Nil) consequent to receipt of calls in arrears pertaining to 2,500 shares.

During the previous year, Bank had issued 104,846,394 equity shares of ₹ 2 each for cash pursuant to a preferential allotment at ₹ 87.39 per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the bank.

B. Subscribed and paid up capital includes:

(i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.

(ii) 25,361,023 underlying equity shares of ₹ 2/- each (previous year 28,361,023 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following Orders from various Courts:

(i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share.

(ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share.

(iii) 1,056,665 equity shares of ₹ 2/- each (previous year 1,074,165 equity shares of ₹ 2/- each) at a premium of ₹ 48/- per share pertaining to Rights issue of 2007 .

Listing of shares and credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various Courts:

(i) 396,670 equity shares of ₹ 2/- each (previous year 406,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and

(ii) 597,005 equity shares of ₹ 2/- each (previous year 612,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

Listing of shares and subsequent credit in demat account of shareholders concerned in respect of 10,000 equity shares out of the Bonus issue of 2004 and 15,000 equity shares out of the Bonus issue of 2015 which were kept in abeyance were executed on receipt of order from court during FY 22-23.

D. Employee Stock Option Scheme (ESOS)

The Bank

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	8,277,686	28.63 - 112.35	51.40	0.81
Granted during the year	-	-		
Exercised during the year	5,038,853	28.63- 79.45	48.76	
Forfeited/lapsed during the year	1,678,963	28.63 - 62.00	44.09	
Outstanding at the end of the year	1,559,870	53.70 -112.35	67.76	0.97
Exercisable at the end of the year	1,559,870	53.70 -112.35	67.76	0.97

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,196,193	28.63 - 112.35	50.80	1.76
Granted during the year	-	-	-	-
Exercised during the year	918,047	28.63 - 62.00	45.45	-
Forfeited/lapsed during the year	460	28.63 – 28.63	28.63	-
Outstanding at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81
Exercisable at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023(previous year Nil).

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,129,660	38.30 - 116.85	81.24	4.49
Granted during the year*	4,503,375	87.30-135.65	89.07	7.49
Exercised during the year	8,598,417	38.30-116.85	82.05	-
Forfeited/lapsed during the year	7,50,956	38.30-116.85	64.12	-
Outstanding at the end of the year	72,283,662	38.30-135.65	81.81	3.83
Exercisable at the end of the year	47,477,097	38.30-116.85	91.75	2.48

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	74,926,966	38.30 - 116.85	80.98	5.35
Granted during the year**	3,733,250	77.55 - 91.35	83.85	7.44
Exercised during the year	629,184	81.95 - 98.70	82.92	-
Forfeited/lapsed during the year	901,372	38.30 - 116.85	69.03	-
Outstanding at the end of the year	77,129,660	38.30 - 116.85	81.24	4.49
Exercisable at the end of the year	43,042,257	38.30 - 116.85	94.96	2.87

*Details of options granted during the year ended March 31, 2023 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
June 18, 2022	4,258,375	87.30
July 07, 2022	35,000	95.55
October 07, 2022	150,000	120.85
November 14, 2022	5,000	135.05
January 10, 2023	5,000	135.65
February 17, 2023	50,000	130.25

**Details of options granted during the year ended March 31, 2022 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
April 30, 2021	1,000,000	77.55
June 09, 2021	2,675,250	86.20
August 27, 2021	33,000	78.20
January 10, 2022	25,000	91.35

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023 (previous year Nil).

In compliance with RBI guidelines, stock options granted to Whole Time Directors/Chief Executive Officer and Material Risk Takers after the year ended March 31, 2021 have been accounted using fair value method. Accordingly, the Bank has recognised ₹ 1.11 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2023 (previous year ₹ 0.51 Crore).

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2023 was ₹ 116.59 (previous year ₹ 88.68).

iii) Effect of Fair value method of accounting ESOS

The Bank

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 15.99 Crore (previous year ₹ 21.10 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 14.20 and ₹ 14.07 (previous year ₹ 9.03 and ₹ 8.97) respectively.

Weighted average fair value of options granted during the years ended March 31, 2023 and March 31, 2022 are as follows:

Particulars	March 31, 2023	March 31, 2022
Weighted average fair value of options granted during the year (in ₹)	31.93	30.53

The fair value of the options is estimated on the date of the grant using the Black-Scholes pricing model, with the following assumptions:

Particulars	March 31, 2023	March 31, 2022
Dividend yield	1% - 2%	1% - 2%
Expected life (in years)	3-5	3 - 4.63
Risk free interest rate	5.00% -8.50%	5.00% - 7.75%
Expected volatility	20% - 50%	30% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility.	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

Note: The above information is certified by the actuary and relied upon by the auditors.

Fedbank Financial Services Limited

(i) Employee Stock Option Plan 2018 (ESOP)

Shareholders of the Company had approved Fedbank Financial Services Limited Employee Stock Option Plan 2018 (ESOP), the result of which was announced on November 13, 2018, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Company not exceeding 6% of the aggregate number of paid up equity shares of the Company, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the Company granted the following options:

Movement in the options outstanding under the Employee Stock Option Plan

(Number of Options)

Particulars	March 31, 2023	March 31, 2022
Outstanding at the beginning of the year	7,870,351	8,151,351
Granted during the year	6,281,250	-
Exercised during the year	394,000	281,000
Forfeited/lapsed during the year	281,250	-
Outstanding at the end of the year	13,476,351	7,870,351
Exercisable at the end of the year	2,110,000	1,439,000

(ii) Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on **"**Black-Scholes pricing model**"** for pricing and accounting of options, net profit would be lower by ₹ 5.80 Crore (previous year ₹ 2.18 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method for accounting of ESOP would be ₹ 5.05 and ₹ 5.05 (previous year ₹ 3.13 and ₹ 3.13) respectively.

Group

Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 20.24 Crore (previous year ₹ 22.70 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 14.91 and ₹ 14.77 (previous year ₹ 9.41 and ₹ 9.35) respectively.

E. Dividend

The Board of Directors have recommended a dividend of 50% i.e. ₹ 1.00/- per Equity Share on face value of ₹2/- each for the year 2022-23 (Previous Year ₹ 1.80/- per Equity Share) subject to the approval of the members at the ensuing Annual General Meeting.

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 211.62 Crore from the Profit and loss account for the year ended March 31, 2023. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio.

1.2 **Employee Benefits (AS 15)**

1.2.1 Defined Contribution Plan

The Bank

Provident Fund

Employees who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

National Pension System

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the National Pension System (introduced for employees of Central Government) was implemented and employees who are covered under National Pension System are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank shall contribute 14% of the Basic Pay and Dearness Allowance towards DCPS. There is no separate Provident Fund for employees covered under National Pension System.

The Subsidiaries

The subsidiaries have defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to the Statement of Profit and Loss for the year.

Group

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 12.81 Crore (previous year ₹ 9.70 Crore) for provident fund contributions, ₹ 1.01 Crore (previous year ₹ 0.85 Crore) for Employee State Insurance Scheme Contributions and ₹ 83.04 Crore (previous year ₹ 77.82 Crore) for DCPS in the Consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the rules of the schemes.

1.2.2 Defined benefit plan

A. Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of 4 years and 240 days of service as per Payment of Gratuity Act, 1972 and its amendment with effect from March 29, 2018 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.

Fedbank Financial Services Limited

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the Company makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

Federal Operations and Services Limited

The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The Company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on the basis of actuarial valuation under projected unit credit method at the Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

B. Superannuation / Pension

The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's Financial Statements for the years indicated:

(i) Change in benefit obligations

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Projected benefit obligation at the beginning of the year	451.29	467.81	3.19	2.49	0.45	0.16	1,747.94	1,486.28
Current Service Cost	30.56	29.27	2.18	1.62	0.35	0.28	381.76	388.95
Interest cost	31.45	31.79	0.19	0.14	0.03	0.01	116.86	70.65
Actuarial (gain)/ loss	(7.48)	(5.84)	(0.33)	(0.94)	(0.15)	*	(165.37)	295.67
Benefits paid	(65.09)	(71.74)	(0.61)	(0.12)	-	-	(379.63)	(493.61)
Projected benefit obligation at the end of the year	**440.73**	**451.29**	**4.62**	**3.19**	**0.68**	**0.45**	**1,701.56**	**1,747.94**

* denotes figures less than ₹ 1 lakh

(ii) Change in plan assets

(Amount in ₹ Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Plan assets at the beginning of the year at fair value	493.78	469.49	3.07	2.33	1,803.99	1,494.71

Adjustment to Opening Fair Value of Plan Asset	-	-	0.09	-	-	-
Expected return on plan assets	35.40	37.56	0.18	0.17	131.15	119.58
Actuarial gain/(loss)	0.01	1.67	(0.18)	(0.01)	0.09	12.35
Employer's Contributions	-	56.79	-	0.70	141.54	670.96
Benefits paid	(65.09)	(71.73)	(0.29)	(0.12)	(379.63)	(493.61)
Plan assets at the end of the year at fair value	**464.10**	**493.78**	**2.87**	**3.07**	**1,697.14**	**1,803.99**

(iii) Reconciliation of present value of the obligation and the fair value of the plan assets

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Fair value of plan assets at the end of the year	464.10	493.78	2.87	3.07	-	-	1,697.14	1,803.99
Present value of the defined benefit obligations at the end of the year	440.73	451.29	4.62	3.19	0.68	0.45	1,701.56	1,747.94
Liability/ (Asset) recognized in the Consolidated Balance Sheet	**(23.37)**	**(42.49)**	**1.75**	**0.12**	**0.68**	**0.45**	**4.42**	**(56.05)**

(iv) Gratuity/ pension cost

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2021
Current Service cost	30.56	29.27	2.18	1.62	0.35	0.28	381.76	388.95
Interest cost	31.45	31.79	0.19	0.14	0.03	0.01	116.86	70.65
Expected return on plan assets	(35.40)	(37.56)	(0.18)	(0.17)	-	-	(131.15)	(119.58)
Actuarial (gain)/loss	(7.50)	(7.51)	(0.15)	(0.93)	(0.15)	*	(165.45)	283.32
Net Cost	19.11	15.99	2.04	0.66	0.23	0.29	202.02	623.34
Other direct contributions to the Fund	-	-	-	-	-	-	(0.51)	(37.52)
Net Cost Debit to Consolidated Profit and Loss Account	19.11	15.99	2.04	0.66	0.23	0.29	201.51	585.82[#]
Actual return on plan assets[##]	35.42	39.23	-	-	-	-	131.23	131.93

* denotes figures less than ₹ 1 lakh

- Includes entire additional liability of ₹ 177.32 Crore provided by the Bank during the year ended March 31, 2022 pursuant to the revision in family pension payable to employees of the Bank covered under 11th Bipartite Settlement/Joint Note dated November 11, 2020.

##Figures taken from Audited Financial statements of respective trusts.

(v) Investment details of plan Assets*

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	-	5.00
Balance in Saving bank account with the Bank	0.86	2.07	13.04	3.90
Net current assets	-	-	-	0.32
Balance with LIC/ABSL #	463.24	491.71	1,684.10	1,794.77
Total	**464.10**	**493.78**	**1,697.14**	**1,803.99**

* - Figures taken from Audited Financial statements of respective trusts.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

(vi) Experience adjustments

a) Gratuity Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit Obligations	440.73	451.29	467.81	374.63	329.19	311.55
Plan Assets	464.10	493.78	469.49	369.30	334.23	265.75
Surplus/(Deficit)	23.37	42.49	1.68	(5.33)	5.04	(45.80)
Experience adjustments on Plan Liabilities [(Gain)/Loss]	2.78	8.09	(89.21)	(10.09)	(6.56)	(7.08)
Experience Adjustments on Plan Assets [Gain/ (Loss)]	4.11	(7.67)	7.20	3.29	0.77	1.97

Fedbank Financial Services Limited

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit obligations	4.62	3.19	2.49	1.81	1.07	0.64
Plan Assets	2.87	3.07	2.33	1.49	1.10	Nil
Surplus/(Deficit)	(1.75)	(0.12)	(0.16)	(0.31)	0.03	(0.64)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.29	0.75	0.29	(0.07)	0.04	0.05
Actuarial gain / (loss) on Plan Assets	(0.18)	0.01	0.15	(0.01)	0.01	N.A.

b) Pension Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit Obligations	1,701.56	1,747.94	1,486.28	1,197.98	983.39	899.64
Plan Assets	1,697.14	1,803.99	1,494.71	1,129.93	978.09	893.06
Surplus/(Deficit)	(4.42)	56.05	8.43	(68.05)	(5.30)	(6.58)
Experience adjustments on Plan Liabilities [(Gain)/Loss]	(128.95)	(342.70)	(327.78)	(95.10)	(39.39)	(33.27)
Experience adjustments on Plan Assets [Gain/(Loss)]	13.25	(0.49)	13.79	7.54	(3.14)	9.60

(vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	7.51%	7.36%	7.13%	6.03%	7.31%	7.19%	7.50%	7.25%
Annuity rate per Rupee (in ₹)	-	-	-	-	-	-	134.64	146.69
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.17%	8.00%	-	-	-	-	7.27%	8.00%
Attrition Rate	2.00%	2.00%	-	-	-	-	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

C. Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

Fedbank Financial Services Limited

The Company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the year in which they occur.

Group

A sum of ₹ 87.97 Crore (previous year ₹ 112.65 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 leaves and leave travel concession of the employees of the Group is given below:

(Amount in ₹ Crore)

Particulars	**March 31, 2023**		**March 31, 2022**	
	FBL	**FFSL**	**FBL**	**FFSL**
Privilege leave	389.17	3.36	313.01	3.07
Sick leave	27.60	-	27.42	-
Leave travel concession	44.21	-	33.48	-
Casual leave	1.92	-	2.23	-
Total actuarial liability	**462.90**	**3.36**	**376.14**	**3.07**
Assumptions				
Discount rate	7.51%	7.13%	7.36%	6.03%
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
Attrition rate	2.00%	-	2.00%	-

The discount rate is based on the prevailing market yields of Government of India securities as on 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 Securities 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 in the form of interest from the investment portfolio of the group, gains, losses, margins and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consist of diminution in the value of non performing portfolio of the segment.

Corporate/Wholesale Banking

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment include the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail banking

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, on the basis of the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the Bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

As per the RBI Circular DOR.AUT.REC.12/22.01.001/2022-23 dated April 07, 2022 on establishment of Digital Banking Unit (DBU), for the purpose of disclosure under 'Accounting Standard 17 - Segment Reporting', ‘Digital Banking’ has been identified as a sub-segment of the existing ‘Retail Banking’ segment by Reserve Bank of India (RBI). The DBU of the Bank commenced operations during the quarter ended December 31, 2022 and accordingly the bank has disclosed the business involving digital banking products acquired by DBU, together with existing digital banking products under the Digital Banking segment.

Other Banking Operations

This segment includes banking operations, not covered under any of the above segments such as para banking operations. The income from such services and associated costs are disclosed in this segment.

Unallocated

All items that are reckoned at enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, fixed assets, cash and balances in other bank current accounts, etc. Unallocated segment revenue consists of profit on sale of fixed assets, notice pay on resignation of employees etc.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Continued…)

The following table sets forth, for the years indicated, the business segment results:

March 31, 2023

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	2,535.55	5,207.04	12,287.10	212.25	20,241.94
Result (net of provisions)	524.60	943.35	2,615.38	158.17	4,241.50
Unallocated income / (expense)					21.44
Operating profit (PBT)					4,262.94
Income taxes					(1,087.18)
Share in profit of associates					34.06
Minority interest					(45.10)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					3,164.72
OTHER INFORMATION					
Segment assets	52,069.24	96,727.29	112,569.64	13.13	261,379.30
Unallocated assets					6,624.76
Total assets					268,004.06
Segment liabilities	29,420.93	24,140.80	189,288.92	2.94	242853.59
Unallocated liabilities					2,676.09
Total liabilities					245,529.68

Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	903.54	113.59	4,165.92	12,037.20
Other Retail Banking	11,383.56	2,501.79	108,403.72	177,251.72

March 31, 2022

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	2,313.27	4,223.07	9,781.55	148.37	16,466.26
Result (net of provisions)	627.22	541.14	1,334.33	107.38	2,610.07
Unallocated income / (expense)					36.21
Operating profit (PBT)					2,646.28
Income taxes					(680.88)
Share in profit of associates					31.03
Minority interest					(26.64)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					1,969.79
OTHER INFORMATION					
Segment assets	47,637.64	78,084.65	93,782.55	4.01	219,508.85
Unallocated assets					6,732.19
Total assets					226,241.04
Segment liabilities	18,595.84	18,773.66	166,841.08	3.64	204,214.22
Unallocated liabilities					2,465.97
Total liabilities					206,680.19

Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	567.72	68.80	2,043.46	6,275.64
Other Retail Banking	9,213.83	1,265.53	91,739.09	160,565.44

B. Geographical Segment Information

The Business operations of the group are largely concentrated in India and for purpose of Segment reporting, the group is considered to operate only in domestic segment, though the Bank has its operation in International Financial Services Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT City). 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 entity	Nature of Relationship
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Federal bank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

Key Management Personnel

Name of the Key Management personnel	Relatives of the Key Management Personnel	Description of Relationships
Mr. Shyam Srinivasan, Managing Director & CEO	• Mr. T S Srinivasan • Ms. Kamala Srinivasan • Ms. Maya Shyam • Ms. Meena Lochani • Ms. Rohini	• Father • Mother • Wife • Sister • Sister
Mr. Ashutosh Khajuria, Executive Director	• Ms. Sunita Khajuria • Ms. Vasundhara Khajuria • Ms. Yashodhara Khajuria	• Wife • Daughter • Daughter
Ms. Shalini Warrier, Executive Director	• Ms. Parvathi Warrier • Ms. Asha Warrier	• Mother • Sister

b) Transactions with related parties

For the year ended March 31, 2023

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	71.79 (76.35)	6.58 (6.79)	2.69 (2.79)	81.06 (85.93)
Advances#	- (1.04)	0.17 (0.21)	0.07 (0.10)	0.24 (1.35)
Investments in shares#	232.01 (232.01)	- -	- -	232.01 (232.01)
Interest paid	*	0.35	0.13	0.48
Interest received	0.13	0.01	0.01	0.15
Income from services rendered	86.53	-	-	86.53
Receivable#	13.73 (76.63)	- -	- -	13.73 (76.63)
Directors sitting fee received	0.31	-	-	0.31
Remuneration paid	-	5.56	-	5.56
Dividend received	7.95	-	-	7.95
Dividend paid	-	0.24	-	0.24
Share capital received on exercise of ESOS	-	2.31	-	2.31
Number of options granted under ESOS	-	157,400	-	157,400
Number of options outstanding under ESOS	-	3,234,080	-	3,234,080

* Denotes figures less than ₹ 1 Lakh.
# - Represents outstanding as on March 31, 2023
Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

For the year ended March 31, 2022

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	46.55 (81.55)	4.50 (4.66)	2.08 (2.11)	53.13 (88.32)
Advances#	-	0.21 (0.24)	0.10 (0.11)	0.31 (0.35)
Investments in shares#	232.01 (232.01)	-		232.01 (232.01)
Interest paid	*	0.20	0.09	0.29
Interest received	0.11	0.01	*	0.12
Income from services rendered	62.76	-	-	62.76
Receivable#	10.20 (20.63)	- -	- -	10.20 (20.63)
Directors sitting fee received	0.14	-	-	0.14
Remuneration paid	-	5.92	-	5.92
Dividend received	27.67	-	-	27.67
Dividend paid	-	0.08	-	0.08
Share capital received on exercise of ESOS	-	-	-	-
Number of options granted under ESOS	-	226,000	-	226,000
Number of options outstanding under ESOS	-	3,536,680	-	3,536,680

* Denotes figures less than ₹ 1 Lakh.
# - Represents outstanding as on March 31, 2022

Figures in brackets indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

The significant transactions between the Group and the related parties during the year ended March 31, 2023 and March 31, 2022 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31 2023	March 31 2022
Deposits	Ageas Federal Life Insurance Company Limited	70.61	46.46
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
Interest paid	Mr. Shyam Srinivasan	0.29	0.15
Income from services rendered	Ageas Federal Life Insurance Company Limited	86.53	62.76
Receivable	Ageas Federal Life Insurance Company Limited	13.73	10.20
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.23	0.14
	Equirus Capital Private Limited	0.08	-#
Remuneration paid	Mr. Shyam Srinivasan	2.96	2.94
	Mr. Ashutosh Khajuria	1.27	1.52

Nature of Transaction	Name of the Related party	March 31 2023	March 31 2022
	Ms. Shalini Warrier	1.32	1.46
Dividend received	Ageas Federal Life Insurance Company Limited	7.28	27.04
Dividend paid	Mr. Shyam Srinivasan	0.14	0.05
	Mr. Ashutosh Khajuria	0.09	0.03
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	0.76	-#
	Ms. Shalini Warrier	1.55	-#
Number of options granted under ESOS	Mr. Ashutosh Khajuria	91,000	113,000
	Ms. Shalini Warrier	66,400	113,000
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	851,500	960,500
	Ms. Shalini Warrier	2,061,900	2,255,500

Not significant related party transaction in FY 2021-22.

1.5 **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 ₹ 192.72 Crore (previous year ₹ 174.16 Crore) was charged to Profit and loss account.

The Bank has not sub-leased its properties taken on lease.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

Fedbank Financial Services Limited

The Company has entered into operating lease arrangement for its Corporate office. The lease is non cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Future minimum lease payments:		
- Up to one year	4.37	4.19
- More than one year and up to five years	0.46	4.82
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	4.19	3.99

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for branches / offices taken on an operating lease ₹ 29.03 Crore (previous year ₹26.57 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

Federal Operations and Services Limited

The company has taken premises under rental arrangements, which are in the nature of cancellable operating leases.

1.6 **Earnings per share (AS 20)**

Basic and diluted earnings per equity share are computed in accordance with AS 20 – Earnings per share. Basic earnings per equity share is computed by dividing consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

The following table sets forth, for the years indicated, the computation of earnings per share.

Particulars	March 31, 2023	March 31, 2022
Earnings used in the computation of basic and diluted earnings per share (₹ in Crore)	3,164.72	1,969.79
Basic earnings per share (in ₹)	15.01	9.52
Effect of potential equity shares (in ₹)	(0.16)	(0.08)
Diluted earnings per share (in ₹)	14.85	9.44
Nominal value per share (in ₹)	2.00	2.00
Reconciliation between weighted shares used in computation of basicand diluted earnings per share		
Basic weighted average number of equity shares outstanding (in Crore)	210.91	206.92
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	2.22	1.64
Diluted weighted average number of equity shares outstanding (in Crore)	213.13	208.56

1.7 **Deferred Tax Assets / Liability (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	198.40	148.15
(ii) Depreciation on Investments	3.37	3.77
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	239.43	199.16
(iv) Others	3.41	9.16
Total - (A)	**444.61**	**360.24**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.36	0.38
(ii) Provision for Standard Assets	375.65	342.22
(iii) Depreciation on Fixed Assets	0.65	6.61
(iv) Others	187.56	172.54
Total - (B)	**564.22**	**521.75**
Net Deferred tax liability/ (Asset) (A-B)	**(119.61)**	**(161.51)**

1.8 **Provisions and Contingencies recognised in the Consolidated Profit and Loss Account includes:**

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023	March 31, 2022
i)	Provision towards NPAs	655.28	661.55
ii)	Provision for Non-Performing Investments	(6.68)	(0.72)
iii)	Provision for Standard Assets	117.56	610.40
iv)	Provision for Taxation (refer Note 1.9)	1,087.18	680.88
v)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	32.47	33.43
	Total	**1,885.81**	**1,985.54**

1.9 **Amount of Provisions made for income-tax during the year:**

(Amount in ₹ Crore)

Particulars	March 31,2023	March 31, 2022
Provision for Income Tax		
a) Current Tax	1,085.93	845.25
b) Deferred Tax	1.25	(164.37)
Total	**1,087.18**	**680.88**

1.10 **Details of penalty imposed by the Reserve Bank of India**

The Bank

(Amount in ₹ Lakh)

Particulars	March 31, 2023	March 31, 2022
a) Penalty imposed on currency chests		
Number of instances of default	14	14
Quantum of penalty imposed	3.07	0.56
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	81	4
Quantum of penalty imposed	630.65	0.40

Fedbank Financial Services Limited

Penalty of ₹ Nil was imposed on Fedbank Financial Services Limited during the year ended March 31, 2023. (previous year : Nil)

1.11 **Fixed Assets**

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure. Details regarding the same are tabulated below:

(Amount in ₹ Crore)

Particulars	March 31,2023	March 31, 2022
Gross Block		
At the beginning of the year	381.06	313.12
Additions during the year	134.85	67.94
Deductions / Adjustments during the year	-	-
At the end of the year	**515.91**	**381.06**
Depreciation / Amortization		
At the beginning of the year	268.14	232.68
Charge for the year	54.83	35.46
Deductions during the year	-	-
Depreciation to date	**322.97**	**268.14**
Net Block	**192.94**	**112.92**

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2023 and March 31, 2022.

1.12 **Provisions and Contingencies**

The Bank

a) Movement in provision for non-credit related* frauds included under other liabilities

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	6.67	5.54
Additions during the year	23.16	1.13
Reductions during the year	(0.10)	-
Closing balance	**29.73**	**6.67**

* Provision for credit related frauds is included in Provision towards NPAs.

b) Movement in provision for debit and credit card reward points

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision	10.89	5.84
Provision made during the year	12.00	31.68
Reductions during the year	12.51	26.63
Closing provision*	**10.38**	**10.89**

* The closing provision is based on the actuarial valuation of accumulated debit and credit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit and credit card reward points.

c) Movement in provision for other contingencies

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision	76.47	42.22
Provision made during the year	11.10	35.88
Provision utilized for Write off during the year	0.78	1.15
Reductions during the year	1.48	0.48
Closing provision	**85.31**	**76.47**

d) Movement in floating provision:

(Amount in ₹ Crore)

Particulars	Standard Asset Provision		NPA Provision	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Opening balance	12.75	12.75	12.75	69.18
Provision made during the year	-	-	-	-
Amount drawn down during the year	-	-	-	-
Closing balance	**12.75**	**12.75**	**12.75**	**69.18**

1.13 **Description of contingent liabilities**

a) Claims against the Group not acknowledged as debts

These represent claims filed against the group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the group.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which Group is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund.

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

1.14 **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 Group has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

1.15 **Small and Micro Industries**

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 16.33 Crore (previous year ₹ 5.36 Crore), ₹ Nil (previous year ₹ Nil) is due to Micro, Small and Medium Enterprises. The Company has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. The aforesaid classification is based on responses received by the Company to its enquires with suppliers with regard to applicability under the said act.

Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as on March 31, 2023, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

1.16 **Corporate Social Responsibility (CSR)**

The Bank

a) The gross amount required to be spent by the Bank on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2023, was ₹ 43.88 Crore (previous year ₹ 39.89 Crore).

b) The amount approved by the Board of the bank to be spent during the year was ₹ 43.88 Crore (previous year ₹ 40.06 Crore).

c) Amount spent/transferred to separate CSR unspent account during the year is given below:

The following table sets forth, for the years indicated, the amount spent by the Bank on CSR related activities.

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023			March 31, 2022		
		Spent during the year	Transferred to separate CSR unspent a/c	Total	Spent during the year	Transferred to separate CSR unspent a/c	Total
1.	Construction / acquisition of any asset	-	-	-	-	-	-
2.	On purpose other than (1) above	30.86*	15.97	46.83*	36.77	3.29	40.06

**Includes ₹ 2.95 Crore spent from unspent CSR account pertaining to ongoing projects of FY22.*

The following table sets forth the summary of amount pertaining to ongoing projects transferred to separate CSR unspent account:

(Amount in ₹ Crore)

Year	Opening Balance in Separate CSR Unspent A/c	Amount required to be spent during the year	Amount spent during the year		Amount transferred to Separate CSR unspent A/c during the year	Closing Balance in Separate CSR Unspent A/c
			From Bank's A/c	From Separate CSR Unspent A/c		
2021-22	-	39.89	36.77	-	3.29	3.29
2022-23	3.29	43.88	27.91	2.95	15.97	16.31

The following table sets forth, for the years indicated, the details of related party transactions pertaining to CSR related activities as per Accounting Standard (AS) 18, Related Party Disclosures.

(Amount in ₹ Crore)

Sl. No.	Related Party	March 31, 2023	March 31, 2022
1	Federal Bank Hormis Memorial Foundation*	27.30	39.26
	Total	**27.30**	**39.26**

**Federal Bank Hormis Memorial Foundation is a trust in which KMPs of the Bank can exercise significant influence and is the implementation agency for Bank's CSR activities / programs / projects.*

Fedbank Financial Services Limited

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Amount required to be spent	1.36	1.14
Amount spent during the year		
(a) Construction / acquisition of asset	-	-
(b) On purpose other than (a) above	1.36	0.68
Excess / (shortfall)	-	(0.46)
Amount required to be contributed to specified fund u/s 135(6)	-	0.46

Note: None of CSR projects undertaken by the Company falls under definition of 'Ongoing-Project'.

Gross amount required to be spent by the Company during the year was ₹ 1.36 Crore (Previous year amount ₹ 1.14 Crore). The Company has spent full amount of ₹1.36 Crore (Previous year amount Spent ₹ 0.68 Crore) towards CSR expenses in accordance with the provisions of The Companies Act, 2013.

1.17 **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 Group.

1.18 **Disclosure under Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014**

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other person(s) or entity (ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Group (Ultimate Beneficiaries). The Group has not received any fund from any party(s) (Funding Party) with the understanding that the Group shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Group ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

1.19 **Additional information on net assets and share of profits of the Bank, its subsidiaries, associates, and joint ventures as considered in the Consolidated Financial Statements**

March 31, 2023

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.21%	21,506.63	94.87%	3,002.59
Subsidiary: Fedbank Financial Services Limited	2.29%	506.25	3.90%	123.29
Federal Operations and Services Limited	0.05%	10.62	0.15%	4.78
Associate: Ageas Federal Life Insurance Company Limited	0.40%	88.30	0.94%	29.73
Equirus Capital Private Limited	0.05%	10.61	0.14%	4.33
Total	**100.00%**	**22,122.41**	**100.00%**	**3,164.72**

March 31, 2022

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.60%	18,793.84	94.53%	1,862.15
Subsidiary: Fedbank Financial Services Limited	1.99%	382.60	3.71%	73.15
Federal Operations and Services Limited	0.03%	6.27	0.18%	3.46
Associate: Ageas Federal Life Insurance Company Limited	0.34%	65.85	1.25%	24.53
Equirus Capital Private Limited	0.04%	6.96	0.33%	6.50
Total	**100.00%**	**19,255.52**	**100.00%**	**1,969.79**

1.20 **Additional disclosure**

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Continued…)

1.21 Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
Off Kunjanbava Road, Vytilla,
Kochi -682019

Borkar & Muzumdar
Chartered Accountants,
21/168 Anand Nagar Om CHS,
Anand Nagar Lane, Off Nehru Road,
Santacruz (East), Mumbai - 400 055

INDEPENDENT AUDITORS' REPORT

To the Members of The Federal Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of The Federal Bank Limited ('the Bank'), which comprise the standalone Balance Sheet as at March 31, 2022, the standalone Profit and Loss Account, the standalone Cash Flow statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information in which are included the Returns for the year ended on that date audited by the branch auditors of the Bank's branches located across India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2022, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Emphasis of Matter

We draw attention to Note No. 3.14 of Schedule 18 to the Standalone financial statements regarding the impact of COVID-19 pandemic. As stated therein, in view of continuing uncertainties, the extent of impact of the pandemic on the Bank's operations and financial position would depend on several factors including actions taken to mitigate its impact and other regulatory measures.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

	Key Audit Matters	**How our audit addressed the Key Audit Matters**
	Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 5.2 of Schedule 17 and Note 1.4 and Note 1.14.5 of Schedule 18 to the standalone financial statements)	
(i)	Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances. The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms), including the additional provisions and asset classification benefit extended on restructured advances under RBI's COVID-19 Regulatory Package. - Understanding, evaluation and testing the design and operating effectiveness of key controls (including system based automated controls) for identification and provisioning of

	advances for banks ('IRACP Norms'), including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning. The identification of performing and non-performing advances (including advances restructured under applicable IRACP Norms) involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each advance applying both quantitative as well as qualitative factors prescribed by the regulations. Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on: - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions on restructured	impaired accounts based on the extant guidelines on IRACP laid down by the RBI. - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: (a) Considering testing of the exception reports generated from the application systems where the advances have been recorded. (b) Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. (c) Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors (d) Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product (e) Considering audit reports and memorandum of changes issued by statutory branch auditors. (f) Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. (g) Considering the RBI Annual Financial Inspection report on the Bank, the Bank's response to the observations and other communication with RBI during the year. (h) Reviewing the report submitted by external expert appointed by the Bank to verify compliance with the RBI circular on Automation of IRACP processes through the Bank's core banking system. (i) Examination of advances including stressed/ restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines.

	advances under applicable IRACP Norms) and income recognition on advances: - Requires proper control mechanism and significant level of estimation by the Bank; - Required to be aligned with changes in IRACP Norms during the year arising out of the COVID 19 pandemic - Has significant impact on the overall financial statements of the Bank; we have ascertained this area as a Key Audit Matter.	(j) Visits to branches/offices and examination of documentation and other records relating to advances. For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.
(ii)	**Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 5.1 of Schedule 17 and Note 1.2 and Note 1.14.5 of Schedule 18 to the standalone financial statements)**	
	Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments. The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.	Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular - - We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be

	We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.	maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; - We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	**Information Technology ('IT') Systems and Controls for financial reporting**	

	The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested sample IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal financial controls over financial reporting. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
(iv)	**Assessment of Provisions and Contingent Liabilities (Schedule 5 and 12 read with Notes 5.13 & 5.21 of Schedule 17 to the standalone financial statements)**	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the standalone financial statements) and various employee benefits schemes (Schedule 5 to	Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported; - Understanding the current status of the litigations/tax assessments; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon;

	the standalone financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from independent legal / tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet. The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions. We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	- Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets and - Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the standalone financial statements.

Information other than the standalone Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's Annual Report, but does not include the standalone financial statements and our Auditors' Report thereon. The Bank's Annual Report is expected to be made available to us after the date of this Auditors' Report.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the standalone Financial Statements

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

In preparing the standalone financial statements, Management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the audit of the standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of 331 branches included in the standalone financial statements of the Bank whose financial statements reflect total assets of Rs.52539 crores as at March 31, 2022 and total revenue of Rs.2091crores for the year ended on that date, as considered in the standalone financial statements. These branches cover 15.80 % of advances, 26.11% of deposits and 23.33% of Non-performing assets as at 31st March 2022 and 13.27 % of revenue for the year ended 31st March 2022. The financial statements of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as

it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.
Our opinion is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

The standalone Balance Sheet and the standalone Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder.

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

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

(d) the profit and loss account shows a true balance of profit for the year then ended.

Further, as required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;

c) The reports on the accounts of the branch offices of the bank audited under section 143(8) of the Act by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report;

d) The standalone Balance Sheet, the standalone Profit and Loss Account, the standalone Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us;

e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;

f) On the basis of written representations received from the directors as on March 31, 2022 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act;

g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

h) In our opinion, the entity being a banking company, the remuneration to its directors during the year ended March 31, 2022 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Schedule 12 and Note No 3.6 under Schedule 18 to the standalone financial statements;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 3.8 under Schedule 18 to the standalone financial statements; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank – Refer Note 3.10 under Schedule 18 to the standalone financial statements;.

iv.

a) The Management has represented that, to the best of its knowledge and belief, as disclosed in Note No.3.12 under Schedule 18 to the standalone financial statements, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The Management has represented, that, to the best of its knowledge and belief, as disclosed in Note No.3.12 under Schedule 18 to the standalone financial statements, no funds (which are material either individually or in the aggregate) have been received by the Bank from any person or entity, including foreign entity ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement; and

d) The dividend declared and paid by the Bank is in accordance with sec.123 of the Act, to the extent it applies to declaration of dividend.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Sd/-
Vijay Narayan Govind
Partner
M. No.203094
UDIN:22203094AIMXOI3853

Kochi
06th May 2022

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 22100938AIMXNC4215

Kochi
06th May 2022

Annexure A to the Independent Auditors' Report of even date on the standalone financial statements of The Federal Bank Limited

Report on the Internal Financial Controls Over Financial Reporting with reference to standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to standalone financial statements of The Federal Bank Limited ('the Bank') as at March 31, 2022 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('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 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 on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing (the 'Standards') as specified 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 auditors' 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 with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting with reference to its standalone financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, 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 issued by the ICAI.

Other Matters

Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 331 branches is based on the corresponding reports of the respective branch auditors of those branches.

Our opinion is not modified in respect of this matter.

For Varma & Varma	For Borkar & Muzumdar
Chartered Accountants	Chartered Accountants
FRN: 004532S	FRN: 101569W
Sd/-	Sd/-
Vijay Narayan Govind	Kaushal Muzumdar
Partner	Partner
M. No.203094	M. No. 100938
UDIN:22203094AIMXOI3853	UDIN: 22100938AIMXNC4215
Kochi	Kochi
06th May, 2022	06th May, 2022

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT MARCH 31, 2022

(₹ in Thousands)

	Schedule	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	1	4,205,089	3,992,301
Reserves and surplus	2	183,733,307	157,252,349
Deposits	3	1,817,005,861	1,726,444,801
Borrowings	4	153,931,151	90,685,033
Other Liabilities and provisions	5	50,587,680	35,299,394
TOTAL		**2,209,463,088**	**2,013,673,878**
ASSETS			
Cash and balances with Reserve Bank of India	6	99,992,707	76,470,407
Balances with banks and money at call and short notice	7	110,110,748	119,443,464
Investments	8	391,794,616	371,862,100
Advances	9	1,449,283,246	1,318,786,014
Fixed assets	10	6,339,444	4,911,286
Other assets	11	151,942,327	122,200,607
TOTAL		**2,209,463,088**	**2,013,673,878**
Contingent liabilities	12	389,147,678	364,173,432
Bills for collection		50,132,757	39,772,224
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Place: Kochi
Date : May 06, 2022

THE FEDERAL BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2022

(₹ in Thousands)

	Schedule	Year ended March 31, 2022	Year ended March 31, 2021
I. INCOME			
Interest earned	13	136,607,529	137,579,023
Other income	14	20,890,935	19,587,064
TOTAL		**157,498,464**	**157,166,087**
II. EXPENDITURE			
Interest expended	15	76,988,020	82,241,953
Operating expenses	16	42,931,938	36,917,229
Provisions and contingencies (Refer Note 1.14.5 of Schedule 18)		18,680,291	22,103,932
TOTAL		**138,600,249**	**141,263,114**
III. PROFIT/(LOSS)			
Net profit for the year		**18,898,215**	**15,902,973**
Profit brought forward from Previous Year		33,053,829	26,166,675
TOTAL		**51,952,044**	**42,069,648**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		2,667,208	2,295,718
Transfer to Statutory Reserve		4,724,554	3,975,743
Transfer to Capital Reserve		874,033	1,534,458
Transfer to Special Reserve		1,233,400	1,209,900
Dividend pertaining to previous year paid during the year (Note 3.2 E of Schedule 18)		1,397,396	-
Balance carried over to Balance Sheet		41,055,453	33,053,829
TOTAL		**51,952,044**	**42,069,648**
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 3.1 of Schedule 18)			
Basic		9.13	7.97
Diluted		9.06	7.94
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

Directors:

A P Hota (DIN: 02593219)

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 06, 2022

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2022

(₹ in Thousands)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash Flow from Operating Activities		
Net Profit before taxes	25,360,778	21,372,673
Adjustments for:		
Depreciation on Bank's Property	1,229,606	1,045,036
Provision / Depreciation on Investments	797,923	151,101
Amortisation of Premium on Held to Maturity Investments	1,692,231	1,421,890
Provision / Charge for Non Performing Advances	6,111,105	15,157,272
Provision for Standard Assets and Contingencies	6,122,201	1,187,922
(Profit)/Loss on sale of fixed assets (net)	(53,163)	(17,804)
Dividend From Subsidiaries / Joint ventures / Associates	(276,658)	-
Employees Stock Option Expense	5,142	104
	40,989,165	**40,318,194**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *[excluding Held to Maturity Investments]*	(32,877,753)	23,374,834
(Increase)/ Decrease in Advances	(136,608,336)	(111,264,139)
(Increase)/ Decrease in Other Assets	(27,943,619)	(27,405,049)
Increase/ (Decrease) in Deposits	90,561,060	203,543,952
Increase/ (Decrease) in Other liabilities and provisions	9,334,059	(515,863)
	(97,534,589)	**87,733,735**
Direct taxes paid (net)	(8,428,637)	(5,979,875)
Net Cash Flow from / (used in) Operating Activities	**(64,974,061)**	**122,072,054**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(2,677,042)	(1,177,923)
Proceeds from Sale of Fixed Assets	72,441	39,259
Dividend From Subsidiaries / Joint ventures / Associates	276,658	-
Investment in Subsidiary	(1,479,940)	586,080
Investment in Associate	(24,116)	7,997
(Increase)/ Decrease in Held to Maturity Investments	11,959,138	(38,477,212)
Net Cash flow from / (used in) Investing Activities	**8,127,139**	**(39,021,799)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	212,787	6,976
Proceeds from Share Premium (Net of share issue expenses)	9,038,453	130,972
Proceeds from Issue of Subordinate Debt	7,000,000	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	56,246,118	(13,039,229)
Dividend Paid	(1,397,396)	-
Net Cash flow from / (used in) Financing Activities	**71,099,962**	**(12,901,281)**
Effect of exchange fluctuation on translation reserve	(63,456)	19,084
Net Increase in Cash and Cash Equivalents	**14,189,584**	**70,168,058**

(₹ in Thousands)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash and Cash Equivalents at the beginning of the year	195,913,871	125,745,813
Cash and Cash Equivalents at the end of the year	210,103,455	195,913,871

Notes:

1. Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Balance Sheet)

2. Corporate Social Responsibility related expenses spent in cash during the year is ₹ 400,601 Thousands (Previous Year: ₹ 352,242 Thousands)

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Directors:

A P Hota (DIN: 02593219)

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Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 06, 2022

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 1 - CAPITAL		
Authorised Capital	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	4,207,778	3,994,991
2,103,889,168 (Previous year 1,997,495,543) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	4,205,093	3,992,305
2,102,546,373 (Previous year 1,996,152,748) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	**4,205,089**	**3,992,301**
Refer Note 3.2 of Schedule 18		

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	33,809,726	29,833,982
Additions during the year	4,724,554	3,975,744
	38,534,280	**33,809,726**
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
	50,091	**50,091**
b) Others		
Opening balance	6,580,463	5,046,005
Additions during the year*	874,033	1,534,458
	7,454,496	**6,580,463**
Subtotal	**7,504,587**	**6,630,554**
III. Share premium (Refer Note 3.2 of Schedule 18)		
Opening balance	51,752,894	51,621,922
Additions during the year	9,038,453	130,972
	60,791,347	**51,752,894**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	22,466,209	20,170,491
Additions during the year	2,667,208	2,295,718
	25,133,417	**22,466,209**
b) Investment Fluctuation Reserve (Refer Note 1.2.1 B of Schedule 18)		
Opening Balance	1,897,200	1,897,200
	1,897,200	**1,897,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	7,249,800	6,039,900
Additions during the year	1,233,400	1,209,900
	8,483,200	**7,249,800**
V. Foreign Currency Translation Reserve		
Opening Balance	82,572	63,488
Additions / (Deductions) during the year [Refer Schedule 17 (5.6)]	(63,456)	19,084
	19,116	**82,572**
VI. ESOP Reserve		
Opening Balance	8,562	8,458
Additions during the year	5,142	104
	13,704	**8,562**
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VIII. Balance in Profit and Loss Account	**41,055,453**	**33,053,829**
Total	**183,733,307**	**157,252,349**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :
a) Gain on sale of Held to Maturity Investments ₹ 842,569 Thousands (Previous year ₹ 1,523,907 Thousands)
b) Profit on sale of Premises ₹ 31,464 Thousands (Previous year ₹ 10,551 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	6,176,235	4,583,310
ii. From Others	137,707,100	114,019,518
	143,883,335	**118,602,828**
II. Savings Bank Deposits	**530,826,744**	**468,522,891**
III. Term Deposits		
i. From Banks	9,534,129	26,909,515
ii. From Others	1,132,761,653	1,112,409,567
	1,142,295,782	**1,139,319,082**
Total	**1,817,005,861**	**1,726,444,801**
B. I. Deposits of branches in India	1,817,002,880	1,726,402,894
II. Deposits of branches outside India	2,981	41,907
Total	**1,817,005,861**	**1,726,444,801**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	743,000	6,773,000
iii. Other institutions and agencies	133,754,081	62,220,105
Total	**134,497,081**	**68,993,105**
II.Borrowings outside India	19,434,070	21,691,928
Total	**153,931,151**	**90,685,033**
a) Secured borrowings included in I and II above	124,497,082	60,243,105
b) Tier II bond included in I(ii) & I(iii) above	10,000,000	3,000,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	6,175,507	4,980,825
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	2,563,996	2,128,428
IV. Others (including provisions)*	41,848,177	28,190,141
Total	**50,587,680**	**35,299,394**
*Includes		
(a) General provision for standard assets (Refer Note 1.4.11 of Schedule 18)	13,155,103	7,367,303
(b) Deferred Tax Liability (Net) (Refer Note 2.4 of Schedule 18)	-	167,975

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	17,128,797	16,671,921
II. Balance with Reserve Bank of India		
i. in Current Accounts	82,863,910	59,798,486
ii. in Other Accounts	-	-
Total	**99,992,707**	**76,470,407**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	3,808,853	6,272,125
b. in Other Deposit Accounts	3,632,500	1,820,373
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	62,000,000	38,500,000
Total	**69,441,353**	**46,592,498**
II. Outside India		
i. in Current Accounts	9,063,922	12,060,693
ii. in Other Deposit Accounts	29,938,038	60,351,613
iii. Money at call and short notice	1,667,435	438,660
Total	**40,669,395**	**72,850,966**
Grand Total (I and II)	**110,110,748**	**119,443,464**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities #	348,660,619	327,826,425
ii. Other approved Securities	-	-
iii. Shares	4,542,942	4,457,628
iv. Debentures and Bonds	15,815,372	21,919,580
v. Subsidiaries/ Joint Ventures	6,688,020	5,208,080
vi. Others @	15,487,304	11,605,414
Total	**391,194,257**	**371,017,127**
II. Investments outside India		
i. Government Securities (including Local authorities)	439,301	840,738
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments		
a. Debentures and Bonds	151,737	-
b. Shares	9,321	4,235
Total	**600,359**	**844,973**
Grand Total (I and II)	**391,794,616**	**371,862,100**
Gross Investments		
In India	396,157,926	375,350,838
Outside India	600,359	844,973
Total	**396,758,285**	**376,195,811**
Depreciation/ Provision for Investments		
In India	4,963,669	4,333,711
Outside India	-	-
Total	**4,963,669**	**4,333,711**
Net Investments		
In India	391,194,257	371,017,127
Outside India	600,359	844,973
Total	**391,794,616**	**371,862,100**

Securities costing ₹ 77,383,897 Thousands (Previous Year ₹ 91,902,027 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2022	As at March 31, 2021
Pass through certificates (PTCs)	5,596,808	3,319,135
Certificate of Deposits	5,323,433	4,998,672
Commercial Paper	2,481,328	484,080
Venture Capital Funds (VCFs)	1,141,681	1,102,906
Security Receipts	694,067	1,600,621
Mutual Fund	249,987	100,000
Total	**15,487,304**	**11,605,414**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 9 - ADVANCES		
A. i. Bills purchased and discounted	35,191,053	48,623,002
ii. Cash credits, overdrafts and loans repayable on demand	644,695,456	551,041,833
iii. Term loans	769,396,737	719,121,179
Total	**1,449,283,246**	**1,318,786,014**
B. i. Secured by tangible assets*	1,192,712,986	1,068,419,442
ii. Covered by Bank/Government guarantees #	17,611,147	17,765,602
iii. Unsecured	238,959,113	232,600,970
Total	**1,449,283,246**	**1,318,786,014**
C.I.Advances in India		
i. Priority sectors	442,727,087	356,182,092
ii. Public sector	1,234,065	805,144
iii. Banks	1,951	9,155,519
iv. Others	989,348,658	934,677,545
Total	**1,433,311,761**	**1,300,820,300**
C.II.Advances outside India (Refer note 1.4.3 of Schedule 18)		
i. Due from Banks	528,747	1,526,508
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	3,717,803	5,657,157
c) Others	11,724,935	10,782,049
Total	**15,971,485**	**17,965,714**
Grand Total (C I and C II)	**1,449,283,246**	**1,318,786,014**

* Includes Advances against book debts ₹ 58,020,981 Thousands (Previous year ₹ 66,633,104 Thousands)
# Includes Advances against Letter of Credit issued by banks
(Advances are net of provisions)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 10 - FIXED ASSETS		
A.Premises #		
Gross Block		
At the beginning of the year	2,436,549	2,402,232
Additions during the year	533,626	39,600
Deductions during the year	1,533	5,283
At the end of the year	**2,968,642**	**2,436,549**
Depreciation		
As at the beginning of the year	1,023,451	982,845
Charge for the Year	42,268	43,492
Deductions during the year	-	2,886
Depreciation to date	**1,065,719**	**1,023,451**
Net Block	**1,902,923**	**1,413,098**
B.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	12,789,402	11,762,163
Additions during the year	1,982,775	1,262,960
Deductions during the year	251,975	235,721
At the end of the year	**14,520,202**	**12,789,402**
Depreciation		
As at the beginning of the year	9,412,390	8,627,509
Charge for the year	1,187,339	1,001,544
Deductions during the year	234,231	216,663
Depreciation to date	**10,365,498**	**9,412,390**
Net Block	**4,154,704**	**3,377,012**
C. Capital Work in progress (Including Capital Advances)	**281,817**	**121,176**
Grand Total (A+B+C)	**6,339,444**	**4,911,286**

Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 443,380 Thousands (Previous Year ₹ 453,476 Thousands) with remaining lease period varying from 55 - 67 years.

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	11,473,117	11,758,881
III. Tax paid in advance/Tax Deducted at source (Net of provision)	11,735,513	11,196,839
IV. Stationery and Stamps	11,895	8,600
V. Non-banking assets acquired in satisfaction of claims*	3,936	16,259
VI. Others #	128,717,866	99,220,028
Total	**151,942,327**	**122,200,607**
* - 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	109,941,405	85,220,770
(b) Security deposits	2,169,125	1,425,206
(c) Deferred Tax Asset (Net) (Refer Note 2.4 of Schedule 18)	1,259,425	-
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	16,876,238	17,439,418
II. Liability on account of outstanding forward exchange contracts**	266,022,356	260,669,140
III. Guarantees given on behalf of constituents - in India	78,761,957	67,442,288
IV. Acceptances, endorsements and other obligations	22,885,851	14,349,424
V. Other items for which the Bank is contingently liable@	4,601,276	4,273,162
Total	**389,147,678**	**364,173,432**
(Refer Note 3.6 of Schedule 18)		
** - Includes		
(a) Contingent liability on Forward Exchange Contracts	189,738,623	198,560,661
(b) Contingent liability for Derivatives	76,283,733	62,108,479
@ - includes ₹2,486,487 Thousands (Previous Year : ₹ 2,120,340 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 1.10 of Schedule 18).		

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2022	Year ended March 31, 2021
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	108,297,529	107,951,229
II. Income on investments	23,386,652	23,489,390
III.Interest on balances with Reserve Bank of India and other inter-bank funds	2,202,669	3,681,644
IV. Others*	2,720,679	2,456,760
Total	**136,607,529**	**137,579,023**
* - Includes interest on Income tax refunds amounting to ₹ 288,748 thousands (Previous year ₹ 87,514 thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	12,830,973	10,374,354
II. Profit on sale of investments (Net)	3,842,303	6,088,401
III. Profit / (Loss) on revaluation of investments (Net)	(813,501)	137,937
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	53,163	17,804
V. Profit on foreign exchange/derivative transactions (Net)	2,420,161	1,939,989
VI. Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures.	276,658	-
VII.Miscellaneous income**	2,281,178	1,028,579
Total	**20,890,935**	**19,587,064**
** - Includes Recoveries in assets written off ₹ 1,791,353 Thousands (Previous year ₹ 810,108 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2022	Year ended March 31, 2021
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	73,328,832	78,046,698
II. Interest on Reserve Bank of India/Inter bank borrowings	358,479	419,646
III.Others	3,300,709	3,775,609
Total	**76,988,020**	**82,241,953**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	23,205,537	20,341,849
II. Rent, taxes and lighting	3,191,096	2,934,869
III. Printing and stationery	272,291	241,178
IV. Advertisement and publicity	113,662	91,913
V. Depreciation on Bank`s property	1,229,606	1,045,036
VI. Directors' fees, allowances and expenses	28,899	22,161
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	70,579	81,779
VIII.Law charges	123,811	112,838
IX. Postage, Telegrams, Telephones etc	826,566	769,701
X. Repairs and maintenance	747,454	662,773
XI. Insurance	2,132,461	1,914,870
XII. Other expenditure#	10,989,976	8,698,262
Total	**42,931,938**	**36,917,229**
# - Includes expenditure on Corporate Social Responsibility - ₹ 400,601 Thousands (Previous Year: ₹ 352,242 Thousands)		

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

1. Background

The Federal Bank Limited ('the Bank') was incorporated on April 23, 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 1282 branches in India and provides retail and corporate banking, para banking activities such as debit and credit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The Global Depositary Receipts issued by the Bank in 2006 have been listed on London Stock Exchange. The Bank also has its Representative Office at Abu Dhabi & Dubai and had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The Standalone Financial Statements ('Financial Statements') have been prepared in accordance with the statutory 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, notifications, guidelines and directives 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") read together with the Companies (Accounting Standards) Rules, 2021, and other relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except as otherwise stated.

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 including disclosure of contingent liabilities as at the date of the financial statements and the reported revenues and expenses during the reporting period. 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 recognized prospectively in the current and future periods.

4. Changes in accounting policies

The Bank has carried out the following change in its accounting policies during the year ended March 31, 2022:

The Bank was following the 'Intrinsic Value method' of accounting for Employee Stock Option Schemes as per the guidelines issued by the Securities and Exchange Board of India (SEBI) and Guidance Note on 'Accounting for Share-based Payments' issued by the Institute of Chartered Accountants of India (ICAI).

On August 30, 2021, the Reserve Bank of India, vide its clarification on Guidelines on Compensation of Whole Time Directors / Chief Executive Officer / Material Risk Takers and Control Function Staff, advised all private sector Banks and foreign banks operating in India that the fair value of share-linked instruments on the date of grant should be recognized as an expense beginning with the accounting period for which approval has been granted, for all share-linked instruments granted after the accounting period ending March 31, 2021.

Accordingly, the Bank has changed its accounting policy from the Intrinsic Value method to the Fair Value method for all Stock options granted to the Material Risk Takers after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognized as employee compensation expense over the vesting period.

5. Significant accounting policies

5.1 Investments

Classification

In accordance with the RBI guidelines, investments are categorized at the time of purchase as:

- Held for Trading (HFT)
- Available for Sale (AFS) and
- Held to Maturity (HTM)

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The 'market value' for quoted securities included under AFS and HFT categories shall be the prices declared by the Financial Benchmark India Pvt. Ltd. (FBIL). For securities whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/trading platforms authorized by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Net depreciation, if any, within each category of each investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL / FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
- In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company based on the stipulated norms as per RBI circular.
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.

f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.

g) The Bank follows settlement date method of accounting for purchase and sale of investments.

h) Non-Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

a. Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss account.

b. Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve in accordance with the RBI Guidelines. Loss on sale / redemption is charged to the Profit and Loss account.

Repurchase and Reverse Repurchase Transactions

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C, specifically created for this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

5.2 Advances

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in 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.

Amounts recovered against debts written off are recognised in the Profit and Loss Account and included under "Other Income".

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution framework are made as per extant RBI guidelines.

In respect of borrowers classified as non-cooperative and wilful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

5.3 Securitisation and transfer of assets

The Bank enters into purchase of corporate and retail loans through direct assignments route and the same is accounted as per extant RBI guidelines.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (Continued…)

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and 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.

5.4 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderately low, moderate, moderately high, high, very high as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

5.5 Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 07, 2016 trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

5.6 Transactions involving foreign exchange

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognized in the profit and loss account.

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) at the Balance Sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or

loss on valuation is recognized in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortized and recognized as interest income / interest expense in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

5.7 Derivative transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Profit and Loss Account.

5.8 Revenue Recognition

- Interest income is recognised on an accrual basis in accordance with AS – 9, ‘Revenue Recognition’ as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets, which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on “first in first out” policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account. 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.

- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

5.9 Fixed assets and depreciation / amortization

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 before it is ready to use. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis from the date of addition, except as mentioned below.

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvements to leased Premises are depreciated over lower of lease term or 5 years based on technical evaluation.

- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software	3 / 5 Years
Servers, Firewall & Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years

Depreciation on assets sold during the year is recognized on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognized as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

5.10 Impairment of Assets

The Bank assesses at each Balance Sheet date whether there is any indication based on internal / external factors that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

5.11 Non-Banking Assets acquired in Satisfaction of Claims

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realizable value.

5.12 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognized as expense immediately in the Profit and Loss Account.

5.13 Retirement and other employee benefits

a) **Provident Fund**

Employees covered under provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution paid/payable by the Bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) **Pension Fund**

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid/payable by the Bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

c) **Gratuity**

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution paid/payable by the Bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss account.

d) **Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)**

The employees of the Bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The Bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the Profit and Loss account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

e) **New Pension Scheme ('NPS')**

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

f) **Other employee Benefits**

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employees render the service. These benefits include performance incentives.

5.14 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999, and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Schemes provided 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 Share-based payments" issued by the ICAI, the Bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the closing market price of the share on the date preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.

The market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

However, the stock options granted to Material risk takers, after March 31, 2021 are accounted as per 'Fair value method' using Black-Scholes model, which is recognized as compensation expense over the vesting period in line with extant RBI guidelines.

5.15 Debit and Credit card reward points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss account and liabilities on the outstanding reward points as at the Balance Sheet date is included in 'Others' under Schedule 5 - Other liabilities and provisions.

5.16 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax incurred by the Bank. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in

Income Computation and Disclosure Standards and as per Accounting Standard 22 – "Accounting for Taxes on Income" respectively.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognized 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 recognized for all timing differences. Deferred tax assets are recognized 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 realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize 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 recognized and reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognized in reserves are adjusted in reserves and not in Profit and Loss Account.

5.17 Input Credit under GST

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

5.18 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.19 Corporate Social Responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 is recognized in the Profit and Loss Account.

5.20 Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with Accounting Standard 20 "Earnings per Share", as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders outstanding by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

5.21 Provisions, contingent liabilities, and contingent assets

In accordance with Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits 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 management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. 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 recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

Contingent assets, if any, are not recognized nor disclosed 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 recognized in the period in which the change occurs.

5.22 Segment information

The disclosure relating to segment information is in accordance with Accounting Standard 17 on “Segment Reporting” and as per as per RBI Master Direction on Financial Statements-Presentation and Disclosures dated August 30, 2021, (updated as on November 15, 2021). As per the Master Direction, the reportable segments are identified as ‘Treasury’, ‘Corporate / Wholesale Banking’, ‘Retail Banking’ and ‘Other banking operations.

- Treasury’ includes the entire investment portfolio of the Bank.
- Retail Banking include exposures which fulfill the four criteria of orientation, product, granularity, and low value of individual exposures for retail exposures laid down in Master Directions on Basel III: Capital Regulations. Individual housing loans also form part of Retail Banking segment.
- Corporate / Wholesale Banking include all advances to trusts, partnership firms, companies, and statutory bodies, which are not included under ‘Retail Banking’.
- Other Banking Business includes all other banking operations not covered under ‘Treasury, 'Wholesale Banking' and 'Retail Banking' segments. It also includes all other residual operations such as para banking transactions / activities.

5.23 Accounting for Dividend

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, the Bank does not account for proposed dividend or Dividend declared after balance sheet date as a liability through appropriation from profit and loss account in current year balance sheet. This is disclosed in the notes to accounts. The same is recognized in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.24 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks ⁄ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

1. Disclosure Requirement as per RBI'S Master Direction on Financial Statements – Presentation and Disclosures

Amounts in notes forming part of the financial statements for the year ended March 31, 2022 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1 Regulatory Capital

1.1. A. **Capital To Risk-Weighted Assets Ratio (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 01, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 11.50 % (previous year 10.875 %) including Capital Conservation Buffer (CCB) at 2.50 % (previous year 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 8.00% (previous year 7.375%), shall be from Common Equity Tier 1 (CET1) capital and at least 9.50 % (previous Year 8.875%) from Tier 1 capital, including 2.50 % (previous year 1.875%) towards CCB.

The Composition of Regulatory Capital of the Bank is set out below:

(Amount in ₹ Crore)

Sr. No.	Particulars	As at March 31, 2022	As at March 31, 2021
i)	Common Equity Tier 1 Capital (CET 1)*	17,638.52	15,454.61
ii)	Additional Tier 1 capital	-	-
iii)	Tier 1 Capital (i + ii)	17,638.52	15,454.61
iv)	Tier 2 Capital	1,637.28	868.13
v)	Total Capital (Tier 1+Tier 2)	19,275.80	16,322.74
vi)	Total Risk Weighted Assets (RWAs)	122,199.70	111,620.65
	Capital Ratios		
vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	14.43%	13.85%
viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	14.43%	13.85%
ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.34%	0.78%
x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	15.77%	14.62%
xi)	Leverage Ratio	7.15%	6.96%
xii)	Percentage of the shareholding of the Government of India	NA	NA
xiii)	Amount of Paid Up Equity Capital raised during the year#	21.28	0.70
xiv)	Amount of Non - Equity Tier 1 Capital raised during the year, of which:		
	a) Basel III compliant Perpetual Non- Cumulative Preference Shares (PNCPS)	-	-
	b) Basel III compliant Perpetual Debt Instruments (PDI)	-	-
xv)	Amount of Tier 2 Capital raised during the year, of which:		
	a) Basel III compliant Debt Capital instruments**	700.00	-
	b) Basel III compliant Preference Share Capital Instruments: *[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]*	-	-

*Adjusted for proposed dividend of ₹ 1.80 per share (previous year: ₹ 0.70 per share). (Refer Note 3.2.E)

#**Capital Infusion:** During the year, the Bank has issued 104,846,394 (previous year Nil) equity shares of ₹ 2 each for cash pursuant to a preferential allotment at ₹ 87.39 per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the bank. The funds mobilised from raising equity were utilised for general business purposes.

Further the Bank has allotted during the year 1,547,231 (previous year 3,488,176) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 0.31 Crore (previous year ₹0.70 Crore) and Reserves (share premium) increased by ₹ 9.08 Crore (previous year ₹13.10 Crore).

The details of the movement in the paid-up equity share capital of the Bank are given below:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening Balance	399.23	398.53
Addition pursuant to a preferential allotment	20.97	-
Addition pursuant to employee stock options exercised	0.31	0.70
Closing Balance	420.51	399.23

**During the year ended March 31, 2022 the bank had raised ₹ 700 Crore Tier 2 capital by way of issuance of Basel III compliant Tier 2 Bonds the details of which are given below:

Instrument	Capital	Date of Maturity	Period	Coupon	Amount in ₹ Crore
Subordinated Debt	Tier 2	January 20, 2032	10 Years	8.20%	700.00

During the year ended March 31, 2021 the Bank has not raised debt instruments eligible for Tier-1/Tier-2 capital.

During the year ended March 31, 2022 and March 31, 2021 the Bank has not redeemed debt instruments eligible for Tier-1/Tier-2 capital.

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: https://www.federalbank.co.in/regulatory-disclosures. The Pillar 3 disclosures have not been subjected to audit.

1.1. B. **Draw down from Reserves**

The Bank has not drawn down any amount from any reserves during the years ended March 31, 2022 and March 31, 2021.

1.2 Investments

1.2.1. A. **Composition of Investment Portfolio**

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) as at March 31, 2022 are as under:

(Amount in ₹ Crore)

	Investments in India							Investments outside India				
	Government Securities	**Other Approved Securities**	**Shares**	**Debentures & Bonds**	**Subsidiaries & / or Joint Ventures**	**Others**	**Total Investments in India**	**Government Securities (including Local Authorities)**	**Subsidiaries & / or Joint Ventures**	**Others**	**Total Investments Outside India**	**Total Investments**
Held to Maturity												
Gross Value	30,024.28	-	-	-	668.80	104.20	30,797.28	-	-	-	-	30,797.28
Less: Provision for Non-Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	30,024.28	-	-	-	668.80	104.20	30,797.28	-	-	-	-	30,797.28
Available for Sale												
Gross Value	4,857.27	-	496.75	1,631.87	-	1,830.88	8,816.77	43.93	-	16.11	60.04	8,876.81
Less: Provision for Non-Performing Investments	-	-	43.98	45.02	-		89.00	-	-	-	-	89.00
Less: Provision for Depreciation	15.49	-	0.22	5.31	-	386.35	407.37	-	-	-	-	407.37
Net Value	4,841.78	-	452.55	1,581.54	-	1,444.53	8,320.40	43.93	-	16.11	60.04	8,380.44
Held for Trading												
Gross Value	-	-	1.74	-	-	-	1.74	-	-	-	-	1.74
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	-	-	1.74	-	-	-	1.74	-	-	-	-	1.74
Total Investments												
Gross Value	34,881.55	-	498.49	1,631.87	668.80	1,935.08	39,615.79	43.93	-	16.11	60.04	39,675.83
Less: Provision for Non-Performing Investments	-	-	43.98	45.02	-	-	89.00	-	-	-	-	89.00
Less: Provision for Depreciation	15.49	-	0.22	5.31	-	386.35	407.37	-	-	-	-	407.37
Net Value	34,866.06	-	454.29	1,581.54	668.80	1,548.73	39,119.42	43.93	-	16.11	60.04	39,179.46

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) as at March 31, 2021 are as under:

(Amount in ₹ Crore)

	Investments in India							Investments outside India				
	Government Securities	**Other Approved Securities**	**Shares**	**Debentures & Bonds**	**Subsidiaries & / or Joint Ventures**	**Others**	**Total Investments in India**	**Government Securities (including Local Authorities)**	**Subsidiaries & / or Joint Ventures**	**Others**	**Total Investments Outside India**	**Total Investments**
Held to Maturity												
Gross Value	31,255.62	-	-	135.05	520.81	102.95	32,014.43	-	-	-	-	32,014.43
Less: Provision for Non-Performing Investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	31,255.62	-	-	135.05	520.81	102.95	32,014.43	-	-	-	-	32,014.43
Available for Sale												
Gross Value	1,527.02	-	516.15	2,086.61	-	1,390.87	5,520.65	84.08	-	0.42	84.50	5,605.15
Less: Provision for Non-Performing Investments	-	-	70.39	29.70	-		100.09	-	-	-	-	100.09
Less: Provision for Depreciation	-	-	-	-	-	333.28	333.28	-	-	-	-	333.28
Net Value	1,527.02		445.76	2,056.91		1,057.59	5,087.28	84.08		0.42	84.50	5,171.78
Held for Trading												
Gross Value	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments												
Gross Value	32,782.64	-	516.15	2,221.66	520.81	1,493.82	37,535.08	84.08	-	0.42	84.50	37,619.58
Less: Provision for Non-Performing Investments	-	-	70.39	29.70	-	-	100.09	-	-	-	-	100.09
Less: Provision for Depreciation	-	-	-	-	-	333.28	333.28	-	-	-	-	333.28
Net Value	32,782.64	-	445.76	2,191.96	520.81	1,160.54	37,101.71	84.08		0.42	84.50	37,186.21

1.2.1. B. **Movement of Provisions for Depreciation and Investment Fluctuation Reserve**

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
(1) Movement of provisions held towards depreciation on Investments		
a) Opening Balance	333.28	347.07
b) Add: Provisions made during the year	88.88	28.50
c) Less: Write off / (Write back) of excess provisions during the year	14.79	42.29
d) Closing Balance	407.37	333.28
(2) Movement of provisions for Non-performing investments (NPIs)		
a) Opening Balance	100.09	96.19
b) Add: Provisions made during the year	17.03	29.44
c) Less: Write off / (Write back) of excess provision during the year	18.69	0.54
d) Less : Transfer to / (from) Overdue Investments	9.43	25.00
e) Closing Balance	89.00	100.09
(3) Movement of Investment Fluctuation Reserve		
a) Opening balance	189.72	189.72
b) Add: Amount Transferred during the year	-	-
c) Less: Drawdown	-	-
d) Closing Balance	189.72	189.72
(4) Closing balance in IFR as a percentage of closing balance of Investments* in AFS and HFT/Current category	2.26%	3.67%

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

**The carrying value less net depreciation (ignoring net appreciation) ie, the net amount reflected in Balance Sheet.*

1.2.1. C. **Additional Details on Investments:**

a) Investments under HTM (excluding specified investments as per RBI norms) account for 16.78% (previous year 19.38%) of demand and time liabilities as at the end of March 31, 2022 as against permitted ceiling of 22 % (previous Year :22%) stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 169.22 Crore (previous year: ₹ 142.19 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 ₹ 150.95 Crore (previous year: ₹ 273.07 Crore) has been taken to Profit and Loss Account. This includes Profit on redemption on maturity of investments amounting to ₹ 0.49 Crore (previous year : ₹0.97 Crore). During the year the Bank had appropriated ₹ 84.26 Crore (previous year ₹ 152.39 Crore) [net of taxes and transfer to statutory reserve] to the Capital Reserve being the gain on sale of HTM Investments in accordance with RBI guidelines. (Also Refer Note 1.2.4)

d) As per RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 02, 2018 Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio on a continuing basis.

   As on March 31, 2022 the bank is maintaining an IFR of ₹ 189.72 Crore (previous year: ₹ 189.72 Crore) as against the minimum requirement of ₹ 177.57 Crore (previous year: ₹ 112.10 Crore) and considered it as part of Tier II capital for capital adequacy purposes.

1.2.2. **Repo Transactions**

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2022 under repos/reverse repos:

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2022
	Minimum	Maximum	Daily Average	
A.1 Securities sold under RBI Repo				
a) Government Securities	-	750.00	6.27	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
A.2 Securities purchased under RBI Reverse Repo				
a) Government Securities	440.00	12,258.00	5,497.75	6,050.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.1 Securities sold under Market Repo				
a) Government Securities	25.82	3,900.32	1,969.50	3,829.76
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.2 Securities purchased under Reverse Market Repo				
a) Government Securities	-	809.72	86.45	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.1 Securities sold under TREPS				
a) Government Securities	-	4,005.59	2,579.91	2,582.66
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.2 Securities purchased under TREPS				
a) Government Securities	-	2,999.65	26.38	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2021 under repos/reverse repos:

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2021
	Minimum	Maximum	Daily Average	
A.1 Securities sold under RBI Repo				
a) Government Securities	-	2,788.00	924.43	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
A.2 Securities purchased under RBI Reverse Repo				

Particulars	Outstanding during the year			Outstanding as on March 31, 2021
	Minimum	Maximum	Daily Average	
a) Government Securities	-	16,350.00	9,227.07	3,700.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.1 Securities sold under Market Repo				
a) Government Securities	-	3,479.39	1,351.61	1,226.48
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
B.2 Securities purchased under Reverse Market Repo				
a) Government Securities	-	1,618.47	75.65	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.1 Securities sold under TREPS				
a) Government Securities	-	5,476.95	2,717.40	3,081.90
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
C.2 Securities purchased under TREPS				
a) Government Securities	-	1,853.00	36.96	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

1.2.3. **Details of Non-SLR investment portfolio –**

a) Issuer composition as at March 31, 2022 of Non-SLR investments

(Amount 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	391.50	391.50	-	-	-
2	Financial Institutions	75.91	75.32	-	-	-
3	Banks	963.61	951.61	-	-	-
4	Private Corporates	1,694.61	1,159.49	-	-	100.00
5	Subsidiaries / Joint ventures	908.50	908.50	-	-	5.00
6	Others*	760.15	683.06	-	-	5.00
7	Less: Provision held towards depreciation on investment	391.88				
8	Less: Provision held towards non-performing investments	89.00				
	Total	**4,313.40**	**4,169.48**	**-**	**-**	**110.00**

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

* Includes Investments in Non-SLR government securities amounting to ₹ 43.93 Crore.

** Excludes investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Security acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

Issuer composition as at March 31, 2021 of Non-SLR investments

(Amount 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	648.63	641.50	-	-	-
2	Financial Institutions	204.85	174.86	-	-	-
3	Banks	984.62	983.22	-	-	-
4	Private Corporates	1,434.02	1,419.03	9.04	-	233.55
5	Subsidiaries / Joint ventures	765.31	765.31	-	-	5.00
6	Others*	799.51	715.44	-	-	5.00
7	Less: Provision held towards depreciation on investment	333.28				
8	Less: Provision held towards non-performing investments	100.09				
	Total	**4,403.57**	**4,699.36**	**9.04**	**-**	**243.55**

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

* Includes Investments in Non-SLR government securities amounting to ₹ 84.32 Crore.

** Excludes investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Security acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

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

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Shares	454.29	445.76
Debentures and Bonds*	1,581.54	2,191.96
Subsidiaries/Joint Ventures	668.80	520.81
Others **	1,548.73	1,160.54
Investment outside India***	60.04	84.50
Total	**4,313.40**	**4,403.57**

* Includes Investments in Non-SLR government securities amounting to ₹ Nil (previous year: ₹ 0.25 Crore).

** Includes investment in certificate of deposits, Commercial papers, Mutual Funds, Pass through certificate, Security Receipts and Venture Captial Fund.

*** Includes Investments in Non-SLR government securities amounting to ₹ 43.93 Crore (previous year: ₹ 84.08 Crore).

c) Non-performing Non-SLR investments is set out below:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening Balance	106.62	96.46
Additions during the year	17.43	35.16
Reductions during the year	(14.42)	-
Transfer (to) / from Overdue Investments	(9.43)	(25.00)
Closing Balance	**100.20**	**106.62**
Total Provisions held	89.00	100.09

1.2.4. **Sale and transfers to/ from HTM Category**

During the years ended March 31, 2022 and March 31, 2021, the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the respective years.

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:**

(Amount in ₹ Crore)

Sl. No	Particulars	March 31, 2022	March 31, 2021
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
	a) 6.10 G-Sec 2031(NSE)	240.12	-
	b) 6.10 G-Sec 2031(BSE)	20.00	-
	c) 5.85 G-Sec 2030 (NSE)	0.12	-
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	-	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-

1.3.1. **B)** The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2022 and March 31, 2021. As at March 31, 2022 and March 31, 2021 the open contracts on the exchange was Nil.

1.3.2. **A) Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)**

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
(i) The notional principal of swap agreements	2,923.00	2,373.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	1.24	12.17
(iii) Collateral required by the bank upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	33.43	39.10
(v) The fair value of the swap book	3.30	4.95

The nature and terms of the IRS as on March 31, 2022 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	53	₹ 1375.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	46	₹ 1200.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable

The nature and terms of the IRS as on March 31, 2021 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	39	₹ 1,100.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	37	₹ 925.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable

1.3.2. **B) Credit default swaps:** The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2022 and March 31, 2021.

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, Non Deliverable Forwards and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc.) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Investment forex and derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Net loss, deal size and PVBP. Actual positions are monitored against these limits on a daily basis and breaches if any are reported promptly. Risk assessment of the portfolio is undertaken periodically.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals.

Interest rate contracts

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date at a price determined at the time of the contract.

Exchange rate contracts

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options (including Exchange Traded Currency Option) give the buyer on payment of a premium the right but not an obligation to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Currency futures contract is a standardised contract traded on an exchange to buy or sell a certain underlying currency at a certain date in the future at a specified price. The contract specifies the rate of exchange between one unit of currency with another.

Non Deliverable Derivative Contracts

Non Deliverable Forwards are foreign exchange derivative contract involving the Rupee, entered into with a person resident outside India and which is settled without involving delivery of the Rupee.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts and provisioning

Bank deals in derivatives for hedging Domestic or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Transactions related to foreign exchange forward Interest rate Future/IRS/Currency futures are marked to market daily and the MTM is accounted in the books.

(c) Collateral Security

Bank has provided Sufficient Collateral to Central counter Parties and Exchanges wherever Applicable. As per market practice no collateral is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. but if a CSA

(Credit Support Annexure) is signed then collateral is insisted as per the terms of CSA agreement. For deals with Corporate Clients appropriate collateral security/margin etc. is stipulated wherever considered necessary as per the CSA Agreement.

(d) Credit Risk Mitigation

In the Interbank Space the Bank deals with other major banks and the default risk is perceived as low in this segment. Wherever the CSA (Credit Support Annexure) is signed the collateral is insisted as per the terms of the CSA agreement. This risk is managed under the limit framework laid down by the policy on Sovereign and Counterparty Bank Limits. Exposure against clients is mitigated by collecting proper collateral securities / margin as envisaged by the credit sanctioning team as per the CSA.

Quantitative Disclosures

(Amount in ₹ Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2022	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2021
(i)	Derivatives (Notional Principal Amount)				
	a)For hedging	-	-	-	-
	b) For trading	4,565.28	3,776.05	2,923.00	2373.00
(ii)	Marked to Market positions				
	a) Asset (+)	97.41	45.05	38.68	56.85
	b) Liabilities (-)	81.07	30.03	35.38	51.90
(iii)	Credit Exposure	384.79	417.13	33.43	39.10
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	0.46	0.46	0.80	0.42
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	Max = 0.48	Max = 0.48	Max = 5.92	Max = 8.23
		Min = 0.46	Min = 0.46	Min = 0.25	Min = 0.42

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2022 amounted to ₹ 3,564.10 Crore (previous year ₹ 5,205.84 Crore) and ₹ 5,860.17 Crore (previous year ₹ 5,163.85 Crore) respectively. For the hedging contracts, as at March 31, 2022 the marked to market position was asset ₹ 10.64 Crore and liability of ₹ 120.61 Crore (previous year asset ₹ 38.38 Crore and liability of ₹ 116.43 Crore). For the trading contract, as at March 31, 2022 the marked to market position was asset ₹ 431.75 Crore and liability of ₹ 52.60 Crore (previous year asset ₹ 260.86 Crore and liability of ₹ 39.00 Crore). Credit exposure on forward exchange contracts classified as Hedging and Trading at March 31, 2022 amounted to ₹ 79.21 Crore (previous year ₹ 140.36 Crore) and ₹ 675.97 Crore (previous year ₹ 542.63 Crore) respectively. 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.
- Interest rate derivative represents interest rate swaps.
- The Bank has computed the maximum and minimum of PV01 for the year based on the daily balances for Interest rate Derivatives and Currency Derivatives. During the previous year, maximum and minimum of PV01 was computed based on daily balances for Interest rate Derivatives and month end balances for Currency Derivatives.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
  a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
  b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. **Asset Quality**

1.4.1. **A1. Classification of advances and provisions held as on March 31, 2022**

(Amount in ₹ Crore)

	Standard	**Non-Performing**				**Total**
	Total Standard Advances	**Sub-standard**	**Doubtful**	**Loss**	**Total Non-Performing Advances**	
Gross Standard Advances and NPAs						
Opening Balance	130,274.32	1,766.30	2,447.41	388.68	4,602.39	134,876.71
Add: Additions during the year					1,880.81	
Less: Reductions during the year*					2,346.46	
Closing balance	143,502.71	1,148.60	2,500.14	488.00	4,136.74	147,639.45
*Reductions in Gross NPAs due to:						
(i) Upgradation					591.34	
(ii) Recoveries(excluding recoveries from upgraded accounts)					665.88	
(iii) Technical / Prudential write offs					789.06	
(iv) Write-offs other than those under (iii) above					22.65	
(v) Reduction by Sale of Assets to ARCs					275.47	
(vi) Reduction by conversion into debt / equity					2.06	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	723.98	644.15	1,896.10	388.68	2,928.93	3,652.91
Add: Fresh provisions made during the year					1,188.67	
Less: Excess provision reversed/ Write-off loans					1,475.66	
Closing balance of provisions held	1,302.76	368.11	1,785.83	488.00	2,641.94	3,944.70
Net NPAs						
Opening Balance		1,122.15	447.13	-	1,569.28	
Add: Fresh additions during the year					689.25	
Less: Reductions during the year					865.91	
Closing Balance		780.48	612.14	-	1,392.62	
Floating Provisions						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2,419.99
Add: Technical/ Prudential write-offs during the year						789.06
Add: Change in balance of existing technically written off account due to exchange rate						3.62
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						157.74
Less: Reinstatement of technically written off accounts into advances						8.97
Less: Sacrifice made from previously technical/prudential written-off accounts during the year						0.38
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year						5.62
Closing balance						3,039.96

Note: Movement is the aggregate of quarterly movement during the year.

Classification of advances and provisions held as on March 31, 2021

(Amount in ₹ Crore)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	120,622.35	1,182.03	2,063.41	285.39	3,530.83	124,153.18
Add: Additions during the year					1,921.90	
Less: Reductions during the year*					850.34	
Closing balance	130,274.32	1,766.30	2,447.41	388.68	4,602.39	134,876.71
*Reductions in Gross NPAs due to:						
(i) Upgradation					86.23	
(ii) Recoveries(excluding recoveries from upgraded accounts)					366.60	
(iii) Technical / Prudential write offs					357.87	
(iv) Write-offs other than those under (iii) above					39.64	
(v) Reduction by Sale of Assets to ARCs					-	
(vi) Reduction by conversion into debt / equity					-	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	613.36	445.49	1,085.21	285.39	1,816.09	2,429.45
Add: Fresh provisions made during the year					1,711.94	
Less: Excess provision reversed/ Write-off loans					599.10	
Closing balance of provisions held	723.98	644.15	1,896.10	388.68	2,928.93	3,652.91
Net NPAs						
Opening Balance		736.55	870.62	-	1,607.17	
Add: Fresh additions during the year					213.35	
Less: Reductions during the year					251.24	
Closing Balance		1,122.15	447.13	-	1,569.28	
Floating Provisions						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2,308.68
Add: Technical/ Prudential write-offs during the year						357.87
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						12.57
Less: Reinstatement of technically written off accounts into advances						-
Less: Sacrifice made from previously technical/prudential written-off accounts during the year						2.08
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year						231.91
Closing balance						2,419.99

Note: Movement is the aggregate of quarterly movement during the year.

1.4.1. A2 Details of accounts subjected to restructuring [1,2]

(Amount in ₹ Crore except number of borrowers)

		Agriculture and allied activities		Corporates (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
		As on March 31, 2022	As on March 31, 2021	As on March 31, 2022	As on March 31, 2021	As on March 31, 2022	As on March 31, 2021	As on March 31, 2022	As on March 31, 2021	As on March 31, 2022	As on March 31, 2021
Standard	Number of borrowers	89	154	3	9	43	83	340	529	475	775
	Gross Amount	6.39	12.63	18.66	71.72	82.02	107.83	11.73	32.20	118.80	224.38
	Provision held	0.32	0.63	0.95	3.59	3.55	5.39	2.51	1.61	7.33	11.22
Sub-standard	Number of borrowers	27	51	1	3	6	23	27	196	61	273
	Gross Amount	3.56	20.83	10.15	19.56	19.11	24.59	0.34	13.71	33.16	78.69
	Provision held	3.25	17.99	10.15	16.74	11.28	7.51	0.06	3.05	24.74	45.29
Doubtful	Number of borrowers	76	59	9	9	25	7	231	150	341	225
	Gross Amount	32.83	31.17	55.33	40.58	23.49	3.84	11.72	6.07	123.37	81.66
	Provision held	32.08	30.83	55.17	39.27	14.69	3.45	7.63	3.86	109.57	77.41
Loss	Number of borrowers	24	22	-	1	-	1	79	81	103	105
	Gross Amount	0.12	0.12	-	0.21	-	*	1.29	1.29	1.41	1.62
	Provision held	0.12	0.12	-	0.21	-	*	1.29	1.29	1.41	1.62
Total	Number of borrowers	216	286	13	22	74	114	677	956	980	1,378
	Gross Amount	42.90	64.75	84.14	132.07	124.62	136.26	25.08	53.27	276.74	386.35
	Provision held	35.77	49.57	66.27	59.81	29.52	16.35	11.49	9.81	143.05	135.54

* Denotes figures less than ₹ 1 Lakh.

Note:

1. Accounts where resolution plan is implemented under RBI Resolution Framework for Covid-19 related stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) are excluded.
2. Technically written off accounts are excluded.

1.4.1. B. **Significant Ratios**

(in %)

Particulars	March 31, 2022	March 31, 2021
Net non-performing assets as a percentage of net advances.	0.96	1.19
Gross non-performing assets as a percentage of gross advances	2.80	3.41
Provision Coverage Ratio (Including Technical write-offs)	80.60	77.65
Provision Coverage Ratio (Excluding Technical write-offs)	65.54	65.14

1.4.2. **Sector-wise Advances and Gross NPAs**

(Amount in ₹ Crore)

Sl. No.	Sector	March 31, 2022			March 31, 2021		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1.	Agriculture and allied activities	18,930.98	1,045.42	5.52	16,928.73	916.43	5.41
2.	Advances to industries sector eligible as priority sector lending	11,136.54	386.75	3.47	9,163.79	212.30	2.32
	Of which:						
	Infrastructure	*2,712.91*	*73.58*	*2.71*	*2,457.62*	*40.16*	*1.63*
	Textiles	*1,934.42*	*53.77*	*2.78*	*1,453.98*	*8.27*	*0.57*
3.	Services	10,652.73	205.57	1.93	5,857.32	62.65	1.07
	Of which:						
	NBFCs	*1,776.96*	-	-	*710.62*	-	-
	Trade	*3,267.92*	*105.94*	*3.24*	*800.61*	*17.39*	*2.17*
	Other Services	*3,189.02*	*52.00*	*1.63*	*2,267.81*	*20.03*	*0.88*
4.	Personal loans	957.29	-	-	-	-	-
5.	Others	3,752.44	251.58	6.70	4,567.85	317.78	6.96
	Sub-total (A)	**45,429.98**	**1,889.32**	**4.16**	**36,517.69**	**1,509.16**	**4.13**
B	**Non-Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	20,216.81	396.23	1.96	20,296.43	942.08	4.64
	Of which:						
	Chemicals and Chemical Products	*2,195.31*	*3.15*	*0.14*	*1,644.35*	*4.15*	*0.25*
	Infrastructure	*5,737.07*	*110.17*	*1.92*	*8,979.34*	*450.88*	*5.02*
3.	Services	34,751.51	783.37	2.25	36,721.44	1,222.75	3.33
	Of which:						
	Commercial Real Estate	*3,712.22*	*36.85*	*0.99*	*4,334.83*	*27.28*	*0.63*
	Non-Banking Finance Companies	*14,707.06*	*17.19*	*0.12*	*15,502.19*	*185.44*	*1.20*
	Trade	*5,988.56*	*457.71*	*7.64*	*8,036.38*	*605.84*	*7.54*
	Other services	*8,837.43*	*166.91*	*1.89*	*7,779.60*	*345.34*	*4.44*
4.	Personal loans	2,771.04	167.44	6.04	2,063.59	101.81	4.93
5.	Others	44,470.11	900.38	2.02	39,277.56	826.59	2.10
	Sub-total (B)	**102,209.47**	**2,247.42**	**2.20**	**98,359.02**	**3,093.23**	**3.14**
	Total (A+B)	**147,639.45**	**4,136.74**	**2.80**	**134,876.71**	**4,602.39**	**3.41**

Note: Disclosure of sub-sectors is made where the outstanding advances exceeds 10% of the outstanding total advances to that sector.

1.4.3. **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 Financial Services Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT City) 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 01, 2015. Apart from the said IBU, the bank does not have any overseas branch as on March 31, 2022 and March 31, 2021. Details of Assets, NPAs and Revenue of IBU are given below:

(Amount in ₹ Crore)

Particulars	**March 31, 2022**	**March 31, 2021**
Total Assets	2,001.35	2,346.86
Total NPAs	189.48	350.93
Total Revenue	32.46	50.19

1.4.4. **Divergence in Asset classification and Provisioning for NPAs**

The divergence observed by RBI for the financial years 2020-21 and 2019-20 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Master Direction on 'Financial Statements-Presentation and Disclosures' on 'Divergence in the asset classification and provisioning', is not required to be made.

1.4.5. In accordance with the RBI Cir. No. DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 on "Resolution Framework — 2.0: Resolution of Covid — 19 related stress of Individuals and Small Business", the number of borrower accounts where modifications were sanctioned and implemented and the aggregate exposure to such borrowers are as under:

(Amount in ₹ Crore except number of accounts)

	March 31, 2022
No. of accounts in which Resolution Period was extended	190
Aggregate Exposure	78.52

1.4.6. **Implementation of Resolution Plans (RPs):**

Cases eligible for RPs during the year ended March 31, 2022		**RPs Successfully implemented during the year ended March 31, 2022**		**RPs under implementation during the year ended March 31, 2022**	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
391.02	9	176.88	1	214.14	8

Out of the above, 4 cases are technically written off in our books amounting to total of ₹ 170.19 Crore.

Cases eligible for RPs during the year ended March 31, 2021		**RPs Successfully implemented during the year ended March 31, 2021**		**RPs under implementation during the year ended March 31, 2021**	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
394.44	9	-	-	394.44	9

Out of the above, 4 cases are technically written off in our books amounting to total of ₹ 318.07 Crore.

1.4.7 a) **Details of resolution plans implemented under the RBI Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 (including other facilities to the borrowers which have not been restructured) are given below:-**

(Amount in ₹ Crore)

Type of borrower	**Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30 , 2021 (A) (1)**	**Of (A), aggregate debt that slipped into NPA during the half- year**	**Of (A) amount written off during the half-year**	**Of (A) amount paid by the borrowers during the half- year(2)**	**Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31, 2022**
Personal Loans	2,211.69	51.63	-	16.85	2,153.25
Corporate persons	343.26	4.84	-	(9.18)	347.60
Of which MSMEs	-	-	-	-	-

Others	1,150.96	46.95	-	89.86	1,022.60
Total	**3,705.91**	**103.42**	**-**	**97.53**	**3,523.45**

1. Includes restructuring done in respect of requests received as of September 30, 2021, processed subsequently.
2. Represents net movement in balance outstanding.

1.4.7.b) **Details of resolution plans implemented under the RBI Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 (excluding other facilities to the borrowers which have not been restructured) are given below:**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30 , 2021 (A) (1,3)	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half- year(2)	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31 , 2022 (3)
Personal Loans	2,146.99	43.12	-	19.29	2,093.71
Corporate persons	198.41	-	-	0.11	198.30
Of which MSMEs	-	-	-	-	-
Others	569.44	19.09	-	151.15	399.90
Total	**2,914.84**	**62.21**	**-**	**170.55**	**2,691.91**

1. Includes restructuring done in respect of requests received as of September 30, 2021 processed subsequently.
2. Represents net movement in balance outstanding
3. Excludes other facilities to the borrowers which have not been restructured.

1.4.8. **Transfer of loan exposures**

i) Details of loans not in default acquired through assignment during the year ended March 31, 2022 are given below:

	March 31, 2022
Aggregate amount of loans acquired (₹ in Crore)	108.27
Weighted average residual maturity (in years)	2.46
Weighted average holding period by originator (in years)	1.20
Retention of beneficial economic interest by the originator (₹ in Crore)	12.03
Tangible security coverage	Unsecured loan

Note: The above disclosure is as per (Transfer of Loan Exposures) Directions, 2021 issued by Reserve Bank of India on September 24, 2021 which is effective from financial year 2021-2022.

ii) Details of non-performing assets (NPAs) (excluding prudentially written off advances) transferred during the year ended March 31, 2022 are given below:

(Amount in ₹ Crore except number of accounts)

Particulars	To ARCs		To permitted transferees		To other transferees	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Number of accounts	44	-	-	-	-	-
Aggregate principal outstanding of loans transferred	275.47	-	-	-	-	-
Weighted average residual tenor of the loans transferred (in years)	7.44	-	-	-	-	-
Net book value of loans transferred (at the time of transfer)	69.95	-	-	-	-	-
Aggregate consideration	158.26	-	-	-	-	-

Additional consideration realized in respect of accounts transferred in earlier years	-	-	-	-	-	-
Provisions reversed to the profit and loss account on account of sale of stressed loans	88.31	-	-	-	-	-

iii) During the years ended March 31, 2022 and March 31, 2021, the bank has not acquired any stressed loans and not transferred any loan not in default / Special Mention Accounts (SMA).

iv) During the year ended March 31, 2022 and March 31, 2021, the bank has not invested in Security Receipts (SR) issued by Asset Reconstruction Companies (ARC) in respect of stressed loans transferred to ARCs.

v) Recovery ratings assigned for Security Receipts are given below:

As on March 31, 2022

(Amount in ₹ Crore)

Rating Scale	Rating	Book Value Outstanding	Provision held	Net Book Value
0-25%	NR6	205.94	203.88	2.06
	RR5	14.79	13.91	0.88
25% - 50%	R4	85.61	43.48	42.13
50% - 75%	NR4	30.51	9.15	21.36
100% - 150%	R1	0.64	-	0.64
	RR1	2.28	-	2.28
Rating Withdrawn / Not rated	Not Rated	0.06	-	0.06
	Withdrawn	115.93	115.93	-
Total		**455.76**	**386.35**	**69.41**

As on March 31, 2021

(Amount in ₹ Crore)

Rating Scale	Rating	Book Value Outstanding	Provision held	Net Book Value
0-25%	NR6	167.91	137.89	30.02
	RR5	96.04	84.45	11.59
25% - 50%	NR5	41.14	30.84	10.30
	RR4	8.84	4.86	3.98
50% - 75%	R3	87.75	25.45	62.30
	NR4	30.51	9.15	21.36
100% - 150%	RI	0.90	-	0.90
	NR2	17.34	-	17.34
	RR1	2.28	-	2.28
Rating Withdrawn / Not rated	Withdrawn	40.63	40.63	-
Total		**493.34**	**333.27**	**160.07**

1.4.9. **Details of MSME accounts restructured as per RBI circular Nos.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020**

Position as on March 31, 2022

(Amount in ₹ Crore except number of accounts)

Number of accounts restructured	Amount Restructured	Amount outstanding
1366	1,144.09	921.38

Position as on March 31, 2021

(Amount in ₹ Crore except number of accounts)

Number of accounts restructured	Amount Restructured	Amount outstanding
529	653.20	536.65

1.4.10. **Fraud accounts and Provisioning**

(Amount in ₹ Crore except number of frauds)

Particulars	**March 31, 2022**	**March 31, 2021**
No. of frauds reported during the year	413	344

Particulars	**March 31, 2022**	**March 31, 2021**
Amount involved in fraud	347.92	723.97
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year requiring provision	100.20	188.39
Provision made during yesteryears for the above accounts	64.90	5.32
Provision made during the year	35.30	183.07
Provision held as at the end of the year for the above accounts	100.20	188.39
Amount of unamortised provision debited from “other reserves” as at the end of the year.	-	-

1.4.11. **Movement of Provision on Standard Assets**

(Amount in ₹ Crore)

Particulars	**March 31, 2022**	**March 31, 2021**
(a) Opening balance	736.73	626.11
(b) Additions during the year	619.00	589.62
(c) Deduction during the year	40.22	479.00
(d) Closing balance *	**1,315.51**	**736.73**

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 18.19 Crore (previous Year: ₹ 15.90 Crore) and floating provision of ₹ 12.75 Crore (previous year ₹ 12.75 Crore).

1.5. **Asset Liability Management**

1.5.1 **Maturity pattern of certain items of assets and liabilities**

Maturity pattern of certain items of assets and liabilities as at March 31, 2022 and March 31, 2021 is set out below:

Year ended March 31, 2022 (Amount in ₹ Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	1,119.30	2,676.62	6,416.05	12.97	1,170.16	237.33
2 -7 days	2,245.53	2,196.76	408.91	6,426.42	1,699.75	41.67
8-14 days	2,495.62	1,143.16	427.72	107.69	786.63	117.00
15-30 days	3,880.01	2,546.52	610.53	5.60	506.46	55.50
31 days to 2 months	6,278.06	4,261.70	948.35	414.16	753.22	484.70
Over 2 months and up to 3 months	4,951.31	6,150.53	794.31	669.03	740.33	781.64
Over 3 months and up to 6 months	14,881.74	13,608.86	1,973.64	1,684.36	1,002.09	974.18
Over 6 months and up to 1 Year	30,194.33	14,153.00	1,668.14	1,342.43	636.60	1,531.65
Over 1 Year and up to 3Years	79,073.03	66,024.25	2,633.57	3,143.76	321.53	1,733.21
Over 3 Years and up to 5 Years	3,357.64	15,363.13	7,394.27	586.69	542.49	242.67
Over 5 Years	33,224.02	16,803.79	15,903.97	1,000.01	609.74	0.15
Total	**181,700.59**	**144,928.32**	**39,179.46**	**15,393.12**	**8,769.00**	**6,199.70**

Year ended March 31, 2021 (Amount in ₹ Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	913.31	2,208.48	8,149.56	12.97	1,533.62	104.96
2 -7 days	2,421.64	1,302.80	294.41	4,708.38	2,037.63	30.46
8-14 days	2,137.22	785.40	386.10	202.23	575.08	34.94
15-30 days	5,062.22	2,102.11	665.66	183.17	1,416.69	245.34
31 days to 2 months	8,162.03	4,226.60	1,641.57	297.80	1,441.77	390.02
Over 2 months and up to 3 months	7,214.82	4,677.97	1,080.54	312.91	1,269.97	442.31
Over 3 months and up to 6 months	15,852.89	10,568.17	1,728.72	504.71	1,008.31	740.99
Over 6 months and up to 1 Year	27,427.44	16,325.95	1,369.85	777.94	527.89	1,502.26
Over 1 Year and up to 3Years	70,314.57	55,145.58	4,368.16	1,664.82	522.21	2,521.39
Over 3 Years and up to 5 Years	2,427.15	16,827.56	4,986.53	103.57	365.34	493.71
Over 5 Years	30,711.19	17,707.98	12,515.11	300.00	224.87	0.03
Total	**172,644.48**	**131,878.60**	**37,186.21**	**9,068.50**	**10,923.38**	**6,506.41**

Note: Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities excludes forward exchange contracts and off-balance sheet items.

1.5.2 **Liquidity Coverage Ratio (LCR)**

a) Quantitative Disclosure

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2022:

(Amount in ₹ Crore)

Particulars		Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
		Total Unweighted Value(average)	Total Weighted Value(average)	Total Unweighted Value(average)	Total Weighted Value(average)	Total Unweighted Value(average)	Total Weighted Value(average)	Total Unweighted Value(average)	Total Weighted Value(average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**35,898.96**		**36,304.61**		**37,608.85**		**35,015.72**
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	156,122.23	13,353.67	154,690.57	13,105.50	152,194.60	12,870.85	149,338.73	12,617.91
(i)	Stable deposits	45,171.14	2,258.56	47,271.06	2,363.55	46,972.18	2,348.61	46,319.21	2,315.96
(ii)	Less stable deposits	110,951.09	11,095.11	107,419.51	10,741.95	105,222.42	10,522.24	103,019.52	10,301.95
3	Unsecured wholesale funding, of which:	10,382.00	8,016.94	10,768.00	8,241.88	11,107.21	5,413.52	14,011.42	7,990.42
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	10,382.00	8,016.94	10,768.00	8,241.88	11,107.21	5,413.52	14,011.42	7,990.42
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	0.66	0.66	7.11	7.11	0.76	0.76	1.32	1.32
(i)	Outflows related to derivative exposures and other collateral requirements	0.66	0.66	7.11	7.11	0.76	0.76	1.32	1.32
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	38,962.47	4,242.74	36,941.24	4,014.74	33,852.61	3,146.26	32,736.06	3,023.64
7	Other contingent funding obligations	9,993.00	299.79	9,244.38	277.33	8,764.83	262.95	8,536.05	256.08
8	**TOTAL CASH OUTFLOWS**		**25,913.80**		**25,646.56**		**21,694.34**		**23,889.37**

Particulars		Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
		Total Unweighted Value(average)	**Total Weighted Value(average)**	**Total Unweighted Value(average)**	**Total Weighted Value(average)**	**Total Unweighted Value(average)**	**Total Weighted Value(average)**	**Total Unweighted Value(average)**	**Total Weighted Value(average)**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	5,497.73	-	6,058.63	-	7,231.36	-	3,627.83	-
10	Inflows from fully performing exposures	7,852.26	5,928.02	7,270.90	5,601.39	7,274.42	5,668.49	7,967.70	6,348.55
11	Other cash inflows	10.56	10.56	2.58	2.58	6.75	6.75	23.56	23.56
12	**TOTAL CASH INFLOWS**	**13,360.55**	**5,938.58**	**13,332.11**	**5,603.97**	**14,512.53**	**5,675.24**	**11,619.09**	**6,372.11**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		35,898.96		36,304.61		37,608.85		35,015.72
14	**TOTAL NET CASH OUTFLOWS**		19,975.22		20,042.59		16,019.10		17,517.26
15	**LIQUIDITY COVERAGE RATIO (%)**		**179.72%**		**181.14%**		**234.78%**		**199.89%**

Note: LCR data has been computed based on simple average of daily observations.

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2021:

(Amount in ₹ Crore)

Particulars		Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
		Total Unweighted Value(average)	**Total Weighted Value(average)**	**Total Unweighted Value(average)**	**Total Weighted Value(average)**	**Total Unweighted Value(average)**	**Total Weighted Value(average)**	**Total Unweighted Value(average)**	**Total Weighted Value(average)**
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**35,501.98**		**38,810.45**		**38,748.71**		**34,844.87**
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	143,128.38	12,057.86	139,489.09	11,728.08	138,293.02	11,619.64	133,691.38	11,248.71
(i)	Stable deposits	45,099.62	2,254.98	44,416.54	2,220.83	44,193.21	2,209.66	42,408.48	2,120.42
(ii)	Less stable deposits	98,028.76	9,802.88	95,072.55	9,507.25	94,099.81	9,409.98	91,282.90	9,128.29
3	Unsecured wholesale funding, of which:	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95

Particulars		Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
		Total Unweighted Value(average)	Total Weighted Value(average)	Total Unweighted Value(average)	Total Weighted Value(average)	Total Unweighted Value(average)	Total Weighted Value(average)	Total Unweighted Value(average)	Total Weighted Value(average)
(i)	Outflows related to derivative exposures and other collateral requirements	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	31,079.41	2,925.85	33,599.11	3,195.70	35,098.79	3,274.20	32,628.99	3,075.63
7	Other contingent funding obligations	8,239.81	247.19	8,097.65	242.93	8,010.49	240.31	8,183.54	245.51
8	**TOTAL CASH OUTFLOWS**		**20,969.35**		**19,674.58**		**20,112.72**		**19,700.37**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	6,347.35	-	12,119.68	-	12,242.76	-	6,630.99	-
10	Inflows from fully performing exposures	7,660.01	6,267.08	6,643.56	5,276.93	5,887.14	4,918.78	4,889.64	4,489.15
11	Other cash inflows	10.04	10.04	0.50	0.50	-	-	-	-
12	**TOTAL CASH INFLOWS**	**14,017.40**	**6,277.12**	**18,763.74**	**5,277.43**	**18,129.90**	**4,918.78**	**11,520.63**	**4,489.15**
			Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13	**TOTAL HQLA**		35,501.98		38,810.45		38,748.71		34,844.87
14	**TOTAL NET CASH OUTFLOWS**		14,692.23		14,397.15		15,193.94		15,211.22
15	**LIQUIDITY COVERAGE RATIO (%)**		**241.64%**		**269.57%**		**255.03%**		**229.07%**

Note: LCR data has been computed based on simple average of daily observations.

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 01, 2015. The regulatory threshold is embedded into the Risk Appetite Statement of the Bank and hence maintenance of LCR is subject to periodic review of Risk Management Committee/Board. The Bank computes the LCR and reports the same to the Asset Liability Committee (ALCO) every month as well as to the Risk Management Committee of the Board. 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 January 01, 2017 and in accordance with regulatory prescriptions. The LCR disclosures contain data on simple average of daily observations for the days in each quarter. Bank computes LCR of the IFSC Banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank is not computing LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. Bank has consistently maintained LCR above the prescribed regulatory minimum of 100% during the fiscal.

On an average, 96% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as per RBI guidelines from time to time, 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 and commercial papers, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and shall provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable deposits 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 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.

1.5.3 **Net Stable Funding Ratio (NSFR)**

Qualitative Disclosure

Net Stable Funding Ratio (NSFR) is introduced by Basel Committee on Banking Supervision (BCBS) in order to ensure that banks maintain a stable funding profile in relation to the composition of their assets, liabilities and off-balance sheet activities. NSFR limits overreliance on short-term wholesale funding and promotes funding their activities with longer term stable sources indicating funding stability.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") of the Bank is a function of the liquidity characteristics and residual maturities of the various assets as well as the off-balance sheet (OBS) exposures of the Bank.

As per the RBI Guideline, Bank is required to maintain a minimum NSFR of 100% on an ongoing basis effective from October 01, 2021.

The Available Stable funding primarily consists of Regulatory capital, Deposits from Retail Customers, Small business entities, Non-Financial and financial corporates and Borrowings. Whereas the Required Stable Funding comprises of mainly Advances and investments.

Quantitative Disclosure

(Amount in ₹ Crore)

<table>
<tr><th colspan="12">Net Stable Funding Ratio (NSFR)</th></tr>
<tr><th colspan="2" rowspan="3">Particulars</th><th colspan="5">Quarter ended March 31, 2022</th><th colspan="5">Quarter ended December 31, 2021</th></tr>
<tr><th colspan="4">Unweighted value by residual maturity</th><th rowspan="2">Weighted value</th><th colspan="4">Unweighted value by residual maturity</th><th rowspan="2">Weighted value</th></tr>
<tr><th>No maturity</th><th>< 6 months</th><th>6 months to < 1yr</th><th>≥ 1yr</th><th>No maturity</th><th>< 6 months</th><th>6 months to < 1yr</th><th>≥ 1yr</th></tr>
<tr><td colspan="7">ASF Item</td><td colspan="5"></td></tr>
<tr><td>1</td><td>Capital: (2+3)</td><td>17,638.52</td><td>-</td><td>-</td><td>1,000.00</td><td>18,638.52</td><td>16,072.65</td><td>-</td><td>-</td><td>300</td><td>16,372.65</td></tr>
<tr><td>2</td><td>Regulatory capital</td><td>17,638.52</td><td>-</td><td>-</td><td>-</td><td>17,638.52</td><td>16,072.65</td><td>-</td><td>-</td><td>-</td><td>16,072.65</td></tr>
<tr><td>3</td><td>Other capital instruments</td><td>-</td><td>-</td><td>-</td><td>1,000.00</td><td>1,000.00</td><td>-</td><td>-</td><td>-</td><td>300</td><td>300</td></tr>
<tr><td>4</td><td>Retail deposits and deposits from small business customers: (5+6)</td><td>59,637.36</td><td>31,428.73</td><td>34,549.10</td><td>31,677.74</td><td>145,973.13</td><td>57,775.05</td><td>27,428.82</td><td>30,357.92</td><td>35,002.69</td><td>140,087.05</td></tr>
</table>

Net Stable Funding Ratio (NSFR)											
Particulars		Quarter ended March 31, 2022					Quarter ended December 31, 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
5	Stable deposits	9,653.36	7,235.99	7,945.01	6,512.69	30,105.33	9,660.03	5,682.63	6,232.40	6,288.69	26,785.00
6	Less stable deposits	49,984.00	24,192.74	26,604.09	25,165.05	115,867.80	48,115.02	21,746.19	24,125.52	28,714.00	113,302.05
7	Wholesale funding: (8+9)	6,067.89	19,273.28	6,820.39	6,639.21	14,058.29	5,258.52	17,079.96	6,858.69	3,520.01	10,317.37
8	*Operational deposits*	-	-	-	-	-	-	-	-	-	-
9	*Other wholesale funding*	6,067.89	19,273.28	6,820.39	6,639.21	14,058.29	5,258.52	17,079.96	6,858.69	3,520.01	10,317.37
10	Other liabilities: (11+12)	5,340.14	873.95	-	-	-	6,049.71	3,172.36	-	-	-
11	*NSFR derivative liabilities*		-	-	-			-	-	-	
12	*All other liabilities and equity not included in the above categories*	5340.14	873.95	-	-	-	6,049.71	3172.36	-	-	-
13	Total ASF (1+4+7+10)					178,669.94					166,777.07
RSF Item											
14	Total NSFR high-quality liquid assets (HQLA)					1,882.70					1,852.10
15	Deposits held at other financial institutions for operational purposes	1,287.28	-	-	-	643.64	1,020.48	-	-	-	510.24
16	Performing loans and securities: (17+18+19+21+23)	838.35	52,109.96	17,924.10	79,748.31	95,285.18	623.47	45,342.21	19,052.16	75,988.74	91,444.84
17	Performing loans to financial institutions secured by Level 1 HQLA	-	6,200.00	-	-	620	-	1,900.00	-	-	190
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	8,075.75	1,827.55	13,038.94	15,164.08	-	6,723.07	2,711.44	12,557.58	14,921.76
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	12	37,830.86	16,085.80	46,776.13	64,745.32	11.83	36,715.15	16,331.64	44,662.85	62,497.64
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.03	5,643.61	808.89	9,893.59	9,657.10	0.28	6,493.95	2,147.32	9,975.46	10,804.83
21	Performing residential mortgages, of which:	-	3.35	10.75	19,933.24	14,053.38	-	3.99	9.08	18,768.31	13,315.55
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2.72	9.41	14,484.57	9,421.03	-	3.17	7.93	13,220.29	8,598.74

Net Stable Funding Ratio (NSFR)											
Particulars		Quarter ended March 31, 2022					Quarter ended December 31, 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	826.35	-	-	-	702.4	611.64	-	-	-	519.89
24	Other assets: (sum of rows 25 to 29)	5,853.54	3,087.81	2,082.54	13,279.27	23,641.99	5,638.78	3,782.43	2,258.27	12,020.92	23,197.61
25	Physical traded commodities, including gold	-				-	-				-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		791.47	-	-	672.75		712.68	-	-	605.78
27	NSFR derivative assets (Net)		-	-	-	-		8.96	-	-	8.96
28	NSFR derivative liabilities before deduction of variation margin posted		571	-	-	28.55		416.73	-	-	20.84
29	All other assets not included in the above categories	5,853.54	1,725.34	2,082.54	13,279.27	22,940.69	5,638.78	2,644.06	2,258.27	12,020.92	22,562.03
30	Off-balance sheet items		38,722.76	10,164.78	-	2,241.08		35,255.86	9,008.63	-	2,033.05
31	Total RSF (14+15+16+24+30)					1,23,694.59					1,19,037.84
32	**Net Stable Funding Ratio (%)**					**144.44%**					**140.10%**

1.6. **Exposures**

1.6.1 **Exposure to Real Estate Sector**

(Amount in ₹ Crore)

Category	**March 31, 2022**	**March 31,2021**
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; Exposure also includes non-fund based (NFB) limits; (of which individual housing loans eligible for inclusion in Priority sector advances).	26,145.51 (3,530.37)	22,811.29 (3,757.48)
ii) Commercial Real Estate:- Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	6,264.06	5,782.18
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a) Residential	-	-
b) Commercial Real Estate	-	-
B. Indirect Exposure:		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	8,058.34	7,105.55
Total Exposure to Real Estate sector	**40,467.91**	**35,699.02**

1.6.2 **Exposure to Capital Market**

(Amount in ₹ Crore)

Category	**March 31, 2022**	**March 31, 2021**
(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;	419.00	404.44
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	21.90	50.27
(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;	382.83	236.10
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	554.21	141.65
(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)	163.16	175.91
Total Exposure to Capital Market	**1,541.10**	**1,008.37**

1.6.3 **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:

(Amount in ₹ Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2022	March 31, 2022	March 31, 2021	March 31, 2021
Insignificant	1,436.27	-	1,668.82	-
Low	608.59	-	617.08	-
Moderately low	-	-	59.83	
Moderate	10.62	-	0.88	-
Moderately high	-	-	-	
High	-	-	-	-
Very High	-	-	-	-
Total	**2,055.48**	-	**2,346.61**	-

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

Note: The bank has compiled the data for the purpose of disclosure in Note No. 1.6.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

1.6.4. During the year ended March 31, 2022 and March 31, 2021, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.6.5 **Unsecured Advances:** During the year ended March 31, 2022 and March 31, 2021 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. have been taken as collateral by the Bank.

1.6.6 **Factoring exposure:** The factoring exposure of the Bank as on March 31, 2022 is ₹ 729.40 Crore (previous Year: ₹ 512.88 Crore)

1.6.7 **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 ₹ 18.19 Crore (previous year ₹ 15.90 Crore) as provision and ₹ 19.56 Crore (previous year ₹ 21.06 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers.

1.6.8 **Details of Intra-Group Exposure**

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2022	March 31, 2021
1	Total amount of intra-group exposures*	620.94	947.34
2	Total amount of top-20 intra group exposures*	620.94	947.34
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *	0.32%	0.52%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	-	-

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

1.7. Concentration of Deposits, Advances, Exposures and NPAs

1.7.1 Information on Concentration of deposits:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Total deposits of twenty largest depositors	6,078.19	8,329.79
Percentage of deposits of twenty largest depositors to total deposits of the bank	3.35%	4.82%

Note: Excludes holders of certificate of deposits which are tradable instruments.

1.7.2 Information on Concentration of advances:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Total advances to the twenty largest borrowers	17,660.91	18,058.80
Percentage of advances to the twenty largest borrowers to total advances of the bank	9.26%	10.22%

Note: As per Master Direction, Advances is computed based on credit exposure i.e. funded and non-funded limits including derivative exposures. The sanctioned limits or outstanding, whichever are higher, is reckoned. However, in the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, bank reckon the outstanding as the credit exposure

1.7.3 Information on Concentration of exposures:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Total exposures to the twenty largest borrowers/customers	18,606.95	19,050.48
Percentage of exposures to the twenty largest borrowers/customers to the total exposure of the bank on borrowers/customers	9.44%	10.41%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 1.7.1 to 1.7.3 from its internal MIS system and has been furnished by the Management, which has been relied upon by the auditors.

1.7.4 Information on Concentration of NPAs:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Total exposures to the top twenty NPA accounts	664.52	1,056.28
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	16.06%	22.95%

1.8 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2022 and March 31, 2021.

1.9. Sponsored SPVs

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at March 31, 2022 and March 31, 2021.

1.10. Transfers to Depositor Education and Awareness (DEA) Fund

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEA Fund. Details of amounts transferred to / reimbursed by DEA Fund are set out below:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening balance of amounts transferred to DEA Fund	212.03	177.37
Add: Amounts transferred to DEA Fund during the year	40.99	38.14
Less: Amounts reimbursed by DEA Fund towards claims	4.37	3.48
Closing balance of amounts transferred to DEA Fund	248.65	212.03

1.11. **Disclosure of complaints**

A. Summary information on complaints received by the bank from customers and from the Offices of Ombudsman

Sl. No.	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Complaints received by the bank from its customers			
1	Number of complaints pending at beginning of the year	3,498	1,692
2	Number of complaints received during the year	160,857	147,914
3	Number of complaints disposed during the year	158,965	146,108
	3.1. Of which, number of complaints rejected by the bank	61,018	46,394
4	Number of complaints pending at the end of the year	5,390	3,498
Maintainable complaints received by the bank from Offices of Ombudsman			
5	Number of maintainable complaints received by the bank from Office of Ombudsman	569	757
	5.1. Of which, number of complaints resolved in favour of the Bank by Office of Ombudsman	245	243
	5.2. Of which, number of complaints resolved through conciliation/ mediation/advisories issued by Office of Ombudsman	324	511
	5.3. Of which, number of complaints resolved after Passing of Awards by Office of Ombudsman against the bank	-	-
6	Number of Awards unimplemented within the stipulated time(other than those appealed)	-	-
Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme.			

B) Top Five grounds of complaints received by the Bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/ (decrease) in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
1	2		3		4		5		6	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
ATM/Debit Cards	2,481	1,038	117,181	117,915	(0.62)	(17.43)	2,038	2,481	218	119
Internet/Mobile/Electronic Banking	860	87	36,367	19,543	86.09	74.76	3,288	860	795	-
Account opening/difficulty in operation of accounts	37	35	1,212	2,578	(52.99)	(17.45)	14	37	-	-
Loans and advances	44	22	1,799	1,315	36.81	69.24	31	44	-	-
Credit Cards	-	-	955	-	*	*	01	-	-	-
Others	76	510	3,343	6,563	(49.06)	(84.51)	18	76	-	-
Total	**3,498**	**1,692**	**160,857**	**147,914**	**-**	**-**	**5,390**	**3,498**	**1,013**	**119**

*-. The bank has introduced credit cards during the Financial Year 2021-22 and hence there are no comparable figures to reported for the previous year

1.12. **Details of Penalty imposed by RBI**

(Amount in ₹ Lakh)

Particulars	March 31, 2022	March 31, 2021
a) Penalty imposed on currency chests		
Number of instances of default	14	15
Quantum of penalty imposed	0.56	2.08
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	4	-
Quantum of penalty imposed	0.40	-

1.13. Disclosures on Remuneration

i) Qualitative disclosures

a) Information relating to the composition and mandate of the Nomination and Remuneration Committee (or Remuneration Committee in short):

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. The Committee comprise of three or more Non-Executive Directors, out of which not less than one-half would be Independent Directors and would include at least one member from Risk Management Committee of the Board.

As on March 31, 2022, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. A P Hota (Chairman)
- Mr. C Balagopal
- Mr. Siddhartha Sengupta

Out of the above, Mr. Siddhartha Sengupta is also a member of Risk Management Committee of the Board.

The Remuneration Committee of the Board functions with the following mandate, in respect of matters related to remuneration:

i. To oversee the framing, review and implementation of an effective Compensation Policy, as per RBI Guidelines.
ii. To review the compensation package for the MD & CEO and Executive Directors and recommend revisions for Board approval.
iii. To consider and approve issuance and allotment of shares under ESOS to MD & CEO /EDs and employees of the Bank.
iv. Work in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formulated and adopted a comprehensive compensation policy covering all the employees and the policy is reviewed on an annual basis. The policy covers all aspects of the compensation structure such as fixed pay, variable compensation, perquisites, performance bonus, guaranteed bonus (joining/sign-on bonus), severance package, share-linked instruments e.g. Employee Stock Option Scheme (ESOS), pension, gratuity, etc., taking into account the Guidelines issued by Reserve Bank of India from time to time.

The objectives of the remuneration policy are four-fold:

- To align compensation with prudent risk taken
- To drive sustainable performance in the Bank
- To ensure financial stability of the Bank; and
- To attract and retain talent

The compensation paid to the **Chief Executive Officer (CEO) / Whole Time Directors (WTDs) /Material Risk Takers (MRTs)** is divided into two components:

1. **Fixed Pay and Perquisites:** The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will also be treated as part of fixed pay.

2. **Variable Compensation:** The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is fixed based on organizational performance (both business-unit and firm-wide) and KPAs set for the official. The organization's performance is charted based on Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and

other intangible factors like leadership and employee development. The Scorecard provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. Additionally, serious supervisory observations (if any) are also factored. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments.

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

Grander Compensation Package to Executives in Level IV and above: The Compensation package applicable to Executives in Level IV and above are governed under the provisions of Grander Compensation Package, a performance linked pay structure implemented in the Bank with effect from May 01, 2017. Annual Increment under the "Grander Compensation Package" will depend on the annual performance rating of the Executive concerned.

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

c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the Bank are arranged under the following three categories:

1. MD & CEO/Whole Time Directors/ Material Risk Takers (MRTs)
2. Risk Control and Compliance Staff
3. Other Categories of Staff

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, the Bank maintains proper balance between fixed pay and variable pay. A significant portion (i.e. at least 50 per cent) of total compensation payable to MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) is variable.

Committees to mitigate risks caused by an individual decision

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

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

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and claw back arrangements) embedded in their compensation arrangement. Appropriate compliance arrangements have been established to ensure that employees do not insure or hedge their compensation structure.

Committee of Management for reviewing the linkage of Risk Based Performance with Remuneration (ED Level Committee): The ED Level Committee, comprising of ED and Heads of Risk Division and HR Department would assist the Nomination and Remuneration Committee of the Board to monitor, review and control various risks and to balance prudent risk taking with the compensation paid out to top Executives, WTDs and other employees.

d) Linkage of performance during a performance measurement period with levels of remuneration.

The Bank's performance is charted based on performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through Scorecard for MD & CEO / EDs. The scorecard provides a mix of financial and non-financial, quantitative and qualitative metrics.

The compensation package applicable to Executives in Level IV to VII was earlier fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance-based compensation package called "Grander Compensation Package" has been introduced for Executives in Level IV (Associate Vice President / Assistant Vice President) and above with effect from May 01, 2017.

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks Association.

e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.

MD & CEO, Whole Time Directors and Material Risk Takers (MRTs).

Deferral of Variable Pay: For MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 crore, deferral requirements would not be necessary.

Period of Deferral Arrangement: The deferral period would be minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.
Vesting: Deferred remuneration would either vest fully at the end of the deferral period or be spread out over the course of the deferral period, subject to the following conditions:

- The first such vesting will be not before one year from the commencement of the deferral period.
- The vesting will be no faster than on a pro rata basis.
- Vesting will not take place more frequently than on a yearly basis.

In case of deferred compensation (cash component), the payment will be made as per the Schedule mentioned below.

Proportion of deferred Variable Pay	Timelines
50%	Year N - Upfront *
16.50%	Year N +1
16.50%	Year N +2
17.00%	Year N+3

(* subject to approval of RBI for MD & CEO and WTD's)

Risk Control and Compliance Staff

At least 25% of the total compensation would be variable and the total variable pay will be limited to a maximum of 100% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 75% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 crore, deferral requirements would not be necessary.

Other categories of Staff

The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 crore, deferral requirements would not be necessary.

Malus / Claw back arrangement

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

- Malus arrangement wherein Bank shall withhold vesting of all or part of the amount of deferred remuneration.

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

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

f) Description of the different forms of variable remuneration

The variable pay is in the form of share-linked instruments, or a mix of cash and share-linked instruments. The Bank uses an optimum and proper mix of cash (Performance Linked Incentive/Ex- Gratia) and share-linked instruments (Stock Options) to decide the compensation of employees in all categories.

The distribution of Stock Options and variable Performance Linked Incentives are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments.

ii) Quantitative disclosures

The quantitative disclosures include only Whole Time Directors/Chief Executive Officer/Material Risk Takers

Particulars			March 31, 2022	March 31, 2021
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		6 ₹ 0.05 Crore	7 ₹ 0.06 Crore
(b)	(i)	Number of employees having received a variable remuneration award during the financial year.	8	10
	(ii)	Number and total amount of sign-on/joining bonus made during the financial year.	-	-
	(iii)	Details of severance pay in addition to accrued benefits if any.	-	-
(c)	(i)	Total amount of outstanding deferred remuneration split into cash, shares and share-linked instruments and other forms	Cash – Nil Shares – Nil Share-linked instruments (Unvested Stock Options granted after April 01, 2021) - 619,000 Options having Fair Value of ₹ 1.94 Crore	-
	(ii)	Total amount of deferred remuneration paid out in the financial year.	-	-
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred		Fixed - ₹ 9.02 Crore Variable - ₹ 2.70 Crore Deferred - ₹1.94 Crore Non Deferred - Nil (Fair Value of 619,000 Options granted during the year)	Fixed - ₹ 8.35 Crore Variable - ₹ 0.61 Crore

Particulars			March 31, 2022	March 31, 2021
(e)	(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	₹ 1.94 Crore (Fair Value of 619,000 Options granted during the year)	-
	(ii)	Total amount of reductions during the financial year due to ex- post explicit adjustments	-	-
	(iii)	Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
(f)	Number of MRTs identified.		9	10
(g)	(i)	Number of cases where malus has been exercised.	-	-
	(ii)	Number of cases where clawback has been exercised.	-	-
	(iii)	Number of cases where both malus and claw back have been exercised.	-	-

Note: Only the stock Options granted after April 01, 2021, i.e. after including Stock Options as a part of Variable Pay as per the revised criteria given by RBI in its guidelines dated November 04, 2019 are included.

iii) General Quantitative Disclosure

(Amount in ₹ Crore)

Particulars		March 31, 2022	March 31, 2021
(i)	The mean pay for the bank as a whole (excluding sub-staff)*	0.13	0.14
(ii)	The deviation of the pay of each of its WTDs from the mean pay.		
	• Mr. Shyam Srinivasan, Managing Director & CEO	2.82	2.17
	• Mr. Ashutosh Khajuria, Executive Director	1.04	1.03
	• Ms. Shalini Warrier, Executive Director	0.98	0.95

**Mean pay is computed on annualised fixed pay that includes basic salary, other allowances, and performance linked incentive / ex-gratia paid to the employees along with the value of perquisites*

iv) Remuneration (including sitting fees, profit related commission and honorarium) paid to non-executive directors during the year is ₹ 2.82 Crore (previous year ₹ 2.20 Crore)

1.14. **Other Disclosures**

1.14.1. **The Key business ratios and other information:**

Particulars		March 31, 2022	March 31, 2021
(i)	Interest Income as a percentage to Working Funds* (%)	6.77	7.35
(ii)	Non-interest income as a percentage to Working Funds* (%)	1.04	1.04
(iii)	Cost of Deposits (%)	4.33	5.00
(iv)	Net Interest Margin (%) **	3.20	3.16
(v)	Operating Profit$ as a percentage to Working Funds* (%)	1.86	2.02
(vi)	Return on Assets [Based on Average Working Fund] *(%)	0.94	0.85
(vii)	Business (Deposits less inter-bank deposits plus advances) per employee (Amount in ₹ Crore)***	25.61	24.03
(viii)	Profit per employee (Amount in ₹ Crore)***	0.15	0.13

* 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.

** Net Interest Income / Average Earning Assets. (Net Interest Income = Interest Income – Interest Expense).

*** Productivity ratios are based on average number of employees for the year.

$ Operating profit represents total income as reduced by interest expended and operating expenses.

1.14.2. **Bancassurance Business**

Details of income earned from Bancassurance business:

(Amount in ₹ Crore)

Sl. No.	Nature of Income	March 31, 2022	March 31, 2021
1	For selling life insurance policies	62.76	46.95
2	For selling non-life insurance policies	22.29	19.65
	Total	**85.05**	**66.60**

1.14.3. **Marketing and distribution (excluding Bancassurance Business)**

Details of income earned from marketing and distribution business:

(Amount in ₹ Crore)

Sl. No.	Nature of Income	March 31, 2022	March 31, 2021
1	For Wealth Management Services	12.11	6.02
2	*Others - Etrade/PIS/SGB/NPS/ASBA*	11.21	9.54
	Total	**23.32**	**15.56**

1.14.4 **Priority Sector Lending Certificates (PSLC)**

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 07, 2016 the PSLCs purchased and sold is given below:

(Amount in ₹ Crore)

	March 31, 2022		March 31, 2021	
Particulars	**Purchased (Face value)**	**Sold (Face value)**	**Purchased (Face value)**	**Sold (Face value)**
PSLC – Agriculture	200.00	-	-	-
PSLC – Micro Enterprises	2,250.00	-	200.00	-
PSLC – General	13,750.00	-	11,795.25	-

1.14.5. **Provisions and Contingencies recognised in the Profit and Loss Account include:**

(Amount in ₹ Crore)

	Provision debited to Profit and Loss Account	Year ended March 31, 2022	Year ended March 31,2021
i)	Provision towards Non-Performing Assets	611.11	1,515.73
ii)	Provision for Non - Performing Investments	(1.56)	28.90
iii)	Provision for Standard Assets	578.78	110.62
iv)	Provision for Taxation@	646.26	546.97
v)	Provision towards diminution in fair value of restructured assets, other contingencies, etc.	33.44	8.17
	Total	**1,868.03**	**2,210.39**

@**Amount of Provisions made for income-tax during the year**

(Amount in ₹ Crore)

Particulars	**Year ended March 31, 2022**	**Year ended March 31, 2021**
Provision for Income tax		
a) Current tax	797.74	555.76
b) Deferred tax	(151.48)	(8.79)
Total	**646.26**	**546.97**

1.14.6. **Implementation of IFRS converged Indian Accounting Standards (Ind AS)**

The Ministry of Corporate Affairs (MCA), Government of India notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release dated January 18, 2016, was issued by the MCA outlining the roadmap for implementation of IFRS converged Ind AS for banks. This roadmap required banks to prepare Ind AS based standalone & consolidated financial statements for the accounting periods beginning April 01, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. RBI, through its notification dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements from the stated periods and also stated that early adoption of Ind AS is not permitted.

The implementation of Ind AS by banks requires certain legislative amendments to make the format of financial statements, prescribed in the Third Schedule to Banking Regulation Act, 1949, compatible with accounts under Ind AS. Considering the amendments needed to the Banking Regulation Act, 1949, as well as the level of preparedness of several banks, RBI, through its Statement on Developmental and Regulatory Policies dated April 05, 2018, had deferred the implementation of Ind AS by a year.

The legislative amendments recommended by the Reserve Bank are under consideration of the Government of India. Accordingly, RBI through its notification dated March 22, 2019 deferred the implementation of Ind AS till further notice.

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

- A steering committee was formed by MD & CEO with ED as its Chairman with members from all cross-functional departments. The Committee oversees the progress of Ind AS implementation in the Bank and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management.
- The implementation of IT solution procured to automate the computation of Expected Credit Losses (ECL), Effective Interest Rate, Fair valuation and other accounting changes required under Ind AS is completed and Bank is generating extracts from the system on a half yearly basis.
- The Bank is now in the process of implementing the other assessed changes required in existing IT architecture and other processes to enable smooth transition to Ind AS.
- The Bank is continuing to submit the quarterly progress report on the status of Ind AS implementation to the Audit Committee of the Board.
- The Bank is submitting half yearly Proforma Ind AS financial statements to the RBI within the stipulated timeline.
- Training to the employees is imparted in a phased manner.

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

1.14.7. **Payment of DICGC Insurance Premium**

(Amount in ₹ Crore)

Sl.No.	Particulars	March 31, 2022	March 31, 2021
i)	Payment of DICGC Insurance Premium	204.89	182.52
ii)	Arrears in payment of DICGC premium	-	-

1.14.8. **Amortisation of expenditure on account of enhancement in family pension of employees of banks**

As part of the 11th Bipartite Settlement/ Joint note dated November 11, 2020 between the banks and the workmen, among other aspects, it was agreed that family pension shall be payable at the uniform rate of 30% of the Pay of the deceased employee and that there shall be no ceiling on family pension, subject to the approval of Government of India.

The same was approved by Government of India vide letter dated August 25, 2021 and accordingly, family pension for the employees covered under the 11th Bipartite Settlement/ Joint Note dated November 11, 2020 was revised. Based on the request from Indian Banks association, Reserve Bank of India vide letter dated October 04, 2021 had permitted the banks either to fully recognise the liability for enhancement of family pension as per the applicable accounting standard or amortize over a period not exceeding five years beginning with the financial year ending March 31, 2022, subject to a minimum of 1/5th of the total amount involved being expensed every year.

The bank has opted to fully recognise and provide the liability for enhancement of family pension as per the applicable accounting standards. Accordingly, during the financial year ended March 31, 2022, the bank has recognised and provided the entire estimated additional liability amounting to ₹ 177.32 crore for enhancement of family pension. There is no unamortised expenditure outstanding as on March 31,2022 for enhancement of family pension.

2. Disclosure requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts'

2.1. **Employee Benefits (AS 15)**

a) Defined Contribution Plan

Provident Fund

Employees who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

The Bank recognised ₹ 0.65 Crore (previous Year: ₹ 0.88 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme (introduced for employees of Central Government) was implemented and employees who are covered under New Pension Scheme are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank shall contribute 14%* of the Basic Pay and Dearness Allowance towards DCPS. There is no separate Provident Fund for employees covered under New Pension Scheme.

The Bank recognised ₹ 77.82 Crore (previous year: ₹ 45.79 Crore) for DCPS contribution in the Profit and Loss Account.

*As per the provisions of 11th Bipartite Settlement/ Joint Note dated November 11, 2020 it was recommended to increase the Employers Contribution to NPS from 10% to 14%, subjected to approval of Central Government. IBA wide Circular No HR&IR/MBR/XIBPS/10409 dated October 11, 2021 to the member banks which are parties of joint note has conveyed the NOC of Ministry of Finance, Department of Financial Services to enhance the rate of employers' contribution under the National Pension System from the existing 10% of Pay plus DA to 14%, for the employees covered under NPS effective from November 11, 2020.

b) Defined benefit plan

Gratuity

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognised in the Bank's Financial Statements for the years indicated:

i) Change in benefit obligations:

(Amount in ₹ Crore)

Particulars	**Gratuity Plan**		**Pension Plan**	
	March 31, 2022	**March 31, 2021**	**March 31, 2022**	**March 31, 2021**
Projected benefit obligation at the beginning of the year	467.81	374.63	1,486.28	1,197.98
Current Service Cost	29.27	37.79	388.95	224.60
Interest cost	31.79	24.22	70.65	70.22
Actuarial (gain)/ loss	(5.84)	83.38	295.67	330.11
Benefits paid	(71.74)	(52.21)	(493.61)	(336.63)
Projected benefit obligation at the end of the year	**451.29**	**467.81**	**1,747.94**	**1,486.28**

ii) Change in plan assets:

(Amount in ₹ Crore)

Particulars	**Gratuity Plan**		**Pension Plan**	
	March 31, 2022	**March 31, 2021**	**March 31, 2022**	**March 31, 2021**
Plan assets at the beginning of the year at fair value	469.49	369.30	1,494.71	1,129.93
Expected return on plan assets	37.56	22.20	119.58	80.68
Actuarial gain/(loss)	1.67	2.29	12.35	9.83

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Employer's Contributions	56.79	127.91	670.96	610.90
Benefits paid	(71.73)	(52.21)	(493.61)	(336.63)
Plan assets at the end of the year at fair value	**493.78**	**469.49**	**1,803.99**	**1,494.71**

iii) Reconciliation of present value of the obligation and the fair value of the plan assets:

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Fair value of plan assets at the end of the year	493.78	469.49	1,803.99	1,494.71
Present value of the defined benefit obligations at the end of the year	451.29	467.81	1,747.94	1,486.28
Liability/ (Asset) recognised in the Balance Sheet	**(42.49)**	**(1.68)**	**(56.05)**	**(8.43)**

iv) Gratuity/ pension cost

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Current Service cost	29.27	37.79	388.95	224.60
Interest cost	31.79	24.22	70.65	70.22
Expected return on plan assets	(37.56)	(22.20)	(119.58)	(80.68)
Actuarial (gain)/loss	(7.51)	81.09	283.32	320.28
Net Cost	15.99	120.90	623.34	534.42
Other direct contributions to the Fund	-	-	(37.52)	-
Net cost Debit to Profit and Loss account	15.99	120.90	585.82#	534.42
Actual return on plan assets*	39.23	24.49	131.93	90.52

* - Figures taken from Audited Financial Statements of respective trusts.

- Includes entire additional liability of ₹ 177.32 Crore provided by Bank during the year ended March 31, 2022 pursuant to the revision in family pension payable to employees of the Bank covered under 11th Bipartite Settlement/ Joint Note dated November 11, 2020.

v) Investment details of plan Assets*

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	5.00	5.00
Balance in Saving bank account with the Bank	2.07	0.01	3.90	0.01
Net current assets	-	-	0.32	0.32
Balance with LIC/ABSL#	491.71	469.48	1,794.77	1,489.38
Total	**493.78**	**469.49**	**1,803.99**	**1,494.71**

* - Figures taken from Audited Financial statements of respective trusts.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit Obligations	451.29	467.81	374.63	329.19	311.55	260.48
Plan Assets	493.78	469.49	369.30	334.23	265.75	261.54
Surplus/(Deficit)	42.49	1.68	(5.33)	5.04	(45.80)	1.06
Experience adjustments on Plan	8.09	(89.21)	(10.09)	(6.56)	(7.08)	2.18

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Liabilities [Gain / (Loss)]						
Experience Adjustments on Plan Assets [Gain / (Loss)]	(7.67)	7.20	3.29	0.77	1.97	(0.42)

ii) Pension Plan

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit Obligations	1,747.94	1,486.28	1,197.98	983.39	899.64	737.38
Plan Assets	1,803.99	1,494.71	1,129.93	978.09	893.06	746.33
Surplus/ (Deficit)	56.05	8.43	(68.05)	(5.30)	(6.58)	8.95
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(342.70)	(327.78)	(95.10)	(39.39)	(33.27)	93.67
Experience Adjustments on Plan Assets [Gain / (Loss)]	(0.49)	13.79	7.54	(3.14)	9.60	6.66

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Discount rate	7.36%	6.95%	7.25%	6.82%
Annuity rate per Rupee (in ₹)	-	-	146.69	150.83
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	6.01%	8.00%	7.14%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

(c) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 111.94 Crore (previous year ₹ 55.69 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:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Privilege leave	313.01	219.59
Sick leave	27.42	22.12
Leave travel concession	33.48	21.26

Particulars	March 31, 2022	March 31, 2021
Casual leave	2.23	1.23
Total actuarial liability	**376.14**	**264.20**
Assumptions		
Discount rate	7.36%	6.95%
Salary escalation rate	5.00%	5.00%
Attrition rate	2.00%	2.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

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

2.2. **Segment Reporting (AS 17)**

A. Business Segments

Business of the Bank is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and Other Banking Operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings in the form of interest from the investment portfolio of the Bank, gains, losses, margins and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consist of diminution in the value of non performing portfolio of the segment.

Corporate/Wholesale Banking:

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the Bank. Provisions allocated to the segment include the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail banking:

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, on the basis of the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Other Banking Operations

This segment includes banking operations, not covered under any of the above segments such as para banking operations. The income from such services and associated costs are disclosed in this segment.

Unallocated

All items that are reckoned at enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, fixed assets, cash and balances in other bank current accounts, etc. Unallocated segment revenue consists of profit on sale of fixed assets, notice pay on resignation of employees etc.

The following table sets forth, for the years indicated, the business segment results:

March 31, 2022:

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,351.30	4,267.34	8,987.00	108.00	15,713.64
Result (net of provisions)	641.35	556.57	1,210.15	91.80	2,499.87
Unallocated Income / (expense)					36.21
Operating profit (PBT)					2,536.08
Income taxes					(646.26)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					1,889.82
OTHER INFORMATION					
Segment Assets	47,684.40	78,588.57	87,986.46	-	214,259.43
Unallocated assets					6,686.88
Total assets					220,946.31
Segment liabilities	18,021.89	18,679.06	162,985.55	-	199,686.50
Unallocated liabilities					2,465.97
Total liabilities					202,152.47

March 31, 2021:

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,753.75	4,561.52	8,316.90	82.00	15,714.17
Result (net of provisions)	722.23	222.75	1,120.15	69.70	2,134.83
Unallocated Income / (expense)					2.44
Operating profit (PBT)					2,137.27
Income taxes					(546.97)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					1,590.30
OTHER INFORMATION					
Segment Assets	45,251.11	71,465.90	78,136.57	-	194,853.58
Unallocated assets					6,513.81
Total assets					201,367.39
Segment liabilities	14,137.71	16,025.33	153,066.93	-	183,229.97
Unallocated liabilities					2,012.95
Total liabilities					185,242.92

B. Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segment reporting, the Bank considered to operate only in domestic segment, though the bank has its operation in International Financial Services Centre (IFSC) Banking Unit in Gujarat International Finance Tec-City (GIFT City). 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:

Subsidiaries, associates/joint ventures/other related entities

Name of the entity	Nature of Relationship
Fedbank Financial Services Limited	Subsidiary
Federal Operations and Services Limited	Subsidiary
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Federal Bank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

Key Management Personnel

Name of the Key Management personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	• Mr. T S Srinivasan • Ms. Kamala Srinivasan • Ms. Maya Shyam • Ms. Meena Lochani • Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director	• Ms. Sunita Khajuria • Ms. Vasundhara Khajuria • Ms. Yashodhara Khajuria
Ms. Shalini Warrier, Executive Director	• Ms. Parvathi Warrier • Ms. Asha Warrier

b) Transactions with related parties

For the year ended March 31, 2022:

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	27.97 (71.63)	46.55 (81.55)	4.50 (4.66)	2.08 (2.11)	81.10 (159.95)
Advances#	570.94 (761.72)	-	0.21 (0.24)	0.10 (0.11)	571.25 (762.07)
Investments in shares#	465.80 (465.80)	232.01 (232.01)	-	-	697.81 (697.81)
Other investments (NCD, PTC held through trust etc)	234.70 (234.70)	-	-	-	234.70 (234.70)
Interest paid	0.77	*	0.20	0.09	1.06
Interest received	76.99	0.11	0.01	*	77.11
Income from services rendered	9.41	62.76	-	-	72.17
Expenses for receiving services	68.71	-	-	-	68.71
Leasing arrangements provided	0.01	-			0.01
Leasing arrangements availed	0.27	-	-	-	0.27
Receivable #	0.92	10.20	-	-	11.12
Payable#	8.35	-	-	-	8.35
Directors sitting fee received	-	0.14	-	-	0.14
Remuneration paid	-	-	5.92	-	5.92
Dividend received	-	27.67	-	-	27.67
Dividend paid	-	-	0.08	-	0.08
Share capital received on exercise of ESOS	-	-	-	-	-
Number of options granted under ESOS	-	-	226,000	-	226,000
Number of options outstanding under ESOS.	-	-	3,536,680	-	3,536,680

* Denotes figures less than ₹ 1 Lakh.

- Represents outstanding as on March 31, 2022

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

For the year ended March 31, 2021:

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	391.83 (394.44)	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	414.01 (440.11)
Advances#	781.08 (1,053.05)	5.39 (28.78)	0.25 (0.28)	- -	786.72 (1,082.11)
Investments in shares#	317.81 (317.81)	229.60 (229.60)	- -	- -	547.41 (547.41)
Other investments (NCD, PTC held through trust, etc)	257.89 (270.39)	- -	- -	- -	257.89 (270.39)
Interest paid	0.01	0.55	0.14	0.07	0.77
Interest received	91.19	0.23	0.01	-	91.43
Income from services rendered	11.02	46.95	-	-	57.97
Expenses for receiving services	50.14	-	-	-	50.14
Leasing arrangements provided	0.02	-	-	-	0.02
Leasing arrangements availed	1.08	-	-	-	1.08
Receivable#	-	8.30	-	-	8.30
Payable#	5.27	-	-	-	5.27
Directors sitting fee received	-	0.10	-	-	0.10
Remuneration paid	-	-	4.56	-	4.56
Dividend received	-	-	-	-	-
Dividend paid	-	-	-	-	-
Share capital received on exercise of ESOS	-	-	1.22	-	1.22
Number of options granted under ESOS	-	-	-	-	-
Number of options outstanding under ESOS	-	-	3,310,680	-	3,310,680

- Represents outstanding as on March 31, 2021

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

The significant transactions between the Bank and the related parties during the year ended March 31, 2022 and March 31, 2021 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2022	March 31, 2021
Deposits	Ageas Federal Life Insurance Company Limited	46.46	0.02#
	Fedbank Financial Services Limited	20.09	386.65
Advances	Fedbank Financial Services Limited	570.94	781.08
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
	Fedbank Financial Services Limited	455.80	307.81
Other investments (NCD,PTC held through trust etc)	Fedbank Financial Services Limited	234.70	239.50
Interest paid	Mr. Shyam Srinivasan	0.15	0.09
	Fedbank Financial Services Limited	0.60	0.06#
	Federal Operations and Services Limited	0.18	0.01#
	Ageas Federal Life Insurance Company Limited	-	0.55

Nature of Transaction	Name of the Related party	March 31, 2022	March 31, 2021
Interest received	Fedbank Financial Services Limited	76.99	91.19
Income from services rendered	Ageas Federal Life Insurance Company Limited	62.76	46.94
	Federal Operations and Services Limited	8.40	5.64[#]
Expenses for receiving services	Fedbank Financial Services Limited	26.03	23.76
	Federal Operations and Services Limited	42.68	26.38
Leasing arrangements availed	Federal Operations and Services Limited	0.27	-
	Fedbank Financial Services Limited	-	1.08
Leasing arrangements Provided	Federal Operations and Services Limited	0.01	0.01
	Fedbank Financial Services Limited	*	0.01
Receivable	Ageas Federal Life Insurance Company Limited	10.20	8.30
Payable	Fedbank Financial Services Limited	3.28	2.66
	Federal Operations and Services Limited	5.07	2.61
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.14	0.10
Remuneration paid	Mr. Shyam Srinivasan	2.94	2.31
	Mr. Ashutosh Khajuria	1.52	1.17
	Ms. Shalini Warrier	1.46	1.09
Dividend received	Ageas Federal Life Insurance Company Limited	27.04	-
Dividend paid	Mr. Shyam Srinivasan	0.05	-
	Mr. Ashutosh Khajuria	0.03	-
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	-	1.22
Number of options granted under ESOS	Mr. Ashutosh Khajuria	113,000	-
	Ms. Shalini Warrier	113,000	-
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	960,500	847,500
	Ms. Shalini Warrier	2,255,500	2,142,500

[#] Not significant related party transaction in FY 2020-21.

* Denotes figures less than ₹ 1 Lakh.

2.4. Deferred Tax Assets / Liability (AS 22)

The major components of deferred tax assets and deferred tax liabilities are as under:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	148.15	153.75
(ii) Depreciation on Investments	3.77	13.38
(iii) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	199.16	168.12
(iv) Others	9.16	10.90
Total - (A)	**360.24**	**346.15**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.38	1.44
(ii) Provision for Standard Assets	331.09	185.42
(iii) Depreciation on Fixed assets	2.65	9.06
(iv) Others	152.06	133.43
Total - (B)	**486.18**	**329.35**
Net Deferred tax liability/ (Asset) (A-B)	**(125.94)**	**16.80**

3. Other Disclosures

3.1. Earnings per share (AS 20)

Basic and diluted earnings per equity share are computed in accordance with AS 20 – Earnings per share. Basic earnings per equity share is computed by dividing net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

The following table sets forth, for the years indicated, the computation of earnings per share.

Particulars	March 31, 2022	March 31,2021
Earnings used in the computation of basic and diluted earnings per share (₹ in Crore)	1,889.82	1,590.30
Basic earnings per share (in ₹)	9.13	7.97
Effect of potential equity shares (in ₹)	0.07	0.03
Diluted earnings per share (in ₹)	9.06	7.94
Nominal value per share (in ₹)	2.00	2.00
Reconciliation between weighted shares used in computation of basic and diluted earnings per share		
Basic weighted average number of equity shares outstanding (in Crore)	206.92	199.45
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	1.64	0.72
Diluted weighted average number of equity shares outstanding (in Crore)	208.56	200.17

3.2 Share Capital

A. Equity Issue

During the year, the Bank has issued 104,846,394 (previous year Nil) equity shares of ₹ 2/- each for cash pursuant to a preferential allotment at ₹ 87.39 per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the Bank. The funds mobilised from raising equity were utilised for general business purposes.

Further the Bank has allotted during the year 1,547,231 (previous year 3,488,176) equity shares consequent to exercise of ESOS vested. Accordingly, the Share Capital increased by ₹ 0.31 Crore (previous year ₹0.70 Crore) and Reserves (share premium) increased by ₹ 9.08 Crore (previous year ₹13.10 Crore).

B. Subscribed and paid up capital includes:

(i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.

(ii) 28,361,023 underlying equity shares of ₹ 2/- each (previous year 29,232,891 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following Orders from various Courts:

(i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share

(ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share

(iii) 1,074,165 equity shares of ₹ 2/- each (previous year 1,074,165 equity shares of ₹ 2/- each) 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.

(i) 406,670 equity shares of ₹ 2/- each (previous year 406,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and

(ii) 612,005 equity shares of ₹ 2/- each (previous year 612,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

D. Employee Stock Option Scheme (ESOS)

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee (active/ not in service) on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,196,193	28.63 - 112.35	50.80	1.76
Granted during the year	-	-	-	-
Exercised during the year	918,047	28.63 - 62.00	45.45	-
Forfeited/lapsed during the year	460	28.63 – 28.63	28.63	-
Outstanding at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81
Exercisable at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81

Stock option activity under the Scheme for the year ended March 31, 2021 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	16,057,341	28.63 - 112.35	48.55	1.95
Granted during the year	-	-	-	-
Exercised during the year	3,422,806	28.63 - 62.00	38.72	-
Forfeited/lapsed during the year	3,438,342	28.63 - 62.00	52.31	-
Outstanding at the end of the year	9,196,193	28.63 - 112.35	50.80	1.76
Exercisable at the end of the year	9,171,193	28.63 - 112.35	50.63	1.75

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2022(previous year Nil).

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee (active/ not in service) on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	74,926,966	38.30 - 116.85	80.98	5.35
Additions from the previous year	-	-	-	-
Granted during the year*	3,733,250	77.55 - 91.35	83.85	7.44
Exercised during the year	629,184	81.95 - 98.70	82.92	-
Forfeited/lapsed during the year	901,372	38.30 - 116.85	69.03	-
Outstanding at the end of the year	77,129,660	38.30 - 116.85	81.24	4.49
Exercisable at the end of the year	43,042,257	38.30 - 116.85	94.96	2.87

Stock option activity under the Scheme for the year ended March 31, 2021 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,227,910	38.30 - 116.85	90.09	5.65
Additions from the previous year	2,250	38.30 - 38.30	38.30	8.24
Granted during the year**	16,884,159	42.95 - 83.05	55.22	7.78
Exercised during the year	65,370	81.20 - 116.85	82.63	-
Forfeited/lapsed during the year	19,121,983	38.30 - 116.85	95.01	-
Outstanding at the end of the year	74,926,966	38.30 - 116.85	80.98	5.35
Exercisable at the end of the year	28,949,455	72.45 - 116.85	99.80	3.09

*Details of options granted during the year ended March 31, 2022 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
April 30, 2021	1,000,000	77.55
June 09, 2021	2,675,250	86.20
August 27, 2021	33,000	78.20
January 10, 2022	25,000	91.35

**Details of options granted during the year ended March 31, 2021 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
May 06, 2020	7,835,174	42.95
June 04, 2020	9,000	47.10
July 24, 2020	205,000	57.10
September 04, 2020	62,500	55.70
September 28, 2020	14,000	47.70
December 07, 2020	8,672,485	66.00
February 10, 2021	54,000	82.95
March 02, 2021	32,000	83.05

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2022 (previous year ₹ 0.01 Crore).

In compliance with RBI guidelines, stock options granted to Whole Time Directors/Chief Executive Officer and Material Risk Takers after the year ended March 31, 2021 has been accounted using fair value method. Accordingly, the Bank has recognised ₹ 0.51 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2022 (previous year Nil).

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2022 was ₹ 88.68 (previous year ₹ 59.25).

iii) Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 21.10 Crore (previous year ₹ 22.74 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 9.03 and ₹ 8.97(previous year ₹ 7.86 and ₹ 7.84) respectively.

Weighted average fair value of options granted during the years ended March 31, 2022 and March 31, 2021 are as follows:

Particulars	March 31, 2022	March 31, 2021
Weighted average fair value of options granted during the year (in ₹)	30.53	21.79

The fair value of the options is estimated on the date of the grant using the Black-Scholes pricing model, with the following assumptions:

Particulars	March 31, 2022	March 31, 2021
Dividend yield	1% - 2%	1% - 2%
Expected life (in years)	3 - 4.63	3 - 4.63
Risk free interest rate	5.00% - 7.75%	5.00% - 7.75%
Expected volatility	30% - 50%	30% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

E. Dividend

The Board of Directors have recommended a dividend of 90% i.e. ₹ 1.80/- per equity share on face value of ₹ 2/- each for the year 2021-22 (previous year ₹ 0.70/- per equity share)

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance Sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 378.46 Crore (previous year ₹ 139.73 Crore) from the Profit and Loss account for the year ended March 31, 2022. However the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital Adequacy Ratio as on March 31, 2022.

3.3. **Fixed Assets**

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure. Details regarding the same are tabulated below:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Gross Block		
At the beginning of the year	305.14	250.67
Additions during the year	65.67	54.47
Deductions / Adjustments during the year	-	-
At the end of the year	**370.81**	**305.14**
Depreciation / Amortization		
At the beginning of the year	227.18	201.62
Charge for the year	33.89	25.56
Deductions / Adjustments during the year	-	-
Depreciation to date	**261.07**	**227.18**
Net Block	**109.74**	**77.96**

B) **Revaluation of Fixed Assets**

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2022 and March 31, 2021.

3.4. Operating Leases (AS 19)

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 ₹ 174.16 Crore (previous year: ₹ 162.49 Crore) was charged to Profit and loss account.

The Bank has not sub-leased its properties taken on lease.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

3.5 Provisions and Contingencies

a) **Movement in provision for non-credit related* frauds included under other liabilities**

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening balance	5.54	5.76
Additions during the year	1.13	1.32
Reductions during the year	-	1.54
Closing balance	**6.67**	**5.54**

* Provision for credit related frauds is included in Provision towards NPAs.

b) **Movement in provision for debit and credit card reward points**

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening provision	5.84	15.58
Provision made during the year	31.68	15.39
Reductions during the year	26.63	25.13
Closing provision *	**10.89**	**5.84**

* The closing provision is based on the actuarial valuation of accumulated debit and credit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit and credit card reward points

c) **Movement in provision for other contingencies**

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening provision	42.22	31.28
Provision made during the year	35.88	14.35
Provision utilized for Write off during the year	1.15	2.30
Reductions during the year	0.48	1.11
Closing provision	**76.47**	**42.22**

d) Movement in floating provision

(Amount in ₹ Crore)

Particulars	Standard Asset Provision		NPA Provision	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Amount drawn down during the year	-	-	-	-
Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

3.6 **Description of contingent liabilities:**

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Bank.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which the bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund (Refer schedule 12 for amounts relating to Contingent Liabilities)

3.7 **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, 2022 was ₹ 3,275.14 Crore (previous year: ₹ 854.39 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2022 was ₹ 1,300 Crore (previous year: ₹ Nil).

3.8 **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.

3.9 **Corporate Social Responsibility (CSR)**

The gross amount required to be spent by the Bank on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2022, was ₹ 39.89 Crore (previous year ₹ 35.22 Crore) and the bank had spent an amount of ₹ 40.06 Crore (previous year ₹ 35.22 Crore), which is within the limit approved by the Board. The bank is not intending to carry forward the excess amount spent amounting to ₹ 0.17 Crore.

The following table sets forth, for the years indicated, the amount spent by the Bank on CSR related activities.

(Amount in ₹ Crore)

Sl No	Particulars	March 31, 2022	March 31, 2021
1	Construction / acquisition of any asset	-	-
2	On purpose other than (1) above	40.06*	35.22

* Includes amount of ₹ 3.29 crores unspent and transferred to Unspent CSR Account within the specified time by the implementation agency.

The following table sets forth, for the years indicated, the details of related party transaction pertaining to CSR related activities.

(Amount in ₹ Crore)

Sl No	Related Party	March 31, 2022	March 31, 2021
1	Federal Bank Hormis Memorial Foundation*	39.26	33.42
	Total	**39.26**	**33.42**

*Federal Bank Hormis Memorial Foundation is a trust in which KMPs of the Bank can exercise significant influence and is the implementation agency for Bank's CSR activities / programs / projects.

3.10 **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.

3.11 **Small and Micro Industries**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 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.

3.12 **Disclosure as to Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014**

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity (ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank ("Ultimate Beneficiaries"). The Bank has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

3.13 **Letter of Comfort**

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the years ended March 31, 2022 and March 31, 2021.

3.14 **Uncertainties on account of COVID-19**

On account of uncertainties prevailing due to COVID-19 pandemic across the world and in India, the extent to which the same will impact the Bank's operations and financial position in future will depend on various aspects including actions taken to mitigate its impact and other regulatory measures. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

3.15 Figures of previous year have been regrouped / reclassified, where necessary to conform to current / year's classification and also the amounts / ratios for the previous year have been regrouped / reclassified pursuant to the requirement of Master Direction on Financial Statements - Presentation and disclosure issued by Reserve Bank of India dated August 30, 2021 (updated as on November 15, 2021), as amended and wherever considered necessary.

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 06, 2022

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
Off Kunjanbava Road, Vytilla,
Kochi -682019

Borkar & Muzumdar
Chartered Accountants,
21/168 Anand Nagar Om CHS,
Anand Nagar Lane, Off Nehru Road,
Santacruz (East), Mumbai - 400 055

INDEPENDENT AUDITORS' REPORT

To the Members of The Federal Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Federal Bank Limited (hereinafter referred as the 'the Bank' or 'Holding Company') and its two subsidiaries (Holding Company and subsidiaries together referred to as 'the Group') and its two associates which comprise the consolidated Balance Sheet as at March 31, 2022, the consolidated Profit and Loss Account and the consolidated Cash Flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements of such subsidiaries and associates as were audited by other auditors, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Group and its associates as at March 31, 2022, of its consolidated profit and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the consolidated Financial Statements' section of our report. We are independent of the Group and its associates in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of other auditors referred to in the “Other Matters” paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note No. 1.21 of Schedule 18 to the consolidated financial statements regarding the impact of COVID-19 pandemic. As stated therein, in view of continuing uncertainties, the extent of impact of the pandemic on the Group’s operations and financial position would depend on several factors including actions taken to mitigate its impact and other regulatory measures.

Our opinion on the consolidated financial statements is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

	Key Audit Matters	**How our audit addressed the Key Audit Matters**
(i)	**Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 6.2 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)**	
	Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances.	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms), including the additional provisions and asset classification benefit

	The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms'), including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning. The identification of performing and non-performing advances (including advances restructured under applicable IRACP Norms) involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each advance applying both quantitative as well as qualitative factors prescribed by the regulations. Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on: - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security;	extended on restructured advances under RBI's COVID-19 Regulatory Package . - Understanding, evaluation and testing the design and operating effectiveness of key controls (including system based automated controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI. - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: i. Considering testing of the exception reports generated from the application systems where the advances have been recorded. ii. Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. iii. Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors iv. Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product v. Considering audit reports and memorandum of changes issued by statutory branch auditors. vi. Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. vii. Considering the RBI Annual Financial Inspection report on the Bank, the Bank's response to the observations and other communication with RBI during the year.

	- Appropriate reversal of unrealized income on the NPAs. Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions on restructured advances under applicable IRACP Norms) and income recognition on advances: - Requires proper control mechanism and significant level of estimation by the Bank; - Required to be aligned with changes in IRACP Norms during the year arising out of the COVID 19 pandemic; - Has significant impact on the overall financial statements of the Bank; we have ascertained this area as a Key Audit Matter.	viii. Reviewing the report submitted by external expert appointed by the Bank to verify compliance with the RBI circular on Automation of IRACP processes through the Bank's core banking system. ix. Examination of advances including stressed/ restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. x. Visits to branches/offices and examination of documentation and other records relating to advances. For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.
(ii)	**Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 6.1 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)**	
	Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments.	Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular - - We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal

	The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc. We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.	of income on NPIs and provisioning/ depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	**Information Technology ('IT') Systems and Controls for financial reporting**	
	The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested sample IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval

	The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.	and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal financial controls over financial reporting. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
(iv)	**Assessment of Provisions and Contingent Liabilities (Schedules 5 and 12 read with Notes 6.13 & 6.21 of Schedule 17 to the consolidated financial statements)**	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the consolidated financial statements) and various employee benefits schemes (Schedule 5 to the consolidated financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax	Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported; - Understanding the current status of the litigations/tax assessments for the Bank - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and

	matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from independent legal/ tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet. The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions. We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	- Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets. Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.

Information other than the consolidated Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Bank's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with the relevant rules issued thereunder, provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the entities included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the entities included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the entities included in the Group and of its associates are also responsible for overseeing the financial reporting process of the Group and of its associates.

Auditors' Responsibilities for the audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to consolidated financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial statements made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described under 'Other Matters' in this audit report.

Materiality is the magnitude of the misstatements in the consolidated financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

I. We did not audit the financial statements of 331 Branches included in the consolidated financial statements of the Bank whose financial statements reflect total assets of Rs.52,539 crores as at March 31, 2022 and total revenue of Rs.2,091 crores for the year ended on that date, as considered in the consolidated financial statements. The financial statements of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.

II. The Consolidated Financial Statements include the audited financial statements of one subsidiary, whose financial statements reflecting total assets of Rs. 19.83 crores as at 31st March 2022, total revenues of Rs. 44.10 crores and total net profit after tax of Rs.3.46 crores for the year ended 31st March 2022, and net cash inflow amounting to Rs.3.71 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by one of the joint auditors of the Bank whose reports have been furnished to us by the management. The Consolidated Financial Statements also include the audited financial statements of one subsidiary, whose financial statements reflecting total assets of Rs 6,538.36 crores as at 31st March 2022, total revenues of Rs 892.30 crores and total net profit after tax of Rs 99.79 crores for the year ended 31st March 2022 and net cash outflow amounting to Rs 460.09 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by another independent auditor, whose reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, as well as our report in terms of subsection (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, is based solely on the respective reports of the aforesaid joint auditor and other auditor.

III. The consolidated financial statements also include the Group's share of net profit of Rs 31.03 crore for the year ended 31 March 2022, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the

Management and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of its associates and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid associates is based solely on the report of the other auditors.

Our opinion on the consolidated financial statements and our Report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters and with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and the consideration of the reports of the other auditors on separate financial statements of such subsidiaries and associates as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report that, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated Balance Sheet, the consolidated Profit and Loss Account, the consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e) On the basis of written representations received from the directors as on March 31, 2022 and taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiaries and associates, none of the directors of the Group companies and its associates is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to the consolidated financial statements, and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

g) In our opinion, being a banking company, the remuneration to its directors during the year ended March 31, 2022 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiaries and associates which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to their directors is in accordance with the provisions of Section 197 of the Act. The auditors of Ageas Federal Life Insurance Company Limited, (Formerly known as IDBI Federal Life Insurance Company Limited) ('the associate') have reported, managerial remuneration is governed u/s 34A of the Insurance Act, 1938 and requires IRDAI approval. Accordingly, the provisions of Section 197 read with schedule V to the Act are not applicable, and hence reporting under Section 197(16) is not required.

h) With respect to the other matters to be included in the Auditors' Report in accordance with the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Schedule 12 and Note No 1.14 under Schedule 18 to the consolidated financial statements;

ii. Provision as required, 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 1.15 under 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 Bank or its subsidiaries and associates during the year ended 31 March 2022;

iv.

a) The respective managements of the Holding Company, its subsidiaries and its associates which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the note 1.19 under Schedule 18 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries or associates to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiaries or associates ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The respective managements of the Holding Company, its subsidiaries and its associates, which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the note 1.19 under Schedule 18 to the consolidated financial statements, no funds (which are material either individually or in the aggregate) have been received by the respective Holding Company or any of such subsidiaries or associates from any person(s) or entity(ies), including foreign entities (Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries or associates shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the Bank's subsidiaries and associates which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.

v. The dividend declared and paid by the Holding Company, its subsidiaries, and associates, where applicable, is in accordance with sec.123 of the Act, to the extent it applies to declaration of dividend.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Sd/-
Vijay Narayan Govind
Partner
M. No.203094
UDIN: 22203094AIMXVO2939

Kochi
06th May 2022

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 22100938AIMXTL2356

Kochi
06th May 2022

Annexure A to the Independent Auditors' Report of even date on the consolidated financial statements of The Federal Bank Limited

Report on the Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to consolidated financial statements of The Federal Bank Limited ('the Bank'), its subsidiary companies and its associates which are companies incorporated in India, as at March 31, 2022 in conjunction with our audit of the consolidated financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Respective Board of Directors of the Bank, its subsidiaries and associates which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (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 company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing (the 'Standards') as specified 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiaries and associates, in terms of their report referred to in the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting with reference to consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank, its subsidiaries and its associate companies have, in all material respects, an adequate internal financial controls system over financial reporting with reference to consolidated financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the internal control over financial reporting with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

1. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to two subsidiaries and two associates, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.
2. Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 331 branches of the Bank is based on the corresponding reports of the respective branch auditors of those branches of the Bank.

Our opinion on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Sd/-
Vijay Narayan Govind
Partner
M. No.203094
UDIN: 22203094AIMXVO2939

Kochi
06th May 2022

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 22100938AIMXTL2356

Kochi
06th May 2022

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2022

(₹ in Thousands)

	Schedule	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	1	4,205,089	3,992,301
Reserves and surplus	2	188,350,098	161,047,194
Minority interest	2A	3,053,307	2,170,379
Deposits	3	1,816,775,213	1,721,861,042
Borrowings	4	195,873,861	122,706,009
Other liabilities and provisions	5	54,152,877	37,888,345
TOTAL		**2,262,410,445**	**2,049,665,270**
ASSETS			
Cash and balances with Reserve Bank of India	6	100,161,105	76,545,101
Balances with banks and money at call and short notice	7	111,199,948	121,612,248
Investments	8	390,651,931	367,316,744
Advances	9	1,499,514,616	1,355,144,123
Fixed assets	10	6,721,033	5,174,870
Other assets	11	154,161,812	123,872,184
TOTAL		**2,262,410,445**	**2,049,665,270**
Contingent liabilities	12	389,315,038	364,270,082
Bills for collection		50,132,757	39,772,224
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

Directors:

A P Hota (DIN: 02593219)

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 06, 2022

THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2022

(₹ in Thousands)

	Schedule	Year ended March 31, 2022	Year ended March 31, 2021
I. INCOME			
Interest earned	13	143,815,315	143,140,755
Other income	14	21,209,332	19,716,535
TOTAL		**165,024,647**	**162,857,290**
II. EXPENDITURE			
Interest expended	15	79,593,793	84,349,581
Operating expenses	16	45,921,464	38,986,638
Provisions and contingencies (Refer Note 1.8 of Schedule 18)		19,855,432	23,049,012
TOTAL		**145,370,689**	**146,385,231**
III. NET PROFIT FOR THE YEAR		**19,653,958**	**16,472,059**
Less: Minority interest		266,386	152,363
Add: Share in Profit of Associates		310,281	323,642
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		**19,697,853**	**16,643,338**
Balance in Profit and Loss Account brought forward from previous year		34,958,136	27,417,347
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		11,114	-
V. AMOUNT AVAILABLE FOR APPROPRIATION		**54,644,875**	**44,060,685**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		2,667,208	2,295,718
Transfer to Statutory Reserve		4,724,554	3,975,743
Transfer to Capital Reserve		888,693	1,534,458
Transfer to Special Reserve		1,233,400	1,209,900
Transfer to Reserve fund		146,293	86,730
Redemption of Preference Shares		47,053	-
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		1,397,396	-
Balance carried over to Consolidated Balance Sheet		43,540,278	34,958,136
TOTAL		**54,644,875**	**44,060,685**
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		9.52	8.34
Diluted		9.44	8.31
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 06, 2022

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2022

(₹ in Thousands)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash Flow from Operating Activities		
Net Profit before taxes	26,506,665	22,256,900
Adjustments for:		
Depreciation on Group's Property	1,388,981	1,149,202
Provision / Depreciation on Investments	806,251	186,388
Amortisation of Premium on Held to Maturity Investments	1,692,231	1,421,890
Provision / Charge for Non Performing Advances	6,615,437	15,436,804
Provision for Standard Assets and Contingencies	6,438,433	1,674,321
(Profit)/ Loss on sale of fixed assets (net)	(53,304)	(17,989)
Employees Stock option Expense	5,690	3,436
	43,400,384	**42,110,952**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *[excluding Held to Maturity Investments]*	(37,792,807)	26,120,043
(Increase)/ Decrease in Advances	(150,985,929)	(122,085,933)
(Increase)/ Decrease in Other Assets	(28,165,675)	(28,001,726)
Increase/ (Decrease) in Deposits	94,914,171	199,341,969
Increase/ (Decrease) in Other liabilities and provisions	9,826,099	592,129
	(112,204,141)	**75,966,482**
Direct taxes paid (net)	(8,932,766)	(6,287,094)
Net Cash Flow from / (used in) Operating Activities	**(77,736,523)**	**111,790,340**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(2,955,200)	(1,299,307)
Proceeds from Sale of Fixed Assets	73,359	41,342
(Increase)/ Decrease in Held to Maturity Investments	11,959,138	(37,891,132)
Net Cash flow from / (used in) Investing Activities	**9,077,297**	**(39,149,097)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	212,787	6,976
Proceeds from Share Premium (net of share issue expenses)	9,057,309	129,293
Increase / (Decrease) in Minority Interest	885,833	358,864
Proceeds from Issue of Subordinate Debt	7,048,000	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	66,119,853	(2,571,190)
Dividend Paid	(1,397,396)	-
Net Cash flow from / (used in) Financing Activities	**81,926,386**	**(2,076,057)**
Effect of exchange fluctuation on translation reserve	(63,456)	19,084
Net Increase/(Decrease) in Cash and Cash Equivalents	**13,203,704**	**70,584,270**

(₹ in Thousands)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash and Cash Equivalents at the beginning of the year	198,157,349	127,573,079
Cash and Cash Equivalents at the end of the year	211,361,053	198,157,349

Note:

Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Consolidated Balance Sheet)

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

Directors:

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

A P Hota (DIN: 02593219)

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Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

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Partner
Membership No: 100938
Place: Kochi

Manoj Fadnis (DIN: 01087055)

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Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 06, 2022

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 1 - CAPITAL		
Authorised Capital	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	4,207,778	3,994,991
2,103,889,168 (Previous year 1,997,495,543) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	4,205,093	3,992,305
2,102,546,373 (Previous year 1,996,152,748) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	**4,205,089**	**3,992,301**
Refer Note 1.1 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	33,809,726	29,833,982
Additions during the year	4,724,554	3,975,744
	38,534,280	**33,809,726**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	**50,091**
(b) Capital Redemption Reserve		
Opening balance	-	-
Additions during the year	14,661	-
	14,661	**-**
(c) Others		
Opening balance	6,580,463	5,046,005
Additions during the year*	874,033	1,534,458
	7,454,496	**6,580,463**
	7,519,248	**6,630,554**
III. Share premium (Refer Note 1.1 of Schedule 18)		
Opening balance	53,303,285	53,173,992
Additions during the year	9,121,497	130,995
Deductions during the year	-	1,702
	62,424,782	**53,303,285**
IV. Revenue and Other Reserves		
(a) Revenue Reserve		
Opening Balance	22,466,209	20,170,491
Additions during the year	2,667,208	2,295,718
	25,133,417	**22,466,209**
(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, 1961)		
Opening balance	7,249,800	6,039,900
Additions during the year	1,233,400	1,209,900
	8,483,200	**7,249,800**
V. Foreign Currency Translation Reserve		
Opening Balance	82,572	63,488
Additions / (Deductions) during the year [Refer Schedule 17 (6.6)]	(63,456)	19,084
	19,116	**82,572**
VI. ESOP Reserve		
Opening Balance	17,222	13,786
Additions during the year	5,690	3,436
	22,912	**17,222**
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VIII. Reserve Fund		
Opening balance	330,723	243,993
Additions during the year	143,182	86,730
	473,905	**330,723**
IX. General Reserve		
Opening balance	764	764
Deductions during the year	7	-
	757	**764**
X. Balance in Consolidated Profit and Loss Account	**43,540,278**	**34,958,136**
Total	**188,350,098**	**161,047,194**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :
a) Gain on sale of Held to Maturity Investments ₹ 842,569 Thousands (Previous year ₹ 1,523,907 Thousands)
b) Profit on sale of Premises ₹ 31,464 Thousands (Previous year ₹ 10,551 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 2A - MINORITY INTEREST		
Minority interest at the date on which parent-subsidiary relationship came into existence	786,638	786,638
Subsequent increase	2,266,669	1,383,741
	3,053,307	**2,170,379**
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	6,176,235	4,583,310
ii. From Others	137,523,300	113,320,966
	143,699,535	**117,904,276**
II. Savings Bank Deposits	**530,826,744**	**468,522,891**
III. Term Deposits		
i. From Banks	9,534,129	26,909,515
ii. From Others	1,132,714,805	1,108,524,360
	1,142,248,934	**1,135,433,875**
Total	**1,816,775,213**	**1,721,861,042**
B. I. Deposits of branches in India	1,816,772,232	1,721,819,135
II. Deposits of branches outside India	2,981	41,907
Total	**1,816,775,213**	**1,721,861,042**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	39,124,195	35,555,016
iii. Other institutions and agencies	137,315,596	65,459,065
Total	**176,439,791**	**101,014,081**
II.Borrowings outside India	19,434,070	21,691,928
Total	**195,873,861**	**122,706,009**
a) Secured borrowings included in I and II above	162,209,403	88,526,605
b) Tier II bond included in I(ii) & I(iii) above	10,153,000	3,105,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	6,175,507	4,980,825
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	2,834,252	2,472,313
IV. Others (including provisions)*	45,143,118	30,435,207
Total	**54,152,877**	**37,888,345**
*Includes		
General provision for standard assets	14,009,955	7,529,203

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	17,297,195	16,746,615
II. Balance with Reserve Bank of India		
i. in Current Accounts	82,863,910	59,798,486
ii. in Other Accounts	-	-
Total	**100,161,105**	**76,545,101**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	4,148,052	6,690,910
b. in Other Deposit Accounts	4,382,501	3,570,372
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	62,000,000	38,500,000
Total	**70,530,553**	**48,761,282**
II. Outside India		
i. in Current Accounts	9,063,922	12,060,693
ii. in Other Deposit Accounts	29,938,038	60,351,613
iii. Money at call and short notice	1,667,435	438,660
Total	**40,669,395**	**72,850,966**
Grand Total (I and II)	**111,199,948**	**121,612,248**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	352,689,974	327,826,425
ii. Other approved Securities	-	-
iii. Shares#	4,562,519	4,418,463
iv. Debentures and Bonds	13,543,328	19,607,863
v. Joint Venture*	2,738,499	2,763,618
vi. Others @	16,517,252	11,855,402
Total	**390,051,572**	**366,471,771**
II. Investments outside India		
i. Government Securities (including Local authorities)	439,301	840,738
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments		
a. Debentures and Bonds	151,737	-
b. Shares	9,321	4,235
Total	**600,359**	**844,973**
Grand Total (I and II)	**390,651,931**	**367,316,744**
Gross Investments		
In India	395,023,569	370,805,482
Outside India	600,359	844,973
Total	**395,623,928**	**371,650,455**
Depreciation/ Provision for Investments		
In India	4,971,997	4,333,711
Outside India	-	-
Total	**4,971,997**	**4,333,711**
Net Investments		
In India	390,051,572	366,471,771
Outside India	600,359	844,973
Total	**390,651,931**	**367,316,744**

Securities costing ₹ 77,383,897 Thousands (Previous Year ₹ 91,902,027 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

Includes Cost of Investment in Associate amounting to ₹ 309,714 Thousands (Previous Year ₹ 226,857 Thousands) including Goodwill of ₹ 150,181 Thousands (Previous Year ₹ 146,709 Thousands)

* Represents investment accounted as an associate in line with AS -23 , Accounting for Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2022	As at March 31, 2021
Pass through certificates (PTCs)	5,596,808	3,319,135
Certificate of Deposits	5,323,433	4,998,672
Commercial Paper	2,481,327	484,080
Venture Capital Funds (VCFs)	1,141,681	1,102,906
Security Receipts	694,067	1,600,621
Mutual Fund	1,279,936	349,988
	16,517,252	**11,855,402**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 9 - ADVANCES		
A. i. Bills purchased and discounted	35,191,053	48,623,002
ii. Cash credits, overdrafts and loans repayable on demand	644,095,456	551,041,833
iii. Term loans	820,228,107	755,479,288
Total	**1,499,514,616**	**1,355,144,123**
B. i. Secured by tangible assets*	1,234,097,232	1,098,734,868
ii. Covered by Bank/Government guarantees #	18,091,031	18,370,850
iii. Unsecured	247,326,353	238,038,405
Total	**1,499,514,616**	**1,355,144,123**
C.I.Advances in India		
i. Priority sectors	442,727,087	356,182,092
ii. Public sector	1,234,066	805,144
iii. Banks	1,951	9,155,519
iv. Others	1,039,580,028	971,035,654
Total	**1,483,543,132**	**1,337,178,409**
C.II.Advances outside India		
i. Due from Banks	528,746	1,526,508
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	3,717,803	5,657,157
c) Others	11,724,935	10,782,049
Total	**15,971,484**	**17,965,714**
Grand Total (C I and C II)	**1,499,514,616**	**1,355,144,123**

* Includes Advances against book debts
# Includes Advances against Letter of credit issued by banks
(Advances are net of provisions)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 10 - FIXED ASSETS		
A.Premises #		
Gross Block		
At the beginning of the year	2,436,549	2,402,232
Additions during the year	533,626	39,600
Deductions during the year	1,533	5,283
At the end of the year	**2,968,642**	**2,436,549**
Depreciation		
As at the beginning of the year	1,023,451	982,845
Charge for the year	42,268	43,492
Deductions during the year	-	2,886
Depreciation to date	**1,065,719**	**1,023,451**
Net Block	**1,902,923**	**1,413,098**
B.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	13,371,686	12,232,112
Additions during the year	2,263,894	1,405,023
Deductions during the year	257,302	265,449
At the end of the year	**15,378,278**	**13,371,686**
Depreciation		
As at the beginning of the year	9,740,715	8,879,497
Charge for the year	1,346,713	1,105,595
Deductions during the year	238,779	244,377
Depreciation to date	**10,848,649**	**9,740,715**
Net Block	**4,529,629**	**3,630,971**
C. Capital Work in progress (Including Capital Advances)	288,481	130,801
Grand Total (A+B+C)	**6,721,033**	**5,174,870**

Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 443,380 Thousands (Previous Year ₹ 453,476 Thousands) with remaining lease period varying from 55 - 67 years.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2022	As at March 31, 2021
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	12,523,377	12,777,790
III. Tax paid in advance/tax deducted at source (Net of provision)	11,844,772	11,277,117
IV. Stationery and Stamps	11,895	8,600
V. Non-banking assets acquired in satisfaction of claims*	3,936	16,259
VI. Others#	129,777,832	99,792,418
Total	**154,161,812**	**123,872,184**
* - 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	109,941,405	85,220,770
(b) Deferred Tax Asset (Refer Note 1.7 of Schedule 18)	1,615,138	58,840
(c) Security deposits	2,354,945	1,574,871
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	16,878,498	17,445,140
II. Liability on account of outstanding forward exchange contracts**	266,022,356	260,669,140
III. Guarantees given on behalf of constituents - in India	78,761,957	67,442,288
IV. Acceptances, endorsements and other obligations	22,885,851	14,349,424
V. Other items for which the Bank is contingently liable@	4,766,376	4,364,090
Total	**389,315,038**	**364,270,082**
(Refer Note 1.14 of Schedule 18) ** - Including Derivatives		
@ - includes ₹ 2,486,487 Thousands (Previous Year : ₹ 2,120,340 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2022	Year ended March 31, 2021
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	115,643,106	113,531,365
II. Income on investments	23,164,920	23,382,858
III.Interest on balances with Reserve Bank of India and other inter-bank funds	2,202,669	3,681,644
IV. Others*	2,804,620	2,544,888
Total	**143,815,315**	**143,140,755**
* - Includes interest on Income tax refunds amounting to ₹ 288,977 thousands (Previous year ₹ 87,518 thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	13,228,649	10,494,554
II. Profit on sale of investments (Net)	3,886,879	6,108,187
III. Profit / (Loss) on revaluation of investments (Net)	(813,501)	137,937
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	53,304	17,989
V. Profit on foreign exchange/derivative transactions (Net)	2,420,161	1,939,989
VI. Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures.	-	-
VII.Miscellaneous income**	2,433,840	1,017,879
Total	**21,209,332**	**19,716,535**
** - Includes Recoveries in assets written off ₹ 1,791,353 Thousands (Previous year ₹ 810,108 Thousands)		
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	73,322,891	78,045,404
II. Interest on Reserve Bank of India/Inter bank borrowings	358,479	419,646
III.Others	5,912,423	5,884,531
Total	**79,593,793**	**84,349,581**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	25,116,596	21,720,184
II. Rent, taxes and lighting	3,655,870	3,190,459
III. Printing and stationery	294,405	259,667
IV. Advertisement and publicity	121,696	96,758
V. Depreciation on group's property	1,388,981	1,149,202
VI. Directors' fees, allowances and expenses	31,809	23,851
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	78,282	85,021
VIII.Law charges	316,507	194,298
IX. Postage, Telegrams, Telephones etc	912,628	819,003
X. Repairs and maintenance	858,127	700,499
XI. Insurance	2,145,710	1,929,055
XII. Other expenditure#	11,000,853	8,818,641
Total	**45,921,464**	**38,986,638**
# - Includes expenditure on Corporate Social Responsibility - ₹ 407,404 Thousands (Previous Year: ₹ 362,802 Thousands)		

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

1. Background

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India. The Bank was incorporated on April 23, 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, the Companies Act, 2013 and other applicable Acts/ regulations. The bank had set up an International Financial Services Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). 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 Bank, its subsidiary companies and the Group's share of Profit/Loss in its associates. The details of subsidiaries and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				March 31, 2022	**March 31, 2021**
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	73.30	74.00
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	19.89	19.90

(ii) The audited financial statements of the subsidiary companies and the audited financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2022.

(iii) The financial statements of the Bank and its subsidiary companies have been combined on a line-by-line basis as per *AS 21, Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

(iv) The consolidated financial statements include the share of profit of the associate companies which have been accounted for using equity method as per *AS 23 Accounting for Investments in Associates in Consolidated Financial Statements*. Accordingly, the share of profit of the associate companies has been added to the cost of respective investment.

(v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.

(vi) Differences in accounting policies followed by the subsidiaries and associates have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. Basis of accounting and preparation of Consolidated Financial Statements

The Consolidated Financial Statements of the Bank and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except otherwise stated.

The financial statements of Fedbank Financial Services Limited is prepared in accordance with notified Indian Accounting Standards ('Ind-AS'). However, the financial statements of the referred subsidiary used for consolidation purpose is a special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosure of contingent liabilities as at the date of the financial statements and the reported revenues and expenses during the reporting period. 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 recognized prospectively in the current and future periods.

5. Changes in accounting policies

The Bank has carried out the following changes in its accounting policies during the year ended March 31, 2022:

The Bank was following the 'Intrinsic Value method' of accounting for Employee Stock Option Schemes as per Securities and Exchange Board of India (SEBI) guidelines and Guidance Note on 'Accounting for Share-based Payments' issued by the ICAI.

On August 30, 2021, Reserve Bank of India, vide its clarification on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff, advised all private sector Banks and foreign banks operating in India that the fair value of share-linked instruments on the date of grant should be recognized as an expense beginning with the accounting period for which approval has been granted after the accounting period ending March 31, 2021.

Accordingly, the Bank has changed its accounting policy from the intrinsic value method to the fair value method for all Stock options granted to the Material Risk takers after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognized as employee compensation expense over the vesting period.

6. Significant accounting policies

6.1 Investments

The Bank

Classification

In accordance with the RBI guidelines, investments are categorized at the time of purchase as:

- Held for Trading (HFT)
- Available for Sale (AFS) and
- Held to Maturity (HTM)

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

a. Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The 'market value' for quoted securities shall be the prices declared by the Financial Benchmark India Pvt. Ltd. (FBIL). For securities included under AFS and HFT categories whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/trading platforms authorized by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Net depreciation, if any, within each category of each investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b. Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c. Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d. Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

   - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL / FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
   - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
   - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at "breakup" value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company based on the stipulated norms as per RBI circular.
   - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
   - Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.

f. Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.

g. The Bank follows settlement date method of accounting for purchase and sale of investments.

h. Non-Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

a. Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss Account.

b. Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve in accordance with the RBI Guidelines. Loss on sale / redemption is charged to the Profit and Loss Account.

Repurchase and Reverse Repurchase Transactions

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility (‘LAF’) and Marginal Standby Facility (‘MSF’) with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in ‘Securities Short Sold (‘SSS’) A/C, specifically created for this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiaries

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long-Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortized over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

6.2 Advances

The Bank

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in Profit and Loss Account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

Amounts recovered against debts written off are recognised in the Profit and Loss Account and included under “Other Income”.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution framework are made as per extant RBI guidelines.

In respect of borrowers classified as non-cooperative and wilful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

Fedbank Financial Services Limited

Advances are classified as Standard Assets or Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016"

For gold loans, the Company may roll over/ repledge the overdue loan into a fresh loan, provided –

- the customer brings in additional margin in the form of gold or cash to meet the LTV margin requirements as per RBI guidelines; or
- if the revalued collateral value of the gold is adequate to meet the LTV margin requirements as per RBI guidelines.

Irrespective of the days past due status, if these gold loans have adequate margin available as required by the regulatory norms, these loans are classified as 'standard' and standard asset provision rates are only applied.

6.3 Securitisation and transfer of assets

The Bank

The Bank enters into purchase of corporate and retail loans through direct assignments route and the same is accounted as per extant RBI guidelines.

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and 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.

Fedbank Financial Services Limited

The Company enters into securitisation / assignment transactions and assets are de-recognised upon sale only if the Company surrenders the control over the contractual rights that comprises in the financial assets i.e. when they meet true sale criteria. The Company has adopted the accounting policy for securitisation / assignment transactions, as notified by RBI in its circular "Revision to the guidelines on transfer of assets through Securitisation and Transfer of loan assets" as amended from time to time.
Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle (SPV), losses if any are recognised upfront.
The amount of cash profit on assignment transaction is held under "Cash Profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at every reporting period end as prescribed by RBI in the aforementioned circular. The unamortised portion is reflected as "Other long-term liabilities" / "Other current liabilities".

6.4 Country risk

The Bank

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorized into seven risk categories namely insignificant, low, moderately low, moderate, moderately high, high, very high 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.

6.5 Priority Sector Lending Certificates (PSLC)

The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016, trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. 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'.

6.6 Transactions involving foreign exchange

The Bank

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognized in the Profit and Loss Account.

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) at the Balance Sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11 'The Effect of changes in Foreign Exchange Rate' as notified under the Act. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortized and recognized as interest income / interest expense in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Federal Operations and Services Limited

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency outstanding at the Balance Sheet date are translated at the applicable exchange rates prevailing at the year-end. The exchange gain/ loss arising during the year are adjusted to the Statement of Profit and Loss.

6.7 Derivative transactions

The Bank

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Profit and Loss Account.

6.8 Revenue Recognition

The Bank

- Interest income is recognised on an accrual basis in accordance with AS – 9, 'Revenue Recognition' as notified under Section 133 of the Companies Act, 2013 read together with Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets, which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on "first in first out" policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.

- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account. 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.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

Fedbank Financial Services Limited

- Revenue is recognized as and when it is earned, and no significant uncertainty exists as to its realization or collection.
- Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically important Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2016 " and the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.
- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- Processing Fees are recovered and recognised at the time of disbursement of loan.
- Penal interest income and other charges (like bouncing charges, foreclosure charges etc.) levied are recognized upon realisation basis.

Federal Operations and Services Limited

- Revenue from Operations is recognized as and when services are rendered, as per the terms of Master Service Agreement entered into by the company.
- Other Income
  i. Interest income is recognised on accrual basis using effective interest rate method.
  ii. Dividend income is recognised when the Company's right to receive is established.
  iii. Other incomes are recognised on accrual basis except when there are significant uncertainties.

6.9 Fixed assets and depreciation / amortization

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset before it is ready to put to use. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortization of software, is charged over the estimated useful life of fixed assets on straight-line basis from the date of addition, except as mentioned below.

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvements to leased Premises are depreciated over lower of lease term or 5 years based on technical evaluation.

- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	**Estimated useful life as assessed by the Bank**
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software	3 / 5 Years
Servers, Firewall & Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years

Depreciation on assets sold during the year is recognized on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognized as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

Fedbank Financial Services Limited

- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

Asset Type	Useful Life (In Years)	Method	Rate of Depreciation (%)
Computer Equipment's	3	SLM	31.67
Server	6		15.83
Office Equipment's	5	WDV	45.08
Furniture & Fixtures	10		25.88
Vehicles - Cars	8		31.24

- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on a Straight-Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

Federal Operations and Services Limited

- Property, Plant and Equipments are stated at cost less accumulated depreciation and impairment in value if any. Cost includes purchase price, (inclusive of import duties and non - refundable purchase taxes, after deducting trade discounts and rebates), other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

- When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacement spares/ major inspection relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.

- On disposal of an item of property, plant and equipment, the differences between the disposal proceeds and its carrying amount is recognised in the Statement of Profit and Loss. The residual values, useful life and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate. Capital work in progress comprises of the cost of fixed asset that are not yet ready for their intended use at the reporting date.

- Intangible assets are recorded at the cost of acquisition of such assets and are carried at cost less accumulated depreciation and impairment, if any.

- Depreciation is provided on Written Down Value Method in accordance with Schedule II of the Companies Act, 2013. The useful life adopted is as prescribed under Schedule II of the Companies Act 2013, except for the following assets for which a different useful life has been adopted on the basis of technical evaluation/management estimate, based on a review by the management at the year end:-

  a) The cost of lease holds improvements are amortised on a straight line basis over the lease period.
  b) Cost of license is capitalised as intangible asset and amortized over the license period. Also, the cost of software is capitalised as intangible asset and amortised on a straight line basis over the useful life of 5 years.

c) Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

6.10 Impairment of Assets

Group

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6.11 Non-Banking Assets acquired in Satisfaction of Claims

The Bank

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realizable value.

6.12 Lease transactions

Operating Lease

The Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognized as expense immediately in the Profit and Loss Account.

6.13 *Retirement and other employee benefits*

The Bank

a) **Provident Fund**

Employees covered under provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution paid / payable by the bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss Account.

b) **Pension Fund**

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid / payable by the bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss Account.

c) **Gratuity**

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution paid / payable by the bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss Account.

d) **Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)**

The employees of the Bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The Bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the Profit and Loss Account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

e) **New Pension Scheme ('NPS')**

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution and recognises such contributions as an expense in the year incurred.

f) **Other employee Benefits**

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employees render the service. These benefits include performance incentives.

Fedbank Financial Services Limited

a) **Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

b) **Defined Contribution Plan**

The Company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Statement of Profit and Loss for the year.

c) **Defined Benefit Plan**

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company, makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

d) **Other Long Term Employee Benefits**

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 Statement of Profit and Loss for the period in which they occur.

Federal Operations and Services Limited

a) **Short Term Employee Benefits**

a. All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

b) **Defined Contribution Plan**

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 Statement of Profit and Loss for the year.

c) **Defined Benefit Plan**

a. The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on actuarial valuation, conducted annually using projected unit credit method at balance sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

6.14 Employee Stock Option Scheme

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 and Employee Stock Option Scheme (ESOS) 2017 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999, and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Scheme provided for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI Guidelines and the guidance note on “Accounting for Employee Share based payments” issued by the ICAI, the Bank follows ‘Intrinsic value method’ for accounting of ESOS based on which, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period. However, the stock options granted to Material risk takers, after March 31, 2021 are accounted as per ‘Fair value method’ using Black-Scholes model, which is recognized as compensation expense over the vesting period in line with extant RBI guidelines.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

Fedbank Financial Services Limited

Stock options granted to employees under the stock option schemes are accounted using the intrinsic value method prescribed in the Guidance Note on Employees Share Based Payments issued by The Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is considered as deferred employee compensation. The expense on deferred employee compensation is recognized in Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to expense, equal to the amortized portion of value of lapsed portion.

6.15 Debit and Credit card reward points

The Bank

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss Account and liabilities on the outstanding reward points as at the Balance Sheet date is included in 'Others' under Schedule 5 - Other liabilities and provisions.

6.16 Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws. Deferred tax is recognized 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 recognized for all timing differences. Deferred tax assets are recognized 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 realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognized in reserves are adjusted in reserves and not in Profit and Loss Account.

6.17 Input Credit under GST

Group

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

6.18 Share issue expenses

Group

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

6.19 Corporate Social Responsibility

Group

Expenditure towards Corporate Social Responsibility, in accordance with Companies Act, 2013 is recognized in the Profit and Loss Account.

6.20 Earnings per Share

Group

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 “Earnings per Share”, as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders outstanding by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

6.21 Provisions, contingent liabilities, and contingent assets

Group

In accordance with Accounting Standard – 29, “Provisions, Contingent Liabilities and Contingent Assets”, provisions are recognized when the Group has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits 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 management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. 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 recognized as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

Contingent assets, if any, are neither recognized nor disclosed 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 recognized in the period in which the change occurs.

Further in the case of ***Fedbank Financial Services Limited-***

Secured/Unsecured Loans are classified/ provided for, as per the management’s best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding Company, employee benefits or any kind of provision which is in dispute with regulatory authority.

6.22 Segment information

Group

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

6.23 Accounting for Dividend

Group

In terms of Accounting Standard (AS) 4, "Contingencies and Events occurring after the Balance sheet date" as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognized in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

6.24 Cash and Cash Equivalents

Group

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks ⁄ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

Amounts in Notes to Accounts forming part of the Consolidated Financial Statements for the year ended March 31, 2022 are denominated in ₹ Crore to conform to extant RBI guidelines except where stated otherwise.

1.1 **Share Capital**

A. Equity Issue

During the year, the Bank has issued 104,846,394 (previous year Nil) equity shares of ₹ 2/- each for cash pursuant to a preferential allotment at ₹ 87.39/- per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the Bank. The funds mobilised from raising equity were utilised for general business purposes.

Further the Bank has allotted during the year 1,547,231 (previous year 3,488,176) equity shares consequent to exercise of ESOS vested. Accordingly, the Share Capital increased by ₹ 0.31 Crore (previous year ₹0.70 Crore) and Reserves (share premium) increased by ₹ 9.08 Crore (previous year ₹13.10 Crore).

B. Subscribed and paid up capital includes:

(i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.

(ii) 28,361,023 underlying equity shares of ₹ 2/- each (previous year 29,232,891 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following Orders from various Courts:

(i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share

(ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share

(iii) 1,074,165 equity shares of ₹ 2/- each (previous year 1,074,165 equity shares of ₹ 2/- each) 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:

(i) 406,670 equity shares of ₹ 2/- each (previous year 406,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and

(ii) 612,005 equity shares of ₹ 2/- each (previous year 612,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

D. Employee Stock Option Scheme (ESOS)

The Bank

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee (active/ not in service) on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,196,193	28.63 - 112.35	50.80	1.76
Granted during the year	-	-	-	-
Exercised during the year	918,047	28.63 - 62.00	45.45	-
Forfeited/lapsed during the year	460	28.63 - 28.63	28.63	-
Outstanding at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81
Exercisable at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81

Stock option activity under the Scheme for the year ended March 31, 2021 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	16,057,341	28.63 - 112.35	48.55	1.95
Granted during the year	-	-	-	-
Exercised during the year	3,422,806	28.63 - 62.00	38.72	-
Forfeited/lapsed during the year	3,438,342	28.63 - 62.00	52.31	-
Outstanding at the end of the year	9,196,193	28.63 - 112.35	50.80	1.76
Exercisable at the end of the year	9,171,193	28.63 - 112.35	50.63	1.75

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2022 (previous year Nil).

(ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee (active/ not in service) on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	74,926,966	38.30 - 116.85	80.98	5.35
Additions from the previous year	-	-	-	-
Granted during the year*	3,733,250	77.55 - 91.35	83.85	7.44
Exercised during the year	629,184	81.95 - 98.70	82.92	-
Forfeited/lapsed during the year	901,372	38.30 - 116.85	69.03	-
Outstanding at the end of the year	77,129,660	38.30 - 116.85	81.24	4.49
Exercisable at the end of the year	43,042,257	38.30 - 116.85	94.96	2.87

Stock option activity under the Scheme for the year ended March 31, 2021 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,227,910	38.30 - 116.85	90.09	5.65
Additions from the previous year	2,250	38.30 - 38.30	38.30	8.24
Granted during the year**	16,884,159	42.95 - 83.05	55.22	7.78
Exercised during the year	65,370	81.20 - 116.85	82.63	-
Forfeited/lapsed during the year	19,121,983	38.30 - 116.85	95.01	-
Outstanding at the end of the year	74,926,966	38.30 - 116.85	80.98	5.35
Exercisable at the end of the year	28,949,455	72.45 - 116.85	99.80	3.09

*Details of options granted during the year ended March 31, 2022 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
April 30, 2021	1,000,000	77.55
June 09, 2021	2,675,250	86.20
August 27, 2021	33,000	78.20
January 10, 2022	25,000	91.35

**Details of options granted during the year ended March 31, 2021 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
May 06, 2020	7,835,174	42.95
June 04, 2020	9,000	47.10
July 24, 2020	205,000	57.10
September 04, 2020	62,500	55.70
September 28, 2020	14,000	47.70
December 07, 2020	8,672,485	66.00
February 10, 2021	54,000	82.95
March 02, 2021	32,000	83.05

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2022 (previous year ₹ 0.01 Crore).

In compliance with RBI guidelines, stock options granted to Whole Time Directors/Chief Executive Officer/ Material Risk Takers and Control Function Staff after the year ended March 31, 2021 has been accounted using fair value method. Accordingly, the Bank has recognized ₹ 0.51 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2022 (previous year Nil).

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2022 was ₹ 88.68 (previous year ₹ 59.25).

(iii) Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹

21.10 Crore (previous year ₹ 22.74 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 9.03 and ₹ 8.97(previous year ₹ 7.86 and ₹ 7.84) respectively.

Weighted average fair value of options granted during the years ended March 31, 2022 and March 31, 2021 are as follows:

Particulars	March 31,2022	March 31,2021
Weighted average fair value of options granted during the year (in ₹)	30.53	21.79

The fair value of the options is estimated on the date of the grant using the Black-Scholes pricing model, with the following assumptions:

Particulars	March 31,2022	March 31,2021
Dividend yield	1% - 2%	1% - 2%
Expected life (in years)	3 - 4.63	3 - 4.63
Risk free interest rate	5.00% - 7.75%	5.00% - 7.75%
Expected volatility	30% - 50%	30% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

Fedbank Financial Services Limited

(i) Employee Stock Option Plan 2018 (ESOP)

Shareholders of the Company had approved Fedbank Financial Services Limited Employee Stock Option Plan 2018 (ESOP), the result of which was announced on November 13, 2018, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Company not exceeding 6% of the aggregate number of paid up equity shares of the Company, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the Company granted the following options:

(Number of Options)

Particulars	March 31, 2022	March 31, 2021
Outstanding at the beginning of the year	8,151,351	5,511,351
Granted during the year	-	2,700,000
Exercised during the year	281,000	12,000
Forfeited/lapsed during the year	-	48,000
Outstanding at the end of the year	7,870,351	8,151,351
Exercisable at the end of the year	1,439,000	655,000

(ii) Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on **"**Black-Scholes pricing model**"** for pricing and accounting of options, net profit would be lower by ₹ 2.18 Crore (previous year ₹ 2.54 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method for accounting of ESOP would be ₹ 3.13 and ₹ 3.13 (previous year ₹ 1.93 and ₹ 1.92) respectively.

Group

Effect of Fair value method of accounting ESOS

If “Fair Value Method” had been adopted based on “Black-Scholes pricing model” for pricing and accounting of options which are presently accounted using “Intrinsic Value Method”, net profit after tax would be lower by ₹ 22.70 Crore (previous year ₹ 24.62 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 9.41 and ₹ 9.35 (previous year ₹ 8.22 and ₹ 8.20) respectively.

E. Dividend

The Board of Directors of the Bank have recommended a dividend of 90% i.e. ₹ 1.80/- per equity share on face value of ₹ 2/- each for the year 2021-22 (previous year ₹ 0.70/- per equity share).

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance Sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 378.46 Crore (previous year ₹ 139.73 Crore) from the Profit and Loss account for the year ended March 31, 2022. However the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital Adequacy Ratio as on March 31, 2022.

1.2 **Employee Benefits (AS 15)**

1.2.1 Defined Contribution Plan

The Bank

Provident Fund

Employees who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees’) Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme (introduced for employees of Central Government) was implemented and employees who are covered under New Pension Scheme are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank shall contribute 14%* of the Basic Pay and Dearness Allowance towards DCPS. There is no separate Provident Fund for employees covered under New Pension Scheme.

*As per the provisions of 11th Bipartite Settlement/ Joint Note dated November 11, 2020 it was recommended to increase the Employers Contribution to NPS from 10% to 14%, subjected to approval of Central Government. IBA wide Circular No HR&IR/MBR/XIBPS/10409 dated October 11, 2021 to the member banks which are parties of joint note has conveyed the NOC of Ministry of Finance, Department of Financial Services to enhance the rate of employers’ contribution under the National Pension System from the existing 10% of Pay plus DA to 14%, for the employees covered under NPS effective from November 11, 2020.

The Subsidiaries

The subsidiaries have defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to the Statement of Profit and Loss for the year.

Group

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 9.70 Crore (previous year ₹ 7.37 Crore) for provident fund contributions, ₹ 0.85 Crore (previous year ₹ 0.64 Crore) for Employee State Insurance Scheme Contributions and ₹ 77.82 Crore (previous year ₹ 45.79 Crore) for DCPS in the Consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the rules of the schemes.

1.2.2 Defined benefit plan

A. Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Fedbank Financial Services Limited

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the Company makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

Federal Operations and Services Limited

The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The Company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on the basis of actuarial valuation under projected unit credit method at the Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

B. Superannuation / Pension

The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's Financial Statements for the years indicated:

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (Continued…)

(i) Change in benefit obligations

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021
Projected benefit obligation at the beginning of the year	467.81	374.63	2.49	1.81	0.16	0.06	1,486.28	1,197.98
Current Service Cost	29.27	37.79	1.62	0.99	0.28	0.11	388.95	224.60
Interest cost	31.79	24.22	0.14	0.10	0.01	*	70.65	70.22
Actuarial (gain)/ loss	(5.84)	83.38	(0.94)	(0.30)	*	(0.01)	295.67	330.11
Benefits paid	(71.74)	(52.21)	(0.12)	(0.11)	-	-	(493.61)	(336.63)
Projected benefit obligation at the end of the year	**451.29**	**467.81**	**3.19**	**2.49**	**0.45**	**0.16**	**1,747.94**	**1,486.28**

* denotes figures less than ₹ 1 lakh

(ii) Change in plan assets

(Amount in ₹ Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Plan assets at the beginning of the year at fair value	469.49	369.30	2.33	1.49	1,494.71	1,129.93
Expected return on plan assets	37.56	22.20	0.17	0.10	119.58	80.68
Actuarial gain/(loss)	1.67	2.29	(0.01)	0.15	12.35	9.83
Employer's Contributions	56.79	127.91	0.70	0.69	670.96	610.90
Benefits paid	(71.73)	(52.21)	(0.12)	(0.11)	(493.61)	(336.63)
Plan assets at the end of the year at fair value	**493.78**	**469.49**	**3.07**	**2.33**	**1,803.99**	**1,494.71**

(iii) Reconciliation of present value of the obligation and the fair value of the plan assets

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021
Fair value of plan assets at the end of the year	493.78	469.49	3.07	2.33	-	-	1803.99	1,494.71
Present value of the defined benefit obligations at the end of the year	451.29	467.81	3.19	2.49	0.45	0.16	1747.94	1,486.28
Liability/ (Asset) recognized in the Consolidated Balance Sheet	**(42.49)**	**(1.68)**	**0.12**	**0.16**	**0.45**	**0.16**	**(56.05)**	**(8.43)**

(iv) Gratuity/ pension cost

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021
Current Service cost	29.27	37.79	1.62	0.99	0.28	0.11	388.95	224.60
Interest cost	31.79	24.22	0.14	0.10	0.01	*	70.65	70.22
Expected return on plan assets	(37.56)	(22.20)	(0.17)	(0.10)	-	-	(119.58)	(80.68)
Actuarial (gain)/loss	(7.51)	81.09	(0.93)	(0.46)	*	(0.01)	283.32	320.28
Net Cost	15.99	120.90	0.66	0.53	0.29	0.10	623.34	534.42
Other direct contributions to the Fund	-	-	-	-	-	-	(37.52)	-
Net Cost Debit to Consolidated Profit and Loss Account	15.99	120.90	0.66	0.53	0.29	0.10	585.82#	534.42
Actual return on plan assets##	39.23	24.49	-	-	-	-	131.93	90.52

* denotes figures less than ₹ 1 lakh

#Figures taken from Audited Financial statements of respective trusts

- Includes entire additional liability of ₹ 177.32 Crore provided by the Bank during the year ended March 31, 2022 pursuant to the revision in family pension payable to employees of the Bank covered under 11th Bipartite Settlement/Joint Note dated November 11, 2020.

(v) Investment details of plan Assets*

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31,2022	March 31,2021	March 31,2022	March 31,2021
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	5.00	5.00
Balance in Saving bank account with the Bank	2.07	0.01	3.90	0.01
Net current assets	-	-	0.32	0.32
Balance with LIC/ABSL #	491.71	469.48	1,794.77	1,489.38
Total	**493.78**	**469.49**	**1,803.99**	**1,494.71**

* - Figures taken from Audited Financial statements of respective trusts.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

(vi) Experience adjustments

a) Gratuity Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit Obligations	451.29	467.81	374.63	329.19	311.55	260.48
Plan Assets	493.78	469.49	369.30	334.23	265.75	261.54
Surplus/(Deficit)	42.49	1.68	(5.33)	5.04	(45.80)	1.06
Experience adjustments on Plan Liabilities [Gain/(Loss)]	8.09	(89.21)	(10.09)	(6.56)	(7.08)	2.18
Experience Adjustments on Plan Assets [Gain/ (Loss)]	(7.67)	7.20	3.29	0.77	1.97	(0.42)

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(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit obligations	3.19	2.49	1.81	1.07	0.64	0.46
Plan Assets	3.07	2.33	1.49	1.10	Nil	Nil
Surplus/(Deficit)	(0.12)	(0.16)	(0.31)	0.03	(0.64)	(0.46)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.75	0.29	(0.07)	0.04	0.05	0.03
Actuarial gain / (loss) on Plan Assets	0.01	0.15	(0.01)	0.01	N.A.	N.A.

b) Pension Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit Obligations	1,747.94	1,486.28	1,197.98	983.39	899.64	737.38
Plan Assets	1,803.99	1,494.71	1,129.93	978.09	893.06	746.33
Surplus/(Deficit)	56.05	8.43	(68.05)	(5.30)	(6.58)	8.95
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(342.70)	(327.78)	(95.10)	(39.39)	(33.27)	93.67
Experience adjustments on Plan Assets [Gain/(Loss)]	(0.49)	13.79	7.54	(3.14)	9.60	6.66

(vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021
Discount rate	7.36%	6.95%	6.03%	5.60%	7.19%	6.76%	7.25%	6.82%
Annuity rate per Rupee (in ₹)	-	-	-	-	-	-	146.69	150.83
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021	March 31,2022	March 31,2021
Estimated rate of return on plan assets	8.00%	6.01%	-	-	-	-	8.00%	7.14%
Attrition Rate	2.00%	2.00%	-	-	-	-	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

C. Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

Fedbank Financial Services Limited

The Company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the year in which they occur.

Group

A sum of ₹ 112.65 Crore (previous year ₹ 56.85 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 leaves and leave travel concession of the employees of the Group is given below:

(Amount in ₹ Crore)

Particulars	March 31, 2022		March 31, 2021	
	FBL	FFSL	FBL	FFSL
Privilege leave	313.01	3.07	219.59	2.36
Sick leave	27.42	-	22.12	-
Leave travel concession	33.48	-	21.26	-

Particulars	March 31, 2022		March 31, 2021	
	FBL	FFSL	FBL	FFSL
Casual leave	2.23	-	1.23	-
Total actuarial liability	**376.14**	**3.07**	**264.20**	**2.36**
Assumptions				
Discount rate	7.36%	6.03%	6.95%	5.60%
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
Attrition rate	2.00%	N.A.	2.00%	N.A.

The discount rate is based on the prevailing market yields of Government of India securities as on 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 Securities 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 in the form of interest from the investment portfolio of the Bank, gains, losses, margins and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consist of diminution in the value of non performing portfolio of the segment.

Corporate/Wholesale Banking

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment include the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail banking

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, on the basis of the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the Bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Other Banking Operations

This segment includes banking operations, not covered under any of the above segments such as para banking operations. The income from such services and associated costs are disclosed in this segment.

Unallocated

All items that are reckoned at enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, fixed assets, cash and balances in other bank current accounts, etc. Unallocated segment revenue consists of profit on sale of fixed assets, notice pay on resignation of employees etc.

The following table sets forth, for the years indicated, the business segment results:

March 31, 2022

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,313.27	4,223.07	9,781.55	148.37	16,466.26
Result (net of provisions)	627.22	541.14	1,334.33	107.38	2,610.07
Unallocated income / (expense)					36.21
Operating profit (PBT)					2,646.28
Income taxes					(680.88)
Share in profit of associates					31.03
Minority interest					(26.64)
Extraordinary profit/(loss)					-
Net profit					1,969.79
OTHER INFORMATION					
Segment assets	47,637.64	78,084.65	93,782.55	4.01	219,508.85
Unallocated assets					6,732.19
Total assets					226,241.04
Segment liabilities	18,595.84	18,773.66	166,841.08	3.64	204,214.22
Unallocated liabilities					2,465.97
Total liabilities					206,680.19

March 31, 2021

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,745.14	4,519.07	8,937.08	82.00	16,283.29
Result (net of provisions)	722.26	215.47	1,198.69	69.70	2,206.12
Unallocated income / (expense)					2.44
Operating profit (PBT)					2,208.56
Income taxes					(561.36)
Share in profit of associates					32.37
Minority interest					(15.24)
Extraordinary profit/(loss)					-
Net profit					1,664.33
OTHER INFORMATION					
Segment assets	44,796.57	70,839.59	82,825.63	-	198,461.79
Unallocated assets					6,504.74
Total assets					204,966.53
Segment liabilities	14,032.76	16,099.60	156,117.03	-	186,249.39
Unallocated liabilities					1,996.15

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Total liabilities					188,245.54

B. Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segment reporting, the Bank considered to operate only in domestic segment, though the bank has its operation in International Financial Services Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT City). 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 entity	Nature of Relationship
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Federal bank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

Key Management Personnel

Name of the Key Management personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	• Mr. T S Srinivasan • Ms. Kamala Srinivasan • Ms. Maya Shyam • Ms. Meena Lochani • Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director	• Ms. Sunita Khajuria • Ms. Vasundhara Khajuria • Ms. Yashodhara Khajuria
Ms. Shalini Warrier, Executive Director	• Ms. Parvathi Warrier • Ms. Asha Warrier

b) Transactions with related parties

For the year ended March 31, 2022

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	46.55 (81.55)	4.50 (4.66)	2.08 (2.11)	53.13 (88.32)
Advances#	-	0.21 (0.24)	0.10 (0.11)	0.31 (0.35)
Investments in shares#	232.01 (232.01)	-		232.01 (232.01)
Interest paid	*	0.20	0.09	0.29
Interest received	0.11	0.01	*	0.12
Income from services rendered	62.76	-	-	62.76
Receivable#	10.20	-	-	10.20
Directors sitting fee received	0.14	-	-	0.14
Remuneration paid	-	5.92	-	5.92

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Dividend received	27.67	-	-	27.67
Dividend paid	-	0.08	-	0.08
Share capital received on exercise of ESOS	-	-	-	-
Number of options granted under ESOS	-	226,000	-	226,000
Number of options outstanding under ESOS	-	3,536,680	-	3,536,680

* Denotes figures less than ₹ 1 Lakh.
# - Represents outstanding as on March 31, 2022

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

For the year ended March 31, 2021

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	22.18 (45.67)
Advances#	5.39 (28.78)	0.25 (0.28)	- -	5.64 (29.06)
Investments in shares#	229.60 (229.60)	- -	- -	229.60 (229.60)
Interest paid	0.55	0.14	0.07	0.76
Interest received	0.23	0.01	-	0.24
Income from services rendered	46.95	-	-	46.95
Receivable#	8.30	-	-	8.30
Directors sitting fee	0.10	-	-	0.10
Remuneration paid	-	4.56	-	4.56
Dividend received	-	-	-	-
Dividend paid	-	-	-	-
Share capital received on exercise of ESOS	-	1.22	-	1.22
Number of options granted under ESOS	-	-	-	-
Number of options outstanding under ESOS	-	3,310,680	-	3,310,680

- Represents outstanding as on March 31, 2021

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

The significant transactions between the Group and the related parties during the year ended March 31, 2022 and March 31, 2021 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31 2022	March 31 2021
Deposits	Ageas Federal Life Insurance Company Limited	46.46	0.02#
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
Interest paid	Mr. Shyam Srinivasan	0.15	0.09

Nature of Transaction	Name of the Related party	March 31 2022	March 31 2021
	Ageas Federal Life Insurance Company Limited	-	0.55
Income from services rendered	Ageas Federal Life Insurance Company Limited	62.76	46.94
Receivable	Ageas Federal Life Insurance Company Limited	10.20	8.30
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.14	0.10
Remuneration paid	Mr. Shyam Srinivasan	2.94	2.31
	Mr. Ashutosh Khajuria	1.52	1.17
	Ms. Shalini Warrier	1.46	1.09
Dividend received	Ageas Federal Life Insurance Company Limited	27.04	-
Dividend paid	Mr. Shyam Srinivasan	0.05	-
	Mr. Ashutosh Khajuria	0.03	-
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	-	1.22
Number of options granted under ESOS	Mr. Ashutosh Khajuria	113,000	-
	Ms. Shalini Warrier	113,000	-
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	960,500	847,500
	Ms. Shalini Warrier	2,255,000	2,142,500

not significant related party transaction in FY 2020-21.

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 ₹ 174.16 Crore (previous year ₹ 162.49 Crore) was charged to Profit and loss account.

The Bank has not sub-leased its properties taken on lease.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

Fedbank Financial Services Limited

The Company has entered into operating lease arrangement for its Corporate office. The lease is non cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Future minimum lease payments:		
- Up to one year	4.19	4.62
- More than one year and up to five years	4.82	11.07
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	3.99	4.42

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for branches / offices taken on an operating lease ₹ 26.57 Crore (previous year ₹17.66 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

Federal Operations and Services Limited

The Company has taken premises under rental arrangements, which are in the nature of cancellable operating leases except for rent of 2nd floor office in Visakhapatnam, which has a lock-in period of 3 years.
Future minimum lease payable under non-cancellable operating leases are as follows:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Future minimum lease payments:		
- Up to one year	0.21	0.56
- More than one year and up to five years	-	-
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	0.86	0.72

1.6 **Earnings per share (AS 20)**

Basic and diluted earnings per equity share are computed in accordance with AS 20 – Earnings per share. Basic earnings per equity share is computed by dividing consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

The following table sets forth, for the years indicated, the computation of earnings per share.

Particulars	March 31, 2022	March 31, 2021
Earnings used in the computation of basic and diluted earnings per share (₹ in Crore)	1,969.79	1,664.33
Basic earnings per share (in ₹)	9.52	8.34
Effect of potential equity shares (in ₹)	0.08	0.03
Diluted earnings per share (in ₹)	9.44	8.31
Nominal value per share (in ₹)	2.00	2.00
Reconciliation between weighted shares used in computation of basic and diluted earnings per share		
Basic weighted average number of equity shares outstanding (in Crore)	206.92	199.45
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	1.64	0.72
Diluted weighted average number of equity shares outstanding (in Crore)	208.56	200.17

1.7 **Deferred Tax Assets / Liability (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	148.15	153.75
(ii) Depreciation on Investments	3.77	13.38
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	199.16	168.12
(iv) Others	9.16	10.90
Total - (A)	**360.24**	**346.15**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.38	1.44
(ii) Provision for Standard Assets	342.22	185.42

Particulars	March 31, 2022	March 31, 2021
(iii) Depreciation on Fixed Assets	6.61	11.76
(iv) Others	172.54	153.41
Total - (B)	**521.75**	**352.03**
Net Deferred tax liability/ (Asset) (A-B)	**(161.51)**	**(5.88)**

1.8 **Provisions and Contingencies recognised in the Consolidated Profit and Loss Account includes:**

(Amount in ₹ Crore)

		March 31, 2022	March 31, 2021
i)	Provision towards NPAs	661.55	1,547.04
ii)	Provision for Non-Performing Investments	(0.72)	28.90
iii)	Provision for Standard Assets	610.40	149.95
iv)	Provision for Taxation (refer Note 1.9)	680.88	561.35
v)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	33.43	17.66
	Total	**1,985.54**	**2,304.90**

1.9 **Amount of Provisions made for income-tax during the year**

(Amount in ₹ Crore)

Particulars	March 31,2022	March 31, 2021
Provision for Income Tax		
a) Current Tax	845.25	583.31
b) Deferred Tax	(164.37)	(21.95)
Total	**680.88**	**561.36**

1.10 **Draw down from Reserves**

The Group has not drawn down any amount from any reserves during the years ended March 31, 2022 and March 31, 2021.

1.11 **Details of Penalty imposed by RBI**

The Bank

(Amount in ₹ Lakh)

Particulars	March 31, 2022	March 31, 2021
a) Penalty imposed on currency chests		
Number of instances of default	14	15
Quantum of penalty imposed	0.56	2.08
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	4	-
Quantum of penalty imposed	0.40	-

Fedbank Financial Services Limited

Penalty of ₹ Nil was imposed on Fedbank Financial Services Limited during the year ended March 31, 2022. (previous year ₹ 0.15 Crore*)

* During the financial year ended March 31, 2021, RBI vide order ref EFD.CO.SO/372/02.14.148/2020-21 March 22,2021 in exercise of the powers conferred under clause (b) of sub-section (1) of section 58G read with clause (aa) of sub-section (5) of section 58B of the Reserve Bank of India Act, 1934, a penalty of ₹ 0.15 Crore was imposed on Fedbank Financial Services Limited.

1.12 **Fixed Assets**

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure. Details regarding the same are tabulated below:

(Amount in ₹ Crore)

Particulars	March 31,2022	March 31, 2021
Gross Block		
At the beginning of the year	313.12	257.74
Additions during the year	67.94	55.87
Deductions / Adjustments during the year	-	0.49
At the end of the year	**381.06**	**313.12**
Depreciation / Amortization		
At the beginning of the year	232.68	206.48
Charge for the year	35.46	26.67
Deductions during the year	-	0.47
Depreciation to date	**268.14**	**232.68**
Net Block	**112.92**	**80.44**

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2022 and March 31, 2021.

1.13 **Provisions and Contingencies**

a) **Movement in provision for non-credit related* frauds included under other liabilities**

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening balance	5.54	5.76
Additions during the year	1.13	1.32
Reductions during the year	-	1.54
Closing balance	**6.67**	**5.54**

* Provision for credit related frauds is included in Provision towards NPAs.

b) **Movement in provision for debit and credit card reward points**

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening provision	5.84	15.58
Provision made during the year	31.68	15.39
Reductions during the year	26.63	25.13
Closing provision*	**10.89**	**5.84**

* The closing provision is based on the actuarial valuation of accumulated debit and credit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit and credit card reward points.

c) **Movement in provision for other contingencies**

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening provision	42.22	31.28
Provision made during the year	35.88	14.35
Provision utilized for Write off during the year	1.15	2.30
Reductions during the year	0.48	1.11
Closing provision	**76.47**	**42.22**

d) **Movement in floating provision:**

(Amount in ₹ Crore)

Particulars	Standard Asset Provision		NPA Provision	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-

Amount drawn down during the year	-	-	-	-
Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

1.14 **Description of contingent liabilities**

a) Claims against the Group not acknowledged as debts

These represent claims filed against the group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the group.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which Group is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund.

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

1.15 **Provision for Long Term contracts**

The Group has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Group has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

1.16 **Small and Micro Industries**

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 5.36 Crore (previous year ₹ 5.32 Crore), ₹ Nil (previous year ₹ Nil) is due to Micro, Small and Medium Enterprises. The Company has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. The aforesaid classification is based on responses received by the Company to it enquires with suppliers with regard to applicability under the said act.

Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as on March 31, 2022, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

1.17 **Corporate Social Responsibility (CSR)**

The gross amount required to be spent by the Group on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2022 was ₹ 41.03 Crore (previous year ₹ 36.25 Crore) and the Group had spent an amount of ₹ 41.20 Crore (previous year ₹ 36.27 Crore) , which is within the limit approved by the Board's of the respective companies in the group. The Group is not intending to carryforward the excess amount spent amounting to ₹ 0.17 Crore.

The following table sets forth, for the years indicated, the amount spent by the Group on CSR related activities.

(Amount in ₹ Crore)

Sl No	Particulars	March 31, 2022	March 31, 2021
1	Construction / acquisition of any asset	-	-
2	On purpose other than (1) above	41.20*	36.27

* Includes amounts of ₹ 3.75 Crore unspent and transferred to Unspent CSR Account within the specified time.

The following table sets forth, for the years indicated, the details of related party transaction pertaining to CSR related activities.

(Amount in ₹ Crore)

Sl No	Related Party	March 31, 2022	March 31, 2021
1	Federal Bank Hormis Memorial Foundation*	39.26	33.42
	Total	**39.26**	**33.42**

* Federal Bank Hormis Memorial Foundation is a trust in which KMPs of the Bank can exercise significant influence and is the implementation agency for Bank's CSR activities / programs / projects.

1.18 **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 Group.

1.19 **Disclosure as to Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014**

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other person(s) or entity (ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Group (Ultimate Beneficiaries). The Group has not received any fund from any party(s) (Funding Party) with the understanding that the Group shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Group ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

1.20 **Additional information on net assets and share of profits of the Bank, its subsidiaries, associates, and joint ventures as considered in the Consolidated Financial Statements**

March 31, 2022

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.60%	18,793.84	94.53%	1,862.15
Subsidiary: Fedbank Financial Services Limited	1.99%	382.60	3.71%	73.15
Federal Operations and Services Limited	0.03%	6.27	0.18%	3.46
Associate: Ageas Federal Life Insurance Company Limited	0.34%	65.85	1.25%	24.53
Equirus Capital Private Limited	0.04%	6.96	0.33%	6.50
Total	**100.00%**	**19,255.52**	**100.00%**	**1,969.79**

March 31, 2021

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.71%	16,123.61	95.55%	1,590.30
Subsidiary: Fedbank Financial Services Limited	1.85%	306.36	2.60%	43.36
Federal Operations and Services Limited	0.02%	2.82	0.11%	1.84
Associate: Ageas Federal Life Insurance Company Limited	0.41%	68.36	1.87%	31.05
Equirus Capital Private Limited	0.01%	1.08	(0.13)%	(2.22)
Total	**100.00%**	**16,502.23**	**100.00%**	**1,664.33**

1.21 **Uncertainties on account of COVID-19**

On account of uncertainties prevailing due to COVID-19 pandemic across the world and in India, the extent to which the same will impact the Group's operations and financial position in future will depend on various aspects including actions taken to mitigate its impact and other regulatory measures.

1.22 **Additional disclosure**

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

1.23 Previous year figures have been regrouped / reclassified, where necessary to conform to current year classification and also the previous year figures have been regrouped/ reclassified pursuant to the requirement of Master Direction on Financial Statements- Presentation and Disclosure issued by Reserve Bank of India dated August 30, 2021 (updated as on November 15, 2021), as amended and wherever considered necessary.

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Directors:

A P Hota (DIN: 02593219)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Sankarshan Basu (DIN: 06466594)

Ramanand Mundkur (DIN: 03498212)

As per our report of even date

For Varma & Varma Muzumdar
Chartered Accountants
Firm's Registration No: 004532S

For Borkar &
Chartered Accountants
Firm's Registration No: 101569W

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Place: Kochi
Date : May 06,2022

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
Off Kunjanbava Road, Vytilla,
Kochi -682019

Borkar & Muzumdar
Chartered Accountants,
Anand Nagar, Om Co-op Hsg. Society, Anand Nagar Lane, Off Nehru Road, Santacruz (East)
Mumbai - 400 055

INDEPENDENT AUDITORS' REPORT

To the Members of The Federal Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of The Federal Bank Limited ('the Bank'), which comprise the standalone Balance Sheet as at March 31, 2021, the standalone Profit and Loss Account, the standalone Cash Flow statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information in which are included the Returns for the year ended on that date audited by the branch auditors of the Bank's branches located across India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the bank as at March 31, 2021 and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Emphasis of Matter

We draw attention to Note No. 1.4.6(B)-7 of Schedule 18 to the Standalone financial statements regarding the impact of COVID-19 pandemic on the Bank's operations and financial position, which will depend on various uncertain aspects including actions taken to mitigate the same and other regulatory measures.
Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

	Key Audit Matters	How our audit addressed the Key Audit Matters
(i)	Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 4.2 of Schedule 17 and Note 1.4 and Note 3.1 of Schedule 18 to the standalone financial statements)	
	Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances. The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms'), including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning. The identification of performing and non-performing advances involves	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms) including the additional provisions made on advances considering the current uncertain economic environment arising out of COVID 19 pandemic. - Understanding, evaluation and testing the design and operating effectiveness of key controls (including application controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI. - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included:

	establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each non-performing asset ('NPA') applying both quantitative as well as qualitative factors prescribed by the regulations. Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on: - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. Further, due to the various COVID-19 pandemic restrictions imposed by the Government / Local Authorities during the period of our audit, audit could not be conducted by physically visiting the premises of certain Branches of the Bank. Accordingly, our audit procedures were required to be modified to carry out the audit remotely. Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions arising out of COVID-19 pandemic) and income recognition on advances:	(a) Considering testing of the exception reports generated from the application systems where the advances have been recorded. (b) Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. (c) Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors (d) Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product (e) Considering audit reports and memorandum of changes issued by statutory branch auditors. (f) Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. (g) Considering the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year. (h) Examination of advances including stressed advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA after considering the key input factors and compared our measurement outcome to that prepared by management. Wherever physical access to branches was not possible due to restrictions arising from COVID-19 pandemic, we modified our audit procedures to cover review of sample advances based on scanned records/ reports/ documents/ certificates made available to us by the Bank through

<table>
<tr><td></td><td>- Requires proper control mechanism and significant level of estimation by the Bank;
- Has significant impact on the overall financial statements of the Bank;
- Could not be entirely covered through personal visits/ physical interaction with relevant branch staff as originally planned;
we have ascertained this area as a Key Audit Matter.</td><td>digital medium, emails and remote access to CBS and other relevant application software over secure network of the Bank. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period. These audit procedures were supplemented, where relevant, by gathering further evidence through enquiries and discussions with relevant Bank staff using Video Conferencing/ phone calls/ emails and similar communication channels.</td></tr>
<tr><td>(ii)</td><td colspan="2">Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 4.1 of Schedule 17 to the standalone financial statements)</td></tr>
<tr><td></td><td>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments.

The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.

We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates)</td><td>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular -
- We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments;
- We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments;
- For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security;
- We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs;</td></tr>
</table>

	based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.	- We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	Information Technology ('IT') Systems and Controls for financial reporting	
	The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis. Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
(iv)	Assessment of Provisions and Contingent Liabilities (Refer note 4.13& 4.20 of Schedule 17 to the standalone financial statements)	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by	Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported;

	other parties not acknowledged as debt (Schedule 12 to the standalone financial statements) and various employee benefits schemes (Schedule 5 to the standalone financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from legal and independent tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet. The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions. We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	- Understanding the current status of the litigations/tax assessments; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets. - Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the standalone financial statements.

Information other than the standalone Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the standalone financial statements and our auditors' report thereon. The Bank's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the standalone Financial Statements

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

In preparing the standalone financial statements, Management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the audit of the standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

i. We did not audit the financial statements of 614 branches included in the standalone financial statements of the Bank whose financial statements reflect total assets of Rs.84157 crores as at March 31, 2021 and total revenue of Rs.3755 crores for the year ended on that date, as considered in the standalone financial statements. The financial statements of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.

ii. The standalone financial statements of the Bank for the year ended March 31, 2020 were audited by predecessor auditors whose report dated May 28, 2020 expressed an unmodified opinion on those standalone financial statements.

Our opinion is not modified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

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

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

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

Further, as required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;

c) The reports on the accounts of the branch offices of the bank audited under section 143(8) of the Act by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report;

d) The standalone Balance Sheet, the standalone Profit and Loss Account, the standalone Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;

e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

f) On the basis of written representations received from the directors as on March 31, 2021 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act;

g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

h) In our opinion, the entity being a banking company, the remuneration to its directors during the year ended March 31, 2021 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Schedule 12 and Note No 4.7 under Schedule 18 to the standalone financial statements;

ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 4.12 under Schedule 18 to the standalone financial statements; and

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

For Varma & Varma
Chartered Accountants
FRN: 004532S

Sd/-
R Rajasekharan
Partner
M. No.22703
UDIN:21022703AAAAAF3064

Kochi-19
17th May 2021

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Devang Vaghani
Partner
M. No. 109386
UDIN: 21109386AAAAEV9122

Mumbai-55
17th May 2021

Annexure A to the Independent Auditors' Report of even date on the standalone financial statements of The Federal Bank Limited

Report on the Internal Financial Controls Over Financial Reporting with reference to standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to standalone financial statements of The Federal Bank Limited ('the Bank') as at March 31, 2021 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

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

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 on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing as specified under section 143 (10) of the Companies Act, 2013 to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included

obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' 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 with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting with reference to financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 614 branches is based on the corresponding reports of the respective branch auditors of those branches.
Our opinion is not modified in respect of this matter.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Sd/-
R Rajasekharan
Partner
M. No.22703
UDIN: 21022703AAAAAF3064
Kochi-19
17th May, 2021

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Devang Vaghani
Partner
M. No. 109386
UDIN: 21109386AAAAEV9122
Mumbai-55
17th May, 2021

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT MARCH 31, 2021

(₹ in Thousands)

	Schedule	As at March 31, 2021	As at March 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	3,992,301	3,985,325
Reserves and surplus	2	157,243,787	141,190,757
Deposits	3	1,726,444,801	1,522,900,849
Borrowings	4	90,685,033	103,724,263
Other Liabilities and provisions	5	35,307,956	34,579,275
TOTAL		**2,013,673,878**	**1,806,380,469**
ASSETS			
Cash and balances with Reserve Bank of India	6	76,470,407	61,749,085
Balances with banks and money at call and short notice	7	119,443,464	63,996,728
Investments	8	371,862,100	358,926,789
Advances	9	1,318,786,014	1,222,679,148
Fixed assets	10	4,911,286	4,799,853
Other assets	11	122,200,607	94,228,866
TOTAL		**2,013,673,878**	**1,806,380,469**
Contingent liabilities	12	364,173,432	344,600,704
Bills for collection		39,772,224	37,676,464
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal (DIN: 00430938)

A P Hota (DIN: 02593219)

K Balakrishnan (DIN: 00034031)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

THE FEDERAL BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2021

(₹ in Thousands)

	Schedule	Year ended March 31, 2021	Year ended March 31, 2020
I. INCOME			
Interest earned	13	137,579,023	132,107,534
Other income	14	19,449,127	19,314,075
TOTAL		**157,028,150**	**151,421,609**
II. EXPENDITURE			
Interest expended	15	82,241,953	85,618,494
Operating expenses	16	36,917,229	33,756,132
Provisions and contingencies		21,965,995	16,619,172
TOTAL		**141,125,177**	**135,993,798**
III. PROFIT/LOSS			
Net profit for the year		**15,902,973**	**15,427,811**
Profit brought forward from Previous Year		26,166,675	21,742,841
		42,069,648	**37,170,652**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		2,295,718	1,474,611
Transfer to Statutory Reserve		3,975,743	3,856,953
Transfer to Capital Reserve		1,534,458	1,358,289
Transfer to Special Reserve		1,209,900	960,000
Dividend pertaining to previous year paid during the year (Note 4.2 E of Schedule 18)		-	2,782,229
Tax on dividend (Note 4.2 E of Schedule 18)		-	571,895
Balance carried over to Balance Sheet		33,053,829	26,166,675
TOTAL		**42,069,648**	**37,170,652**
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 4.1 of Schedule 18)			
Basic		7.97	7.76
Diluted		7.94	7.70
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

Directors:

C Balagopal (DIN: 00430938)

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

A P Hota (DIN: 02593219)

K Balakrishnan (DIN: 00034031)

Siddhartha Sengupta (DIN: 08467648)

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021

(₹ in Thousands)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash Flow from Operating Activities		
Net Profit before taxes	21,372,673	20,325,311
Adjustments for:		
Depreciation on Bank's Property	1,045,036	1,194,574
Depreciation on Investments	112,063	631,899
Amortisation of Premium on Held to Maturity Investments	1,421,890	740,116
Provision for Non Performing Investments	39,038	53,733
Provision / Charge for Non Performing Assets	15,157,272	10,104,711
Provision for Standard Assets	1,106,200	990,800
(Profit)/Loss on sale of fixed assets (net)	(17,804)	(53,538)
Provision for Restructured assets	(15,966)	(103,017)
Provision for Other Contingencies	97,688	43,546
	40,318,090	**33,928,135**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *[excluding Held to Maturity Investments]*	23,374,834	3,363,545
(Increase)/ Decrease in Advances	(111,264,139)	(130,554,322)
(Increase)/ Decrease in Other Assets	(27,405,049)	(25,712,129)
Increase/ (Decrease) in Deposits	203,543,952	173,357,405
Increase/ (Decrease) in Other liabilities and provisions	(515,759)	1,221,597
	87,733,839	**21,676,096**
Direct taxes paid	(5,979,875)	(6,763,477)
Net Cash Flow from / (Used in) Operating Activities	**122,072,054**	**48,840,754**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,177,923)	(1,304,656)
Proceeds from Sale of Fixed Assets	39,259	84,178
Investment in Subsidiary	586,080	(642,000)
Investment in Associate	7,997	(6,661)
(Increase)/ Decrease in Held to Maturity Investments	(38,477,212)	(44,822,695)
Net Cash generated / (Used in) Investing Activities	**(39,021,799)**	**(46,691,834)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	6,976	15,229
Proceeds from Share Premium	130,972	313,052
Proceeds from Issue of Subordinate Debt	-	3,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(13,039,229)	22,911,027
Dividend Paid (Including Tax on Dividend)	-	(3,354,125)
Net Cash generated from Financing Activities	**(12,901,281)**	**22,885,183**
Effect of exchange fluctuation on translation reserve	19,084	43,697
Net Increase in Cash and Cash Equivalents	**70,168,058**	**25,077,800**

(₹ in Thousands)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash and Cash Equivalents at the beginning of the year	125,745,813	100,668,013
Cash and Cash Equivalents at the end of the year	195,913,871	125,745,813

Note:
Cash and Cash Equivalents comprise of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Balance Sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

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Managing Director & CEO
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As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
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R Rajasekharan
Partner
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Partner
Membership No: 109386
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C Balagopal (DIN: 00430938)

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Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 1 - CAPITAL		
Authorised Capital	8,000,000	5,000,000
4,000,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,994,991	3,988,015
1,997,495,543 (Previous year 1,994,007,367) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,992,305	3,985,329
1,996,152,748 (Previous year 1,992,664,572) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	**3,992,301**	**3,985,325**
Refer Note 4.2 of Schedule 18		

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	29,833,982	25,977,029
Additions during the year	3,975,744	3,856,953
	33,809,726	**29,833,982**
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	**50,091**
b) Others		
Opening balance	5,046,005	3,687,716
Additions during the year*	1,534,458	1,358,289
	6,580,463	**5,046,005**
Subtotal	**6,630,554**	**5,096,096**
III. Share premium (Refer Note 4.2 of Schedule 18)		
Opening balance	51,621,922	51,308,871
Additions during the year	130,972	313,051
	51,752,894	**51,621,922**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	20,170,491	18,695,880
Additions during the year	2,295,718	1,474,611
Deductions during the year	-	-
	22,466,209	**20,170,491**
b) Investment Fluctuation Reserve (Refer Note 1.2.2 (d) of Schedule 18)		
Opening Balance	1,897,200	1,897,200
	1,897,200	**1,897,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	6,039,900	5,079,900
Additions during the year	1,209,900	960,000
	7,249,800	**6,039,900**
V. Foreign Currency Translation Reserve		
Opening Balance	63,488	19,791
Additions / (Deductions) during the year [Refer Schedule 17 (4.6)]	19,084	43,697
	82,572	**63,488**
VI. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VII. Balance in Profit and Loss Account	**33,053,829**	**26,166,675**
Total	**157,243,787**	**141,190,757**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :
a) Gain on sale of Held to Maturity Investments ₹ 1,523,907 Thousands (Previous year ₹ 1,336,850 Thousands)
b) Profit on sale of Premises ₹ 10,551 Thousands (Previous year ₹ 21,439 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	4,583,310	2,201,459
ii. From Others	114,019,518	80,196,806
	118,602,828	**82,398,265**
II. Savings Bank Deposits	**468,522,891**	**385,344,370**
III. Term Deposits		
i. From Banks	26,909,515	31,507,478
ii. From Others	1,112,409,567	1,023,650,736
	1,139,319,082	**1,055,158,214**
Total	**1,726,444,801**	**1,522,900,849**
B. I. Deposits of branches in India	1,726,402,894	1,522,024,966
II. Deposits of branches outside India	41,907	875,883
Total	**1,726,444,801**	**1,522,900,849**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	19,880,000
ii. Other Banks	6,773,000	1,162,000
iii. Other institutions and agencies	62,220,105	56,947,272
Total	**68,993,105**	**77,989,272**
II.Borrowings outside India	21,691,928	25,734,991
Total	**90,685,033**	**103,724,263**
a) Secured borrowings included in I and II above	60,243,105	77,919,272
b) Tier II bond included in I(ii) & I(iii) above	3,000,000	3,000,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	4,980,825	1,803,851
II. Inter - office adjustments (Net)	0	-
III. Interest accrued	2,128,428	3,041,262
IV. Others (including provisions)*	28,198,703	29,734,162
Total	**35,307,956**	**34,579,275**
*Includes		
(a) General provision for standard assets (Refer Note 1.4.9 of Schedule 18)	7,367,303	6,261,103
(b) Deferred Tax Liability (Net) (Refer Note 2.4 of Schedule 18)	167,975	111,457

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	16,671,921	13,736,894
II. Balance with Reserve Bank of India		
i. in Current Accounts	59,798,486	48,012,191
ii. in Other Accounts	-	-
Total	**76,470,407**	**61,749,085**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	6,272,125	8,155,949
b. in Other Deposit Accounts	1,820,373	650,000
ii. Money at call and short notice		
a. With Banks	-	2,750,000
b. With other institutions	38,500,000	38,000,000
Total	**46,592,498**	**49,555,949**
II. Outside India		
i. in Current Accounts	12,060,693	5,704,165
ii. in Other Deposit Accounts	60,351,613	7,374,644
iii. Money at call and short notice	438,660	1,361,970
Total	**72,850,966**	**14,440,779**
Grand Total (I and II)	**119,443,464**	**63,996,728**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities #	327,826,425	317,607,101
ii. Other approved Securities	-	-
iii. Shares	4,457,628	4,359,624
iv. Debentures and Bonds	21,919,580	14,573,447
v. Subsidiaries/ Joint Ventures	5,208,080	4,622,000
vi. Others @	11,605,414	17,003,679
Total	**371,017,127**	**358,165,851**
II. Investments outside India		
i. Government Securities (including Local authorities)	840,738	756,555
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,235	4,383
Total	**844,973**	**760,938**
Grand Total (I and II)	**371,862,100**	**358,926,789**
Gross Investments		
In India	375,350,838	362,598,461
Outside India	844,973	760,938
Total	**376,195,811**	**363,359,399**
Depreciation/ Provision for Investments		
In India	4,333,711	4,432,610
Outside India	-	-
Total	**4,333,711**	**4,432,610**
Net Investments		
In India	371,017,127	358,165,851
Outside India	844,973	760,938
Total	**371,862,100**	**358,926,789**

Securities costing ₹ 91,902,027 Thousands (Previous Year ₹ 70,234,352 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of: (₹ in Thousands)

Particulars	**As at March 31, 2021**	**As at March 31, 2020**
Pass through certificates (PTCs)	3,319,135	3,179,372
Certificate of Deposits	4,998,672	8,426,645
Commercial Paper	484,080	1,952,494
Venture Capital Funds (VCFs)	1,102,906	963,367
Security Receipts	1,600,621	2,381,801
Mutual Fund	100,000	100,000
Others	-	-
Total	**11,605,414**	**17,003,679**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 9 - ADVANCES		
A. i. Bills purchased and discounted	48,623,002	50,037,816
ii. Cash credits, overdrafts and loans repayable on demand	551,041,833	554,677,024
iii. Term loans	719,121,179	617,964,308
Total	**1,318,786,014**	**1,222,679,148**
B. i. Secured by tangible assets*	1,068,419,442	1,020,724,426
ii. Covered by Bank/Government guarantees #	17,765,602	23,853,476
iii. Unsecured	232,600,970	178,101,246
Total	**1,318,786,014**	**1,222,679,148**
C.I.Advances in India		
i. Priority sectors	356,182,092	296,524,927
ii. Public sector	805,144	1,307,504
iii. Banks	9,155,519	3,500,000
iv. Others	934,677,545	897,803,817
Total	**1,300,820,300**	**1,199,136,248**
C.II.Advances outside India (Refer note 3.11 of Schedule 18)		
i. Due from Banks	1,526,508	808,103
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	5,657,157	9,326,488
c) Others	10,782,049	13,408,309
Total	**17,965,714**	**23,542,900**
Grand Total (C I and C II)	**1,318,786,014**	**1,222,679,148**
* Includes Advances against book debts # Includes Advances against Letter of Credit issued by banks (Advances are net of provisions)		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 10 - FIXED ASSETS		
A.Premises #		
Gross Block		
At the beginning of the year	2,402,232	2,416,139
Additions during the year	39,600	-
Deductions during the year	5,283	13,907
At the end of the year	**2,436,549**	**2,402,232**
Depreciation		
As at the beginning of the year	982,845	946,441
Charge for the Year	43,492	45,917
Deductions during the year	2,886	9,513
Depreciation to date	**1,023,451**	**982,845**
Net Block	**1,413,098**	**1,419,387**
B.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	11,762,163	11,564,553
Additions during the year	1,262,960	1,229,773
Deductions during the year	235,721	1,032,163
At the end of the year	**12,789,402**	**11,762,163**
Depreciation		
As at the beginning of the year	8,627,509	8,484,769
Charge for the year	1,001,544	1,148,657
Deductions during the year	216,663	1,005,917
Depreciation to date	**9,412,390**	**8,627,509**
Net Block	**3,377,012**	**3,134,654**
C. Capital Work in progress (Including Capital Advances)	**121,176**	**245,812**
Grand Total (A+B+C)	**4,911,286**	**4,799,853**

Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 453,476 Thousands (Previous Year ₹ 464,092 Thousands) with remaining lease period varying from 56 - 68 years.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	11,758,881	10,227,723
III. Tax paid in advance/Tax Deducted at source (Net of provision)	11,196,839	10,630,146
IV. Stationery and Stamps	8,600	6,731
V. Non-banking assets acquired in satisfaction of claims*	16,259	24,376
VI. Others #	99,220,028	73,339,890
Total	**122,200,607**	**94,228,866**
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# Includes		
(a) Priority sector shortfall deposits	85,220,770	60,167,801
(b) Security deposits	1,425,206	795,808
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	17,439,418	14,556,410
II. Liability on account of outstanding forward exchange contracts**	260,669,140	247,702,742
III. Guarantees given on behalf of constituents - in India	67,442,288	65,911,076
IV. Acceptances, endorsements and other obligations	14,349,424	14,105,927
V. Other items for which the Bank is contingently liable@	4,273,162	2,324,549
Total	**364,173,432**	**344,600,704**
(Refer Note 4.7 of Schedule 18)		
** - Including Derivatives @ - includes ₹ 2,120,340 Thousands (Previous Year : ₹ 1,773,742 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 3.16 of Schedule 18).		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2021	Year ended March 31, 2020
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	107,951,229	106,708,679
II. Income on investments	23,489,390	21,840,716
III. Interest on balances with Reserve Bank of India and other inter-bank funds	3,681,644	1,399,639
IV. Others*	2,456,760	2,158,500
Total	**137,579,023**	**132,107,534**
* - Includes interest on Income tax refunds amounting to ₹ 87,514 thousands (Previous year ₹ Nil) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	10,374,354	9,894,858
II. Profit on sale of investments (Net)	6,088,401	6,078,431
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	17,804	53,538
V. Profit on foreign exchange/derivative transactions (Net)	1,939,989	2,183,131
VI. Income earned by way of dividends etc. subsidiaries / associates and / or joint ventures.	-	305,747
VII. Miscellaneous income**	1,028,579	798,370
Total	**19,449,127**	**19,314,075**
** - Includes Recoveries in assets written off ₹ 810,108 Thousands (Previous year ₹ 522,418 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2021	**Year ended March 31, 2020**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	78,046,698	81,003,652
II. Interest on Reserve Bank of India/Inter bank borrowings	419,646	914,103
III.Others	3,775,609	3,700,739
Total	**82,241,953**	**85,618,494**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	20,341,849	17,723,605
II. Rent, taxes and lighting	2,934,869	2,945,396
III. Printing and stationery	241,178	246,643
IV. Advertisement and publicity	91,913	113,763
V. Depreciation on Bank`s property	1,045,036	1,194,574
VI. Directors' fees, allowances and expenses	22,161	22,156
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	81,779	92,744
VIII.Law charges	112,838	122,333
IX. Postage, Telegrams, Telephones etc	769,701	747,670
X. Repairs and maintenance	662,773	716,190
XI. Insurance	1,914,870	1,420,978
XII. Other expenditure#	8,698,262	8,410,080
Total	**36,917,229**	**33,756,132**
# - Includes expenditure on Corporate Social Responsibility - ₹ 352,242 Thousands (Previous Year: ₹ 423,980 Thousands)		

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

1. **Background**

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1272 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange. The Bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. **Basis of preparation**

The Standalone Financial Statements ('Financial Statements') have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

3. **Use of estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4. **Significant accounting policies**

4.1 **Investments**

Classification

In accordance with the RBI guidelines, investments are categorized at the time of purchase as:

- Held for Trading (HFT)
- Available for Sale (AFS) and
- Held to Maturity (HTM)

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA') / Financial Benchmarks India Pvt Ltd. ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

    - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI/ FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
    - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
    - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company based on the stipulated norms as

per RBI circular.

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF after August 23, 2006 are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.

f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.

g) The Bank follows settlement date method of accounting for purchase and sale of investments.

h) Non-Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss account.

b) Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the Profit and Loss account.

Repo and Reverse Repo transactions

Repo and reverse repo transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C, specifically created for this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

4.2 **Advances**

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

The Bank also maintains provisions on loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt Restructuring (SDR) scheme as per the RBI guidelines.

Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (Continued…)

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time.

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution framework are made as per extant RBI guidelines.

In respect of borrowers classified as non-cooperative and wilful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security

4.3 **Securitisation and transfer of assets**

The Bank enters into purchase of corporate and retail loans through direct assignments route and the same is accounted as per extant RBI guidelines.

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

4.4 **Country risk**

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

4.5 **Priority Sector Lending Certificates (PSLC)**

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

4.6 **Transactions involving foreign exchange**

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognized in the profit and loss account.

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by FEDAI at the balance sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortized and recognized as interest income / interest expense in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

4.7 **Derivative transactions**

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

4.8 **Revenue Recognition**

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on “first in first out” policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.

- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

4.9 **Fixed assets and depreciation**

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis, except as mentioned below.

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvements to leased Premises are depreciated over lower of lease term or 5 years based on technical evaluation.

- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

The management believes that the useful life of assets assessed by the Bank, pursuant to Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software / Firewall etc.	3 / 5 Years

Asset	Estimated useful life as assessed by the Bank
Servers/Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

4.10 **Impairment of Assets**

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

4.11 **Non-Banking Assets**

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realisable value.

4.12 **Lease transactions**

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

4.13 **Retirement and other employee benefits**

a) Provident Fund

Employees covered under provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution made by the bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) Pension Fund

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution made by the bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

c) Gratuity

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution made by the bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss account.

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

The employees of the Bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The Bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the Profit and Loss account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

e) New Pension Scheme ('NPS')

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by PFRDA. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

f) Other employee Benefits

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the service. These benefits include performance incentives.

4.14 Debit card reward points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss account.

4.15 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognised in reserves are adjusted in reserves and not in Profit and Loss Account.

4.16 **Share issue expenses**

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

4.17 **Corporate Social Responsibility**

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

4.18 **Earnings per Share**

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

4.19 **Employee Stock Option Scheme**

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

4.20 **Provisions, contingent liabilities, and contingent assets**

A provision is recognised when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or

- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

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

4.21 **Input Credit under GST**

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

4.22 **Segment information**

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

4.23 **Proposed Dividend**

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

4.24 **Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks ⁄ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

1. Disclosures requirement as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in notes forming part of the financial statements for the year ended March 31, 2021 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.875 % (Previous Year 10.875 %) including Capital Conservation Buffer (CCB) at 1.875% (Previous Year 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous Year 7.375%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.875% (Previous Year 8.875%) from Tier 1 capital, including 1.875% (Previous Year 1.875%) towards CCB.

The capital adequacy ratio of the Bank is set out below:

(₹ in Crore)

Particulars	**As at March 31, 2021**	**As at March 31, 2020**
Common Equity Tier 1*	15,454.61	14,056.92
Tier 1 Capital	15,454.61	14,056.92
Tier 2 Capital	868.13	1,118.08
Total Capital	16,322.74	15,175.00
Total risk weighted assets	111,620.65	105,785.95
Capital Ratios		
Common Equity Tier 1	13.85%	13.29%
Tier 1 Capital	13.85%	13.29%
Tier 2 Capital	0.78%	1.06%
Total Capital to Risk Weighted asset Ratio (CRAR)	14.62%	14.35%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised Net of Share Issue Expenses	-	-
Amount of Additional Tier 1 Capital raised of which:		
a) Perpetual Non- Cumulative Preference Shares (PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier 2 Capital raised of which:		
a) Debt Capital instruments	-	300.00
b) Preference Share Capital Instruments: [*Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)*]	-	-

*Adjusted for proposed dividend of ₹ 0.70 per share (Previous year: Nil). (Refer Note 4.2 E also)

During the year ended March 31, 2020, the bank had raised ₹ 300.00 Crore Tier 2 capital by way of issuance of Basel III compliant Tier 2 Bonds, the details of which are set out below.

Instrument	**Capital**	**Date of Maturity**	**Period**	**Coupon**	**Amount (₹ in Crore)**
Subordinated Debt	Tier 2	June 20, 2029	120 Months	9.75%	300.00

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank has made these disclosures which are available on its website at the following link: http://www.federalbank.co.in/regulatory-disclosures. The Pillar 3 disclosures have not been subjected to audit.

1.2. Investments

1.2.1. Details of Investments:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	37,535.08	36,259.85
(b) Outside India	84.50	76.09
(ii) Provision for Depreciation		
(a) In India	333.28	347.07
(b) Outside India	-	-
(iii) Provision for Non-performing investments		
(a) In India	100.09	96.19
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	37,101.71	35,816.59
(b) Outside India	84.50	76.09
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	347.07	308.98
(ii) Add: Provisions made during the year	28.50	59.61
(iii) Less: Write off / Write back of excess provision during the year	42.29	21.52
(iv) Closing Balance	333.28	347.07
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	96.19	90.82
(ii) Add: Provisions made during the year	29.44	24.15
(iii) Less: Write off / Write back of excess provision during the year	25.54	18.78
(iv) Closing Balance	100.09	96.19

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

1.2.2. Additional Details on Investments:

a) Investments under HTM (excluding specified investments as per RBI norms) account for 19.38% (Previous year 18.97%) of demand and time liabilities as at the end of March 31, 2021 as against permitted ceiling of 22 % (Previous Year: 19.50%) stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 142.19 Crore (Previous year: ₹ 74.01 Crore) has been amortised during the year and debited under interest received on Government securities.

c) Profit on sale of securities from HTM category amounting to ₹ 273.07 Crore (Previous year: ₹ 235.44 Crore) has been taken to Profit and Loss Account. This includes Profit on redemption on maturity of investments amounting to ₹ 0.97 Crores. During the year, the Bank had appropriated ₹ 152.39 Crore (Previous year ₹ 133.69 Crore), [net of taxes and transfer to statutory reserve] to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines. (Also Refer Note 1.2.5)

d) As per RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

   As on March 31, 2021, the bank is maintaining an IFR of ₹ 189.72 Crore (Previous Year: ₹ 189.72 Crore) as against the minimum requirement of ₹ 112.10 Crore (Previous Year: ₹ 159.37 Crore) and considered it as part of Tier II capital for capital adequacy purposes.

1.2.3. **Repo Transactions**

Details of securities sold/purchased (in face value terms) during the years ended March 31, 2021 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2021
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	2,788.00	924.43	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	16,350.00	9,227.07	3,700.00
ii)Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	3,479.39	1,351.61	1,226.48
ii)Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,618.47	75.65	-
ii)Corporate Debt Securities	-	-	-	-
C)Securities sold under TREPS				
i) Government Securities	-	5,476.95	2,717.40	3,081.90
ii)Corporate Debt Securities	-	-	-	-
Securities purchased under TREPS				
i) Government Securities	-	1,853.00	36.96	-
ii)Corporate Debt Securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2020 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2020
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	2,438.00	192.56	1,988.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	5,900.00	1,169.62	3,400.00
ii)Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	1,590.25	685.99	1,184.73
ii)Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,778.91	189.07	-

Particulars	Outstanding during the year			As at March 31, 2020
	Minimum	Maximum	Daily Average	
ii)Corporate Debt Securities	-	-	-	-
C)Securities sold under TREPS				
i) Government Securities	-	1,575.00	209.12	729.60
ii)Corporate Debt Securities	-	-	-	-
Securities purchased under TREPS				
i) Government Securities	-	300.00	7.34	-
ii)Corporate Debt Securities	-	-	-	-

1.2.4. **Details of Non-SLR investment portfolio –**

a) Issuer composition as at March 31, 2021 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	648.63	641.50	-	-	-
2	Financial Institutions	204.85	174.86	-	-	-
3	Banks	984.62	983.22	-	-	-
4	Private Corporates	1,434.02	1,419.03	9.04	-	233.55
5	Subsidiaries / Joint ventures	765.31	765.31	-	-	5.00
6	Others*	799.51	715.44	493.33	-	5.00
7	Less: Provision held towards depreciation on investment	333.28	XXX	XXX	XXX	XXX
8	Less: Provision held towards non-performing investments	100.09	XXX	XXX	XXX	XXX
	Total	**4,403.57**	**4,699.36**	**502.37**	**-**	**243.55**

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

* Includes Investments in Non-SLR government securities amounting to ₹ 84.32 Crore.

** Excludes investments in Equity shares, Commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI guidelines.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt, commercial papers and certificate of deposits in line with RBI guidelines.

Issuer composition as at March 31, 2020 of Non-SLR investments

(₹ in Crore)

Sl.No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities ***
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
1	Public Sector Undertakings	16.27	6.50	-	-	-
2	Financial Institutions	435.07	405.35	-	-	-
3	Banks	1,347.61	1,346.21	10.00	-	-
4	Private Corporates	1,478.78	1,478.78	25.00	-	372.40

Sl.No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities ***
5	Subsidiaries / Joint ventures	467.20	467.20	-	-	5.00
6	Others*	830.30	754.40	546.49	10.00	5.00
7	Less: Provision held towards depreciation on investment	347.07	XXX	XXX	XXX	XXX
8	Less: Provision held towards non-performing investments	96.19	XXX	XXX	XXX	XXX
	Total	**4,131.97**	**4,458.44**	**581.49**	**10.00**	**382.40**

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

* Includes Investments in Non-SLR government securities amounting to ₹ 75.91 Crore.

** Excludes investments in Equity shares, Commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI guidelines.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt, and certificate of deposits in line with RBI guidelines.

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

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Shares	445.76	435.96
Debentures and Bonds*	2,191.96	1,457.35
Subsidiaries/Joint Ventures	520.81	462.20
Others #	1,160.54	1,700.37
Investment outside India	84.50	76.09
Total	**4,403.57**	**4,131.97**

* Includes Investments in Non-SLR government securities amounting to ₹ 0.25 Crore (Previous year: ₹ 0.25 Crore).

Includes investment in certificate of deposits, Commercial papers, Mutual Funds, PTC, Security Receipts & VCF

c) Non-performing Non-SLR investments is set out below:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Opening Balance	96.46	93.08
Additions during the year	35.16	22.16
Reductions during the year*	25.00	18.78
Closing Balance	**106.62**	**96.46**
Total Provision held	100.09	96.19

* - Transfer to Overdue Investments ₹ 25.00 Crore (Previous Year: ₹ 18.78 Crore), Provision held ₹ 25.00 Crore (Previous Year: ₹ 18.78 Crore)

1.2.5. **Sale and transfers to/ from HTM Category**

During the year ended March 31, 2021 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the year 2020-21.

During the year ended March 31, 2020 the value of sales/transfers of securities to/from HTM category (excluding onetime transfer of securities and sales to RBI under OMO auctions and repurchase of Government Securities by Government of India) amounts to ₹ 2,589.94 crores which exceeds 5% of the book value of investments held in HTM category at the beginning of the year by ₹ 1,394.85 crores.

(₹ in Crore)

Market value of investments held in HTM category	Excess of book value over market value for which provision is not made
29,357.73	Nil

1.2.6 **Details of Investment Category-wise:**

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under:

(₹ in Crore)

Particulars	March 31, 2021				March 31, 2020			
	HFT	AFS	HTM	TOTAL	HFT	AFS	HTM	TOTAL
Government Securities	-	1,611.10	31,255.62	32,866.72	-	4,027.57	27,808.80	31,836.37
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	446.18	520.81	966.99	-	436.40	462.20	898.60
Debentures & Bonds	-	2,056.91	135.05	2,191.96	-	1,457.09	0.25	1,457.34
Others	-	1,057.59	102.95	1,160.54	49.84	1,554.28	96.25	1,700.37
Total	**-**	**5,171.78**	**32,014.43**	**37,186.21**	**49.84**	**7,475.34**	**28,367.50**	**35,892.68**

1.3. **Derivatives**

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

1.3.1 A) **Exchange Traded Interest Rate Derivatives:**

(₹ in Crore)

Sl.No	Particulars	March 31, 2021	March 31, 2020
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
	a) 7.17 G-Sec 2028	-	210.20
	b) 6.45 G-Sec 2029	-	517.80
	c) 7.26 G-Sec 2029	-	741.80
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil

1.3.1. **B)** The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2021 and March 31, 2020. As at March 31, 2021 and March 31, 2020 the open contracts on the exchange was Nil.

1.3.2 **Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)**

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(i) The notional principal of swap agreements	2,373.00	3,298.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	12.17	15.95
(iii) Collateral required by the bank upon entering into swaps	Nil	Nil
(iv) Concentration of credit risk arising from the swaps	39.10	42.43
(v) The fair value of the swap book	4.95	(10.86)

The nature and terms of the IRS as on March 31, 2021 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	39	₹ 1,100.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	37	₹ 925.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable

The nature and terms of the IRS as on March 31, 2020 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	54	₹1,750.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	41	₹1,200.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2021 and March 31, 2020.

1.3.3. **Disclosure on Risk exposure in Derivatives**

Qualitative disclosures:

(a) Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or Mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ mitigants:

Derivatives are financial instruments whose characteristics are derived from an underlying asset like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines. Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal, and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Investment, forex and derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Net loss, deal size, PVBP. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals.

Interest rate contracts

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

Exchange rate contracts

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options (including Exchange Traded Currency Option) give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Currency futures contract is a standardised contract traded on an exchange, to buy or sell a certain underlying currency at a certain date in the future, at a specified price. The contract specifies the rate of exchange between one unit of currency with another.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts

Bank deals in derivatives for hedging Domestic or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Transactions related to foreign exchange forward, Interest rate Future/IRS/Currency future are marked to market every month and the MTM is accounted in the books.

(c) Collateral Security

Bank has provided Sufficient Collateral to Central counter Parties and Exchanges wherever Applicable. As per market practice, no collateral is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. but if a CSA (Credit Support Annexure) is signed, then collateral is insisted as per the terms of CSA agreement. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary as per the CSA Agreement.

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. Exposure against clients, is mitigated by collecting proper collateral securities / margin as envisaged by the credit sanctioning team as per the sanction order.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2020
(i)	Derivatives (Notional Principal Amount)				
	a)For hedging	-	-	-	-
	b) For trading	3,776.05	4,168.43	2373.00	3298.00
(ii)	Marked to Market positions				
	a) Asset (+)	45.05	122.36	56.85	75.96
	b) Liabilities (-)	30.03	112.10	51.90	86.81
(iii)	Credit Exposure	417.13	424.06	39.10	31.37
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	0.46	0.47	0.42	0.63
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	Max = 0.48	Max = 0.47	Max = 8.23	Max = 0.63
		Min = 0.46	Min = 0.40	Min = 0.42	Min = 0.61

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2021 amounted to ₹ 5,205.84 Crore (Previous year ₹ 2,429.34 Crore) and ₹ 5,163.85 Crore (Previous year ₹ 9,393.09 Crore) respectively. For the hedging contracts, as at March 31, 2021 the marked to market position was asset ₹ 116.43 crores and liability of ₹ 38.38 crores (Previous year asset ₹ 23.80 crores and liability of ₹ 45.31 crores). For the trading contract, as at March 31, 2021 the marked to market position was asset ₹ 39.00 crores and liability of ₹ 260.86 crores (Previous year asset ₹ 148.80 crores and liability of ₹154.24 crores). Credit exposure on forward exchange contracts at March 31, 2021 was ₹ 1,026.33 Crore (Previous year ₹ 934.86 Crore). The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.
- Interest rate derivative represents interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the daily balances for Interest rate Derivatives and month end balances for Currency Derivatives.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
  a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
  b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1 Net non-performing assets

Particulars	March 31, 2021 (%)	March 31, 2020 (%)
Net non-performing assets as a percentage of net advances.	1.19	1.31

1.4.2 Movement in gross non-performing assets (NPAs)

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Gross NPAs as at the beginning of the year	96.46	93.08	3,530.83	3,260.68
Add: Fresh NPAs during the year	35.17	22.16	1,921.90	1,918.80
Less: -				
(i) Up gradations	-	-	86.23	403.69
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-	-	366.60	510.77
(iii) Technical/Prudential Write-offs	-	-	357.87	663.07
(iv) Write-offs other than those under (iii) above	-	-	39.64	71.12
(v) Reduction by Sale of Assets to ARCs	-	-	-	-
(vi) Transfer to Overdue Investments	(25.00)	(18.78)	NA	NA
Gross NPAs at the end of the year	**106.63**	**96.46**	**4,602.39**	**3,530.83**

Note: Movement is the aggregate of quarterly movement during the year.
NA – Not applicable

1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Opening balance	0.27	2.27	1,607.17	1,626.20
Additions during the year	6.26	-	213.35	626.39
Reductions during the year	-	2.00	251.24	645.42
Closing balance at the end of the year	**6.53**	**0.27**	**1,569.28**	**1,607.17**

Note: Movement is the aggregate of quarterly movement during the year.

1.4.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	**March 31, 2020**	**March 31, 2021**	**March 31, 2020**
Opening balance	96.19	90.82	1,885.27	1,606.32
Intra-Category Transfer	-	-	-	-
Provisions made during the year	29.44	24.15	1,711.94	1,280.45
Write-offs/ (write back) of excess provision	(25.54)	(18.78)	(599.10)	(1,001.50)
Closing balance at the end of the year	**100.09**	**96.19**	**2,998.11**	**1,885.27**

Note: Movement is the aggregate of quarterly movement during the year.

1.4.5 Divergence in Asset classification and Provisioning for NPAs

The divergence observed by RBI for the Financial year 2019-20 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Circulars DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 on 'Divergence in the asset classification and provisioning', is not required to be made.

1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2021:

(₹ in Crore except No.of borrowers)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as at April 01, 2020 (Opening Balance)	No. of borrowers	-	-	4	1	**5**	-	-	-	-	**-**
	Amount Outstanding – (a)Restructured facility	-	-	47.88	-	**47.88**	-	-	-	-	**-**
	b)Other facility	-	-	42.21	3.78	**45.99**	-	-	-	-	**-**
	Provision thereon	-	-	-	-	-	-	-	-	-	**-**
Movement in balance for accounts appearing under opening balance	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	**-**	-	-	-	-	-
	b)Other facility	-	-	-	-	**-**	-	-	-	-	-
	Provision thereon	-	-	-	-	**-**	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2021[1]	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	**-**	-	-	-	-	-
	b)Other facility	-	-	-	-	**-**	-	-	-	-	-
	Provision thereon	-	-	-	-	**-**	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2021	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	**-**	-	-	-	-	-
	b)Other facility	-	-	-	-	**-**	-	-	-	-	-
	Provision thereon	-	-	-	-	**-**	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or	No. of borrowers	-				**-**	-				-
	Amount Outstanding – (a)Restructured facility	-				**-**	-				-
	b)Other facility	-				**-**	-				-

Type of Restructuring		**Under CDR Mechanism**					**Under SME Debt Restructuring Mechanism**				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
additional risk weight at the end of March 31, 2021	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the year ended March 31,2021[2]	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31 , 2021[3]	No. of borrowers	-	-	(2)	-	(2)	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	(32.79)	-	(32.79)	-	-	-	-	-
	b)Other facility	-	-	(22.16)	-	(22.16)	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured accounts as at March 31 ,2021(closing figures)[4]	No. of borrowers	-	-	2	1	3	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	15.09	-	15.09	-	-	-	-	-
	b)Other facility	-	-	20.05	3.78	23.83	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-

(₹ in Crore except No.of borrowers)

Type of Restructuring		**Others**					**Total**				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as at April 01, 2020 (Opening Balance)	No. of borrowers	1,064	231	65	55	**1,415**	1,064.00	231.00	69.00	56.00	**1,420.00**
	Amount Outstanding – (a)Restructured facility	263.41	7.91	44.32	1.28	**316.92**	263.41	7.91	92.20	1.28	**364.80**
	b)Other facility	1.09	-	0.15	12.17	**13.41**	1.09	-	42.36	15.95	**59.40**
	Provision thereon	12.83	-	3.83	-	**16.66**	12.83	-	3.83	-	**16.66**
Movement in	No. of borrowers	-	-	-	-	-	-	-	-	-	-

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
balance for accounts appearing under opening balance	Amount Outstanding – (a)Restructured facility	(2.05)	(0.79)	(0.92)	0.00	(3.76)	(2.05)	(0.79)	(0.92)	0.00	**(3.76)**
	b)Other facility	0.10	-	-	-	0.10	0.10	-	-	-	**0.10**
	Provision thereon	(0.19)	0.00	(1.23)	-	(1.42)	(0.19)	0.00	(1.23)	-	**(1.42)**
Fresh Restructuring during the year ended March 31, 2021[1]	No. of borrowers	3,576.00	76.00	-	1.00	3,653.00	3,576.00	76.00	-	1.00	**3,653.00**
	Amount Outstanding – (a)Restructured facility	1,360.46	25.44	-	0.16	1,386.06	1,360.46	25.44	-	0.16	**1,386.06**
	b)Other facility	-	-	-	-	-	-	-	-	-	**-**
	Provision thereon	117.38	0.09	-	-	117.47	117.38	0.09	-	-	**117.47**
Upgradation to restructured standard category during the year ended March 31, 2021	No. of borrowers	11.00	(9.00)	(2.00)	-	-	11.00	(9.00)	(2.00)	-	**-**
	Amount Outstanding – (a)Restructured facility	0.11	(0.08)	(0.03)	-	-	0.11	(0.08)	(0.03)	-	**-**
	b)Other facility	-	-	-	-	-	-	-	-	-	**-**
	Provision thereon	-	-	-	-	-	-	-	-	-	**-**
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2021	No. of borrowers	-				-	-				**-**
	Amount Outstanding – (a)Restructured facility	-				-	-				**-**
	b)Other facility	-				-	-				**-**
	Provision thereon	-				-	-				**-**
Downgradation of restructured accounts during the year ended March 31,2021[2]	No. of borrowers	(254.00)	77.00	147.00	30.00	-	(254.00)	77.00	147.00	30.00	**-**
	Amount Outstanding – (a)Restructured facility	(58.43)	52.14	6.14	0.15	-	(58.43)	52.14	6.14	0.15	**-**

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	b)Other facility	-	-	-	-	-	-	-	-	-	**-**
	Provision thereon	(0.14)	0.14	-	-	-	(0.14)	0.14	-	-	**-**
Write-offs of restructured accounts during the year ended March 31 , 2021[3]	No. of borrowers	(172.00)	(42.00)	(13.00)	(4.00)	(231.00)	(172.00)	(42.00)	(15.00)	(4.00)	**(233.00)**
	Amount Outstanding – (a)Restructured facility	(22.56)	(0.58)	(0.46)	(0.08)	(23.68)	(22.56)	(0.58)	(33.25)	(0.08)	**(56.47)**
	b)Other facility	-	-	-	-	-	-	-	(22.16)	-	**(22.16)**
	Provision thereon	(1.11)	-	-	-	(1.11)	(1.11)	-	-	-	**(1.11)**
Restructured accounts as at March 31 ,2021 (closing figures)[4]	No. of borrowers	4,225.00	333.00	197.00	82.00	4,837.00	4,225.00	333.00	199.00	83.00	**4,840.00**
	Amount Outstanding – (a)Restructured facility	1,540.94	84.04	49.05	1.51	1,675.54	1,540.94	84.04	64.14	1.51	**1,690.63**
	b)Other facility	1.19	-	0.15	12.17	13.51	1.19	-	20.20	15.95	**37.34**
	Provision thereon	128.77	0.23	2.61	-	131.60	128.77	0.23	2.60	-	**131.60**

1. Additional / Fresh sanctions made to existing restructured accounts includes ₹ 47.10 Crore (Borrowers 80, Provision made is ₹ 2.70 Crore), balance as on March 31, 2021. 95 Accounts having balance aggregating to ₹ 64.71 Cr restructured during the year, already appearing in the opening balance have not been considered as fresh restructuring during the year ended March 31, 2021.
2. Downgradation of accounts from restructured standard to NPA
3. Write-off of restructured accounts during the year includes recovery of ₹ 23.68 Crore (231 borrowers with provision ₹ 1.11 Crore) during the year, balance as on March 31, 2020.
4. Other Facility includes ₹ 36.00 Crore in investment.

Details of loan assets subjected to restructuring during the year ended March 31, 2020:

(₹ in Crore except No.of borrowers)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2019 (Opening Balance)	No. of borrowers	1	-	4	1	**6**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	29.48	-	36.84	-	**66.32**	-	-	-	-	-
	b)Other facility	22.16	-	20.05	3.78	**45.99**	-	-	-	-	-
	Provision thereon	8.77	-	2.63	-	**11.40**	-	-	-	-	-
Movement in	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-

Type of Restructuring		**Under CDR Mechanism**					**Under SME Debt Restructuring Mechanism**				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
balance for accounts appearing under opening balance	Amount Outstanding – (a)Restructured facility	(0.69)	-	-	-	**(0.69)**	-	-	-	-	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	(8.77)	-	(2.63)	-	**(11.40)**	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2020[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2020	No. of borrowers	-				-	-				-
	Amount Outstanding – (a)Restructured facility	-				-	-				-
	b)Other facility	-				-					-
	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the year ended March 31,2020[2]	No. of borrowers	(1)	-	1	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(28.79)	-	28.79	-	-	-	-	-	-	-
	b)Other facility	(22.16)	-	22.16	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Write-offs of	No. of borrowers	-	-	(1)	-	**(1)**	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
restructured accounts during the year ended March 31 , 2020[3]	Amount Outstanding – (a)Restructured facility	-	-	(17.75)	-	**(17.75)**	-	-	-	-	**-**
	b)Other facility	-	-	-	-	-	-	-	-	-	**-**
	Provision thereon	-	-	-	-	-	-	-	-	-	**-**
Restructured accounts as at March 31 ,2020 (closing figures)[4]	No. of borrowers	-	-	4	1	**5**	-	-	-	-	**-**
	Amount Outstanding – (a)Restructured facility	-	-	47.88	-	**47.88**	-	-	-	-	**-**
	b)Other facility	-	-	42.21	3.78	**45.99**	-	-	-	-	**-**
	Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**

(₹ in Crore except No.of borrowers)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2019 (Opening Balance)	No. of borrowers	1,472	23	52	60	**1,607**	1473	23	56	61	**1,613**
	Amount Outstanding – (a)Restructured facility	367.76	0.61	278.12	35.94	**682.43**	397.24	0.61	314.96	35.94	**748.75**
	b)Other facility	0.50	-	2.12	12.17	**14.79**	22.66	-	22.17	15.95	**60.78**
	Provision thereon	51.48	0.05	0.03	-	**51.56**	60.25	0.05	2.66	-	**62.96**
Movement in balance for accounts appearing under opening balance	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**
	Amount Outstanding – (a)Restructured facility	(11.48)	(0.02)	(0.40)	-	**(11.90)**	(12.17)	(0.02)	(0.40)	-	**(12.59)**
	b)Other facility	0.59	-	(0.05)	-	**0.54**	0.59	-	(0.05)	-	**0.54**
	Provision thereon	(1.44)	(0.05)	(0.03)	-	**(1.52)**	(10.21)	(0.05)	(2.66)	-	**(12.92)**
Fresh Restructuring during the year ended March 31, 2020[1]	No. of borrowers	96	2	8	-	**106**	96	2	8	-	**106**
	Amount Outstanding – (a)Restructured facility	196.99	0.20	38.02	-	**235.21**	196.99	0.20	38.02	-	**235.21**
	b)Other facility	-	-	-	-	-	-	-	-	-	**-**

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Provision thereon	9.85	-	3.83	-	**13.68**	9.85	-	3.83	-	**13.68**
Upgradation to restructured standard category during the year ended March 31, 2020	No. of borrowers	10	(8)	(1)	(1)	-	10	(8)	(1)	(1)	-
	Amount Outstanding – (a)Restructured facility	0.24	(0.18)	(0.04)	(0.02)	-	0.24	(0.18)	(0.04)	(0.02)	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2020	No. of borrowers	-				**-**	-				**-**
	Amount Outstanding – (a)Restructured facility	-				**-**	-				**-**
	b)Other facility	-				**-**	-				**-**
	Provision thereon	-				**-**	-				**-**
Downgradation of restructured accounts during the year ended March 31,2020[2]	No. of borrowers	(243)	220	14	9	**-**	(244)	220	15	9	**-**
	Amount Outstanding – (a)Restructured facility	(10.68)	7.34	3.09	0.25	**-**	(39.47)	7.34	31.88	0.25	**-**
	b)Other facility	-	-	-	-		(22.16)	-	22.16	-	-
	Provision thereon	-	-	-	-		-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31 , 2020[3]	No. of borrowers	(271)	(6)	(8)	(13)	**(298)**	(271)	(6)	(9)	(13)	**(299)**
	Amount Outstanding – (a)Restructured facility	(279.42)	(0.04)	(274.47)	(34.89)	**(588.82)**	(279.42)	(0.04)	(292.22)	(34.89)	**(606.57)**
	b)Other facility	-	-	(1.92)	-	**(1.92)**	-	-	(1.92)	-	**(1.92)**
	Provision thereon	(47.06)	-	-	-	**(47.06)**	(47.06)	-	-	-	**(47.06)**
Restructured accounts as at March 31 ,2020 (closing figures)[4]	No. of borrowers	1064	231	65	55	**1415**	1064	231	69	56	**1420**
	Amount Outstanding – (a)Restructured facility	263.41	7.91	44.32	1.28	**316.92**	263.41	7.91	92.20	1.28	**364.80**

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	b)Other facility	1.09	-	0.15	12.17	**13.41**	1.09	-	42.36	15.95	**59.40**
	Provision thereon	12.83	-	3.83	-	**16.66**	12.83	-	3.83	-	**16.66**

1. Additional /Fresh sanctions made to existing restructured accounts includes ₹54.26 Crore (28 Borrowers, Provision made is ₹ 2.71 Crore), balance as on March 31,2020.

2.Downgradation of accounts from restructured standard to NPA

3. Write-off of restructured accounts during the year includes recovery of ₹ 330.11 Crore (293 borrowers with provision ₹ 46.84 Crore) during the year, balance as on March 31,2019

4. Other Facility includes ₹ 58.16 Crore in investment

1.4.6 B) Additional Disclosures with relation to Certain Restructuring / Relief Schemes:

1. Flexible Structuring of Existing Loans as at March 31, 2021: Nil (Previous Year: Nil).

2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period): Nil (Previous year: Nil)

3. Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2021: Nil (Previous Year: Nil)

4. Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period) at March 31, 2021: Nil (Previous Year: Nil)

5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

March 31, 2021

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	-	-	-	-	-
Classified as NPA	1	25.13	15.08	10.05	25.13

March 31, 2020

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	-	-	-	-	-
Classified as NPA	2	76.09	43.88	32.21	74.69

6. **Details of MSME accounts restructured as per RBI circular Nos.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020**

Position as on March 31, 2021

(₹ in Crore)

Number of accounts restructured	Amount Restructured	Amount outstanding
529	653.20	536.65

Position as on March 31, 2020

(₹ in Crore)

Number of accounts restructured	Amount Restructured	Amount outstanding
76	120.44	100.09

7. **COVID-19 – Uncertainties, Regulatory Packages, Asset Classification and Provisioning**

On account of uncertainties arising from the COVID-19 pandemic across the world and in India, including the current ‘second wave’ which has resulted in imposition of renewed restrictions in various parts of the country, the extent to which the same will impact the Bank’s operations and financial position will depend on various aspects including actions taken to mitigate its impact and other regulatory measures. The Bank’s capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

As per the 'COVID-19 Regulatory Packages' announced by the RBI (‘the RBI guidelines’), with regard to providing relief to borrowers’, whose accounts were standard as on February 29, 2020, the Bank, in accordance with the Board approved policy had offered moratorium on repayment of loan instalments and/or deferment of interest due between March 1, 2020 and August 31, 2020, including relaxation in certain parameters to all eligible borrowers, without considering the same as restructuring. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The Honourable Supreme Court in a writ petition by Gajendra Sharma Vs Union of India & Anr vide its interim order dated September 3, 2020 had directed Banks that the accounts which were not declared Non performing asset (NPA) till August 31, 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank had not declared any account as NPA, which was not declared as NPA till August 31, 2020 as per the RBI Prudential norms on Income Recognition, Asset classification, and provisioning pertaining to advances., The interim order to not declare accounts as NPA has been vacated by the Honourable Supreme Court on March 23, 2021 vide judgement in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors and RBI has issued a circular dated April 07, 2021 thereon, in accordance with which the Bank has made the asset classification of borrower accounts which were granted moratorium as above, as per the applicable extant IRAC norms with effect from September 1, 2020.

Further, the Bank has permitted restructuring of eligible borrower accounts affected by the pandemic stress in accordance with the resolution framework prescribed by RBI and offered other relief measures under the various concessional schemes.

Provisions have been created by the Bank in respect of the above stated COVID-19 assistance schemes provided by the Bank to the borrowers, and in the opinion of the management, the provisions held are considered adequate based on the current facts and circumstances

8. **COVID-19 Regulatory Package - Disclosures**

The disclosures as required under RBI circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020

(₹ in Crore)

	March 31, 2021
Amounts in SMA/overdue categories where the moratorium/deferment was extended on March 31, 2020*	3,712.62
Amounts where asset classification benefit is extended, determined based on position as at September 30, 2020#	732.35
Provisions made on such accounts	73.23
Provisions adjusted against slippages in terms of paragraph 6 of the circular	38.49
Residual provision utilised for other accounts in terms of paragraph 6 of the circular	34.74

*** -** Balance Outstanding as on March 31, 2020
\# - Balance Outstanding as on March 31, 2021

(₹ in Crore)

	March 31, 2020
Amounts in SMA/overdue categories, where the moratorium/deferment was extended	3,712.62
Amount where asset classification benefit is extended	302.66
Provisions made on such accounts	30.27
Provisions adjusted against slippages in terms of paragraph 6 of the circular	NA
Residual provision utilised for other accounts in terms of paragraph 6 of the circular	-

9. COVID-19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework of Resolution of Stressed Assets

(₹ in Crore)

	March 31, 2021	**March 31, 2020**
No. of accounts in which Resolution Period was extended	1	-
Amount Involved	16.91	-

10. Implementation of Resolution Plans (RPs):

Cases eligible for RPs during the year ended March 31, 2021		RPs Successfully implemented during the year ended March 31, 2021		RPs under implementation during the year ended March 31, 2021	
Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases
394.44	9	-	-	394.44	9

Out of the above, 4 cases are technically written off in our books amounting to total of ₹ 318.07 Cr.

Cases eligible for RPs during the year ended March 31, 2020		RPs Successfully implemented during the year ended March 31, 2020		RPs under implementation during the year ended March 31, 2020	
Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases
393.64	9	-	-	393.64	9

Out of the above, 4 cases are fully provided in our books amounting to total of ₹ 317.93 Cr.

11. Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 6, 2020 are given below.

(₹ in crores except number of accounts)

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	3,967	949.59	-	-	949.59
Corporate persons	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	88	44.12	-	-	44.12
Total	**4,055**	**993.71**	**-**	**-**	**993.71**

12. Ex- gratia and Interest on Interest during the Moratorium Period i.e., March 01, 2020 to August 31, 2020

In accordance with the scheme announced by the Government of India on October 23, 2020 for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (March 01, 2020 to August 31,2020), the Bank had submitted the requisite claim amounting to ₹ 30.15 Crore and credited the accounts of the eligible borrowers. Further, in accordance with the decision of the Honourable Supreme Court on March 23, 2021 in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors instructions, the aforesaid RBI circular dated April 07, 2021 and the methodology for calculation of the amount as notified by the Indian Banks Association (IBA), the Bank has created a provision of ₹ 21.00 Crore towards estimated refund/adjustment of compound interest/interest on interest/penal interest charged to the borrowers not covered under the above ex-gratia scheme during the moratorium period i.e. March 1, 2020 to August 31, 2020 and reduced the same from interest income for the year ended March 31, 2021.

1.4.7 A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction

(₹ in Crore)

Particulars	March 31, 2021		March 31, 2020	
	Standard	NPA	Standard	NPA
a) No of accounts	-	1	-	-
b) Aggregate value (net of provision) of accounts sold to SC/RC	-	-	-	-
c) Aggregate consideration	-	56.00	-	-
d) Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e) Aggregate gain/(loss) over net book value	-	56.00	-	-

B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at March 31, 2021 and March 31, 2020 are as follows:

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying		Total	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Book value of investments in security receipts	489.91	528.44	-	-	489.91	528.44

Note: In addition to above, bank holds security receipts of ₹ 3.43 Crore (Previous year: ₹ 18.05 Crore) which are backed by standard assets sold by the bank.

C) Details of ageing of Investments held as Security Receipts as at March 31, 2021 are as follows:

(₹ in Crore)

	Particulars	SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	88.65	368.05	33.21
	Provision held against (i)	25.45	274.61	33.21
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		88.65	368.05	33.21
Total provision held against above		25.45	274.61	33.21
Net Book value		**63.20**	**93.44**	**-**

Note: In addition to above, bank holds security receipts of ₹ 3.43 Crore (Previous Year ₹ 18.05 Crore) which are backed by standard assets sold by the bank, which is issued more than 5 years ago but within past 8 years. Total Provision of ₹ Nil (Previous Year ₹ 0.05 Crore) is held against security receipts backed by standard assets sold by the bank.

Details of ageing of Investments held as Security Receipts as at March 31, 2020 are as follows:

(₹ in Crore)

	Particulars	SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	216.61	303.21	8.62
	Provision held against (i)	82.56	217.08	8.62
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		**216.61**	**303.21**	**8.62**
Total provision held against above		**82.56**	**217.08**	**8.62**
Net Book value		**134.05**	**86.13**	**-**

Note: In addition to above, bank holds security receipts of ₹ 18.05 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. Total Provision of ₹ 0.05 Cr is held against security receipts backed by standard assets sold by the bank.

1.4.8 **Details of non-performing financial assets purchased/sold**

A. <u>Details of non-performing financial assets purchased from other banks</u>

(₹ in Crore)

Particulars	**March 31, 2021**	**March 31, 2020**
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2.(a) Of these, number of accounts restructured during the year		
(b) Aggregate outstanding		

B. <u>Details of non-performing financial assets sold to other banks</u>

(₹ in Crore)

Particulars	**March 31, 2021**	**March 31, 2020**
1.No of accounts sold	1.00	NIL
2. Aggregate outstanding	33.32	
3.Aggregate consideration received	12.00	

1.4.9 **Movement of Provision on Standard Assets**

(₹ in Crore)

Particulars	**March 31, 2021**	**March 31, 2020**
(a) Opening balance	626.11	527.03
(b) Additions during the year	589.62	99.08
(c) Deduction during the year	479.00	-
(d) Closing balance *	**736.73**	**626.11**

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 15.90 Crore (Previous Year: ₹ 5.96 Crore)

1.5 The Key business ratios and other information:

Particulars		**March 31, 2021**	**March 31, 2020**
(i)	Interest Income as a percentage to Working Funds* (%)	7.35	8.02
(ii)	Non-interest income as a percentage to Working Funds* (%)	1.04	1.17
(iii)	Operating Profit as a percentage to Working Funds* (%)	2.02	1.95
(iv)	Return on Assets [Based on Average Working Fund] *(%)	0.85	0.94

Particulars	March 31, 2021	March 31, 2020
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	24.03	21.94
(vi) Profit per employee (₹ in Crore)**	0.13	0.12

* Working Funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year.
** Productivity ratios are based on average number of employees for the year.

1.6. Asset Liability Management

Maturity pattern of certain items of assets and liabilities at March 31, 2021 and March 31, 2020 is set out below:

Year ended March 31, 2021 (₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	913.31	2,208.48	8,149.56	12.97	1,533.62	104.96
2 -7 days	2,421.64	1,302.80	294.41	4,708.38	2,037.63	30.46
8-14 days	2,137.22	785.40	386.10	202.23	575.08	34.94
15-30 days	5,062.22	2,102.11	665.66	183.17	1,416.69	245.34
31 days to 2 months	8,162.03	4,226.60	1,641.57	297.80	1,441.77	390.02
More than 2 months and up to 3 months	7,214.82	4,677.97	1,080.54	312.91	1,269.97	442.31
Over 3 months and upto 6 months	15,852.89	10,568.17	1,728.72	504.71	1,008.31	740.99
Over 6 months and upto 1 Year	27,427.44	16,325.95	1,369.85	777.94	527.89	1,502.26
Over 1 Year and upto 3Years	70,314.57	55,145.58	4,368.16	1,664.82	522.21	2,521.39
Over 3 Years and upto 5 Years	2,427.15	16,827.56	4,986.53	103.57	365.34	493.71
Over 5 Years	30,711.19	17,707.98	12,515.11	300.00	224.87	0.03
Total	**172,644.48**	**131,878.60**	**37,186.21**	**9,068.50**	**10,923.38**	**6,506.41**

Year ended March 31, 2020 (₹ in Crore)

Maturity Pattern	Deposits	Advances#	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	587.48	985.08	8,954.03	1,921.33	835.07	51.92
2 -7 days	2,636.71	707.30	120.98	-	330.46	29.55
8-14 days	1,568.21	201.77	503.28	28.68	486.15	41.07
15-30 days	2,692.33	1,202.29	277.35	197.36	115.94	247.07
31 days to 2 months	4,856.65	1,835.59	664.10	405.24	319.51	501.92
More than 2 months and up to 3 months	5,915.53	4,743.26	1,400.49	381.94	1,235.99	504.02
Over 3 months and upto 6 months	15,780.38	13,151.85	363.08	906.88	1,096.55	715.49
Over 6 months and upto 1 Year	26,635.35	15,368.05	931.35	1,221.97	1,058.81	1,253.55
Over 1 Year and upto 3Years	60,594.18	51,035.72	2,931.77	4,489.95	694.68	2,412.26
Over 3 Years and upto 5 Years	2,862.99	14,604.68	3,041.40	371.48	539.97	1,356.63
Over 5 Years	28,160.27	18,432.32	16,704.85	447.60	227.85	-
Total	**152,290.08**	**122,267.91**	**35,892.68**	**10,372.43**	**6,940.98**	**7,113.48**

In context of COVID-19 pandemic, the Reserve Bank of India on March 27, 2020, announced measures to support the economy and the financial system by permitting the lending entities to offer a three-month moratorium on all term loans and interest deferment on working capital facilities outstanding as on March 1, 2020. As a prudent measure, for the purpose of ALM, the contractual inflows on borrower accounts have been suitably adjusted for the moratorium considering the potential relief to borrowers.

Note: Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities excludes forward exchange contracts and off-balance sheet items.

1.7. **Exposures**

1.7.1 **Exposure to Real Estate Sector**

(₹ in Crore)

Category	**March 31, 2021**	**March 31,2020**
a) Direct Exposure:		
i) Residential Mortgages: Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans eligible for inclusion in Priority sector advances)	22,811.29 (3,757.48)	21,018.56 (3,901.09)
ii) Commercial Real Estate:- Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	5,782.18	6,443.00
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a) Residential	Nil	Nil
b) Commercial Real Estate	Nil	Nil
b) Indirect Exposure:		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	7,105.55	7,404.90
Total Exposure to Real Estate sector	**35,699.02**	**34,866.46**

1.7.2 **Exposure to Capital Market**

(₹ in Crore)

Category	**March 31, 2021**	**March 31, 2020**
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	404.44	404.26
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	50.27	0.09
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	236.10	477.66
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	141.65	14.29

Category	March 31, 2021	March 31, 2020
(vi) Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered)	175.91	96.34
Total Exposure to Capital Market	**1,008.37**	**992.64**

1.7.3 **Risk Category wise Country Exposure**

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required to be made in respect of country risk as per the RBI guidelines:

(₹ in Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2021	**March 31, 2021**	**March 31, 2020**	**March 31, 2020**
Insignificant	1,668.82	-	1,104.76	-
Low	617.08	-	158.68	-
Moderate	59.82	-	18.65	-
High	0.89	-	21.76	-
Very High	-	-	0.65	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**2,346.61**	**-**	**1,304.50**	**-**

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

Note: The bank has compiled the data for the purpose of disclosure in Note No. 1.7.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

1.7.4. During the year ended March 31, 2021 and March 31, 2020, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.7.5 During the year ended March 31, 2021 and March 31, 2020 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.8. **Details of Penalty imposed by RBI**

(₹ in Lakhs)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Penalty imposed on currency chests	2.08	0.50
Dates of Payment	Various dates	Various dates
b) Penalty imposed on deficiency in regulatory compliances	Nil	50.00#
Date of Payment	Not Applicable	August 14, 2019

\# Penalty was imposed by RBI vide letter EFD. CO. SO. 124 / 02.02.003 / 2019-20 dated August 05, 2019.

2. Disclosure requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts'

2.1. Employee Benefits (AS 15)

a) Defined Contribution Plan

Provident Fund

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹ 0.88 Crore (Previous Year: ₹ 0.47 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme (introduced for employees of Central Government) was implemented and employees who are covered under New Pension Scheme are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees covered under New Pension Scheme.

The Bank recognized ₹ 45.79 Crore (Previous year: ₹ 36.39 Crore) for DCPS contribution in the Profit and Loss Account.

b) Defined benefit plan

Gratuity

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2021.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Projected benefit obligation, beginning of the year	374.63	329.19	1,197.98	983.39

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Current Service Cost	37.79	20.39	224.60	168.92
Interest cost	24.22	21.19	70.22	59.17
Actuarial (gain)/ loss	83.38	43.54	330.11	223.26
Benefits paid	(52.21)	(39.68)	(336.63)	(236.76)
Projected benefit obligation, end of the year	**467.81**	**374.63**	**1,486.28**	**1,197.98**

ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Plan assets at beginning of the year at fair value	369.30	334.23	1,129.93	978.09
Expected return on plan assets	22.20	24.53	80.68	73.26
Actuarial gain/(loss)	2.29	0.38	9.83	2.85
Employer's Contributions	127.91	49.84	610.90	312.49
Benefits paid	(52.21)	(39.68)	(336.63)	(236.76)
Plan assets at end of the year, at fair value	**469.49**	**369.30**	**1,494.71**	**1,129.93**

iii) Reconciliation of present value of the obligation and the fair value of the plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Fair value of plan assets at the end of the year	469.49	369.30	1,494.71	1,129.93
Present value of the defined benefit obligations at the end of the year	467.81	374.63	1,486.28	1,197.98
Liability/ (Asset) recognized in the Balance Sheet	**(1.68)**	**5.33**	**(8.43)**	**68.05**

iv) Gratuity / pension cost for the year ended March 31, 2021

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Current Service cost	37.79	20.39	224.60	168.92
Interest cost	24.22	21.19	70.22	59.17
Expected return on plan assets	(22.20)	(24.53)	(80.68)	(73.26)
Actuarial (gain)/loss	81.09	43.15	320.28	220.41
Net Cost	120.90	60.20	534.42	375.24
Net cost Debit to Profit and Loss account	120.90	60.20	534.42	375.24
Actual return on plan assets*	24.49	24.91	90.52	76.11

* - Figures taken from Audited Financial statements of respective trusts.

v) Investment details of plan Assets*

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	5.00	7.99
Balance in Saving bank account with the Bank	0.01	2.42	0.01	4.14
Net current assets	-	0.01	0.32	0.53
Balance with LIC/ABSL#	469.48	366.87	1,489.38	1,117.27
Total	**469.49**	**369.30**	**1,494.71**	**1,129.93**

* - Figures taken from Audited Financial statements of respective trusts.

\# In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

(₹ in Crore)

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	467.81	374.63	329.19	311.55	260.48	246.09
Plan Assets	469.49	369.30	334.23	265.75	261.54	225.66
Surplus/[Deficit]	1.68	(5.33)	5.04	(45.80)	1.06	(20.43)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(89.21)	(10.09)	(6.56)	(7.08)	2.18	(46.00)
Experience Adjustments on Plan Assets [Gain / (Loss)]	7.20	3.29	0.77	1.97	(0.42)	(1.97)

ii) Pension Plan

(₹ in Crore)

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	1,486.28	1,197.98	983.39	899.64	737.38	637.50
Plan Assets	1,494.71	1,129.93	978.09	893.06	746.33	578.27
Surplus/ [Deficit]	8.43	(68.05)	(5.30)	(6.58)	8.95	(59.23)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(327.78)	(95.10)	(39.39)	(33.27)	93.67	(142.49)
Experience Adjustments on Plan Assets [Gain / (Loss)]	13.79	7.54	(3.14)	9.60	6.66	0.18

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	6.95%	6.85%	6.82%	6.84%
Annuity rate per Rupee	-	-	150.83000	134.98313
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	6.01%	7.34%	7.14%	7.49%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

(c) Leave Encashment/Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The employees of the Bank are entitled to compensated absences. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of

240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 55.69 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. (Previous Year: ₹ 25.55 Crore)

The Actuarial liability of compensated absences of accumulated privilege, sick, casual leave and leave travel concession of the employees of the Bank is given below:

(₹ in Crore)

	March 31, 2021	**March 31, 2020**
Privilege leave	219.59	168.29
Sick leave	22.12	18.25
Leave Travel Concession	21.26	20.43
Casual Leave	1.23	1.54
Total actuarial liability	**264.20**	**208.51**
Assumptions		
Discount rate	6.95%	6.85%
Salary escalation rate	5.00%	5.00%
Attrition Rate	2.00%	2.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

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

2.2. **Segment Reporting (AS 17)**

A. Business Segments

Business of the Bank is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and other banking operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivatives, and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings in the form of interest from the investment portfolio of the bank, gains, losses, margins, and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consists of diminution in the value of portfolio of the segment

Corporate/Wholesale Banking:

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail banking:

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, based on the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them including para-banking operations. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment

Other Banking Operations

This segment includes banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

Unallocated

All items that are reckoned at Enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, Fixed assets, Cash and Balances in other bank current accounts, etc. Unallocated segment revenue consists of profit on sale of Fixed assets, Notice pay on resignation of employees etc.

The following table sets forth, for the periods indicated, the business segment results:

As on March 31, 2021:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,739.96	4,561.52	8,398.90	-	15,700.38
Result (net of provisions)	722.23	222.75	1,189.85	-	2,134.83
Unallocated Income / (expense)					2.44
Operating profit (PBT)					2,137.27
Income taxes					(546.97)
Extraordinary profit/loss					-
Net Profit					1,590.30
OTHER INFORMATION					
Segment Assets	45,251.11	71,465.90	78,136.57	-	194,853.58
Unallocated assets					6,513.81
Total assets					201,367.39
Segment liabilities	14,137.71	16,025.33	153,066.93	-	183,229.97
Unallocated liabilities					2,013.81
Total liabilities					185,243.78

As on March 31, 2020:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,268.46	4,893.65	7,980.05	-	15,142.16
Result (net of provisions)	415.18	170.58	1,451.13	-	2,036.89
Unallocated Income / (expense)					(4.36)
Operating profit (PBT)					2,032.53
Income taxes					(489.75)
Extraordinary profit/loss					-
Net Profit					1,542.78

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
OTHER INFORMATION					
Segment Assets	37,873.23	70,562.43	64,808.87	-	173,244.53
Unallocated assets					7,393.52
Total assets					180,638.05
Segment liabilities	16,272.69	12,585.40	134,581.49	-	163,439.58
Unallocated liabilities					2,680.86
Total liabilities					166,120.44

Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

Note: Pursuant to Board approved policy on preparation of segment information, the Bank, with effect from quarter ended June 30, 2020, has revised the basis of preparation of segment information on a direct identification basis with the aid of Internal Transfer pricing mechanism for more appropriate presentation of the segment results. Accordingly, figures for the previous year have been regrouped / reclassified to conform to current period's classification. The change in segment information has no impact on the overall Revenue, Results, and Capital employed of the bank for the year ended March 31, 2021 or the previous year.

2.3. **Related Party Disclosures (AS 18)**

a) Details of Related Parties:

Subsidiaries, associates/joint ventures/other related entities

Name of the entity	Nature of Relationship
Fedbank Financial Services Limited	Subsidiary
Federal Operations and Services Limited	Subsidiary
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Fedbank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

Key Management Personnel

Name of the Key Management personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	• Mr. T S Srinivasan • Ms. Kamala Srinivasan • Ms. Maya Shyam • Ms. Meena Lochani • Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director & CFO	• Ms. Sunita Khajuria • Ms. Vasundhara Khajuria • Ms. Yashodhara Khajuria
Ms. Shalini Warrier, Executive Director & COO	• Ms. Parvathi Warrier • Ms. Asha Warrier

b) Transactions with related parties

For the year ended March 31, 2021:

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	391.83 (394.44)	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	414.01 (440.11)
Advances#	781.08 (1,053.05)	5.39 (28.78)	0.25 (0.28)	- -	786.72 (1,082.11)
Investments in Shares#	317.81 (317.81)	229.60 (229.60)	- -	- -	547.41 (547.41)
Other Investments (NCD,PTC held through trust etc)	257.89 (270.39)	- -	- -	- -	257.89 (270.39)
Interest paid	0.01	0.55	0.14	0.07	0.77
Interest received	91.19	0.23	0.01	-	91.43
Income from Services Rendered to	11.02	46.95	-	-	57.97
Expenses for Receiving services from	50.14	-	-	-	50.14
Leasing arrangements provided	0.02	-	-	-	0.02
Leasing arrangements availed	1.08	-	-	-	1.08
Receivable from	-	8.30	-	-	8.30
Payable to	5.27	-	-	-	5.27
Remuneration paid	-	-	4.56	-	4.56
Dividend Received	-	-	-	-	-
Dividend Paid	-	-	-	-	-
Share capital received on exercise of ESOS	-	-	1.22	-	1.22
No.of Options granted under ESOS (in numbers)	-	-	-	-	-
No.of Options outstanding under ESOS (in numbers)	-	-	3,310,680	-	3,310,680

- Represents outstanding as on March 31, 2021

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

For the year ended March 31, 2020:

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	38.50 (42.69)	20.80 (26.06)	3.08 (3.08)	1.03 (1.05)	63.41 (72.88)
Advances#	1,062.20 (1,071.57)	-	0.28 (0.53)	- -	1,062.48 (1,072.10)
Investments#	259.20 (259.20)	228.21 (228.21)	- -	- -	487.41 (487.41)
Interest paid	-	0.49	0.05	0.04	0.58
Interest received	79.79	-	0.02	-	79.81
Income from Services Rendered to	5.86	43.93	-	-	49.79
Expenses for Receiving services from	42.80	-	-	-	42.80
Leasing arrangements provided	*	-	-	-	*
Leasing arrangements availed	1.29	-	-	-	1.29
Receivable from	-	9.13	-	-	9.13
Payable to	4.50	-	-	-	4.50

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Remuneration paid	-	-	4.53	-	4.53
Dividend Received	-	30.57	-	-	30.57
Dividend Paid	-	-	1.18	-	1.18
Share capital received on exercise of ESOS	-	-	0.47	-	0.47
No.of Options granted under ESOS (in numbers)	-	-	800,000	-	800,000
No.of Options outstanding under ESOS (in numbers)	-	-	4,120,680	-	4,120,680

- Represents outstanding as on March 31, 2020

* Denotes figures less than ₹ 1 Lakh.

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

The significant transactions between the Bank and the related parties during the year ended March 31, 2021 and March 31, 2020 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(₹ in Crore)

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Deposits	Fedbank Financial Services Limited	386.65	34.88
Advances	Fedbank Financial Services Limited	781.08	1,062.20
Investments in Shares	Fedbank Financial Services Limited	307.81	249.20
	Ageas Federal Life Insurance Company Limited	208.00	208.00
Other Investments (NCD,PTC held through trust etc)	Fedbank Financial Services Limited	239.50	-
Interest paid	Ageas Federal Life Insurance Company Limited	0.55	0.48
	Mr. Shyam Srinivasan	0.09	0.01
Interest received	Fedbank Financial Services Limited	91.19	79.79
Income from Services Rendered to	Ageas Federal Life Insurance Company Limited	46.94	43.93
Expenses for Receiving services from	Fedbank Financial Services Limited	23.76	23.85
	Federal Operations and Services Limited	26.38	18.95
Leasing arrangements availed	Fedbank Financial Services Limited	1.08	1.29
Leasing arrangements provided	Fedbank Financial Services Limited	0.01	-
	Federal Operations and Services Limited	0.01	-
Receivable from	Ageas Federal Life Insurance Company Limited	8.30	9.13
Payable to	Fedbank Financial Services Limited	2.66	1.40
	Federal Operations and Services Limited	2.61	3.10
Remuneration paid	Mr. Shyam Srinivasan	2.31	2.27
	Mr. Ashutosh Khajuria	1.17	1.20
	Ms. Shalini Warrier	1.09	1.06
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	1.22	0.47
No.of Options outstanding under ESOS (in numbers)	Mr. Ashutosh Khajuria	847,500	1,400,000

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
No.of Options outstanding under ESOS (in numbers)	Ms. Shalini Warrier	2,142,500	2,400,000

2.4. **Deferred Tax Assets / Liability (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in Crore)

	March 31,2021	March 31, 2020
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	153.75	148.83
(ii) Depreciation on Investments	13.38	11.35
(iii) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	168.12	137.64
(iv) Others	10.90	7.44
Total - (A)	**346.15**	**305.26**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	1.44	2.74
(ii) Provision for Standard Assets	185.42	157.58
(iii) Depreciation on Fixed assets	9.06	9.78
(iv) Others	133.43	124.01
Total - (B)	**329.35**	**294.11**
Net Deferred tax liability/ (Asset) (A-B)	**16.80**	**11.15**

2.5 During the year ended March 31, 2020, the Bank has elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Bank has recognised Provision for Income Tax for the year ended March 31, 2021 based on the rate prescribed in the aforesaid section.

3. Additional Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

3.1 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

		Year ended March 31, 2021	Year ended March 31, 2020
i)	Provision towards NPAs	1,515.73	1,010.47
ii)	Provision for Depreciation in Value of Investments (Net)	11.21	63.19
iii)	Provision for Non - Performing Investments	3.90	5.37
iv)	Provision for Standard Assets	110.62	99.08
v)	Provision for Taxation#	546.97	489.75
vi)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	8.17	(5.95)
	Total	**2,196.60**	**1,661.91**

#Refer Note No.2.5

3.2 **Movement in floating provision is set out below:**

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	March 31, 2021	**March 31, 2020**	**March 31, 2021**	**March 31, 2020**
a) Opening balance	12.75	12.75	69.18	69.18
b) Provision made during the year	-	-	-	-
c) Provision utilised during the year	-	-	-	-
d) Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

3.3. **Draw Down from Reserves**

The Bank has not drawn down any amount from any reserves during the year ended March 31, 2021 and March 31, 2020.

3.4. **A) Disclosure of customer complaints**

Sl.No.	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
1	Number of complaints pending at beginning of the year	1,692	1,354
2	Number of complaints received during the year	147,914	200,249
3	Number of complaints disposed during the year	146,108	199,911
	Of which, number of complaints rejected by the bank	46,394	48,386
4	Number of complaints pending at the end of the year	3,498	1,692
	Maintainable complaints received by the bank from Banking Ombudsman (BO)		
5	Number of maintainable complaints received by the bank from BOs	757	535
	Of which, number of complaints resolved in favour of the Bank by BOs	243	150
	Of which, number of complaints resolved through conciliation/ mediation/advisories issued by BOs	511	385
	Of which, number of complaints resolved after Passing of Awards by BOs against the bank	-	-
6	Number of Awards unimplemented within the stipulated time(other than those appealed)	-	-
	Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme		

B) Top Five grounds of complaints received by the Bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/decrease in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
1	2		3		4		5		6	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
ATM/Debit Cards	1,038	1,297	117,915	142,813	(17.43)	100.28	2,481	1,038	119	-
Internet/Mobile/Electronic Banking	87	5	19,543	11,183	74.76	797.51	860	87	-	-
Account opening/difficulty in operation of accounts	35	24	2,578	3,123	(17.45)	172.75	37	35	-	-
Loans and advances	22	17	1,315	777	69.24	46.88	44	22	-	-
Levy of charges without prior notice / excessive charges / foreclosure charges	14	6	448	550	(18.55)	77.42	23	14	-	-
Others	496	5	6,115	41,803	(85.23)	6,072.00	53	496	-	-
Total	**1,692**	**1,354**	**147,914**	**200,249**	**-**	**-**	**3,498**	**1,692**	**119**	**-**

Note: RBI vide their Circular CEPD.CO.PRD.Cir.No.01/13.01.013/2020-21 dated January 27, 2021 on Strengthening of Grievance Redress Mechanism in Banks had categorized grievances under 16 categories and had advised Banks to make disclosures accordingly. There is a significant reduction (26%) in the number of complaints received in FY 2020-21 compared to FY 2019-20, primarily due to proactive measures initiated to reduce customer complaints at different levels.

3.5. **Letter of Comfort**

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended March 31, 2021 and March 31, 2020.

3.6. **Provision coverage ratio**

The Provision coverage ratio of the bank as on March 31, 2021, computed in terms of the RBI Guidelines was 77.65 % (Previous Year 72.48 %).

3.7. **Bancassurance Business**

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income *	March 31, 2021	March 31, 2020
1	For selling life insurance policies	46.95	43.94
2	For selling non-life insurance policies	19.65	22.72
3	For selling mutual fund products	6.02	2.09
4	Others#	9.54	6.56
	Total	**82.16**	**75.31**

** - includes receipts on account of marketing activities undertaken on behalf of Bancassurance partners.*
 # -includes income on DP/Trading/PIS

3.8 **Concentration of Deposits, Advances, Exposures and NPAs**

3.8.1 **Information on Concentration of deposits:**

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total deposits of twenty largest depositors	8,329.79	9,178.20
Percentage of deposits of twenty largest depositors to total deposits of the bank	4.82%	6.03%

Note: Excludes holders of certificate of deposits which are tradable instruments.

3.8.2 **Information on Concentration of advances:**

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total advances to twenty largest borrowers	18,058.80	15,580.42
Percentage of advances to twenty largest borrowers to total advances of the bank	10.22%	10.12%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

3.8.3 **Information on Concentration of exposure:**

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total exposures to twenty largest borrowers/customers	19,050.48	16,519.67
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	10.41%	10.33%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July1, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 3.8.1 to 3.8.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

3.8.4 **Information on Concentration of NPAs:**

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total exposures to top four NPA accounts	603.79	512.83

3.9 **Sector wise advances and NPA**

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2021 and March 31, 2020 is given below:

(₹ in Crore)

Sl. No.	Sector*	March 31, 2021			March 31, 2020		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
A	**Priority Sector**						
1.	Agriculture and allied activities	16,928.73	916.43	5.41	14,127.29	837.31	5.93
2.	Advances to industries sector eligible as priority sector lending	9,163.79	212.30	2.32	5,214.37	389.12	7.46
	Of which:						
	Infrastructure	*2,457.62*	*40.16*	*1.63*	*1,151.36*	*63.41*	*5.51*
	Textiles	*1,453.98*	*8.27*	*0.57*	*707.74*	*57.55*	*8.13*
3.	Services	5,857.32	62.65	1.07	6,676.44	495.04	7.41
	Of which:						
	Trade	*800.61*	*17.39*	*2.17*	*4,280.09*	*407.45*	*9.52*
	Commercial Real Estate	*541.83*	*0.36*	*0.07*	*311.27*	*4.48*	*1.44*
	NBFCs	*710.62*	-	-	*47.47*	-	-
	Other Services	*2,267.81*	*20.03*	*0.88*	*1,403.33*	*39.94*	*2.85*
4.	Personal loans	-	-	-	-	-	-
5.	Others	4,567.85	317.78	6.96	4,594.73	254.03	5.53
	Sub-total (A)	**36,517.69**	**1,509.16**	**4.13**	**30,612.83**	**1,975.50**	**6.45**
B	**Non-Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	20,296.43	942.08	4.64	24,246.25	420.56	1.73
	Of which:						
	Infrastructure	*8,979.34*	*450.88*	*5.02*	*8,637.92*	*161.77*	*1.87*
3.	Services	36,721.44	1,222.75	3.33	34,676.59	479.69	1.38
	Of which:						
	Trade	*8,036.38*	*605.84*	*7.54*	*4,570.67*	*94.71*	*2.07*
	Commercial Real Estate	*4,334.83*	*27.28*	*0.63*	*5,012.21*	*27.62*	*0.55*
	Non-Banking Finance Companies	*15,502.19*	*185.44*	*1.20*	*17,069.83*	*281.23*	*1.65*
	Other services	*7,779.60*	*345.34*	*4.44*	*6,627.42*	*60.69*	*0.92*
4.	Personal loans	2,063.59	101.81	4.93	1,491.14	33.18	2.23
5.	Others	39,277.56	826.59	2.10	33,126.37	621.90	1.88
	Sub-total (B)	**98,359.02**	**3,093.23**	**3.14**	**93,540.35**	**1,555.33**	**1.66**
	Total (A+B)	**134,876.71**	**4,602.39**	**3.41**	**124,153.18**	**3,530.83**	**2.84**

*Classification into sectors/subsectors as above has been done based on Bank's internal norms, which has been relied upon by the auditors.

3.10 **A) Movement in gross non-performing assets**

(₹ in Crore)

Particulars	**March 31, 2021**	**March 31, 2020**
Gross NPAs as at the beginning of the year	3,530.83	3,260.68
Additions (Fresh NPAs) during the year#	1,921.90	1,918.80
Sub-total (A)	**5452.73**	**5,179.48**
Less: Reduction#		
(i) Upgradations	86.23	403.69
(ii) Recoveries (excluding recoveries made from upgraded accounts)	366.60	510.77
(iii) Technical/ Prudential Write – offs	357.87	663.07
(iv) Write –offs other than those under (iii) above	39.64	71.12
(v) Reduction by Sale of Assets to ARCs	-	-
Sub-total (B)	**850.34**	**1,648.65**
Gross NPAs as at the end of the year* (A-B)	**4602.39**	**3,530.83**

#Aggregate of quarterly movement during the year

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 7,022.38 Crore (Previous Year ₹ 5,839.51 Crore)

B) Movement in technical/prudential written off accounts is set out below:

(₹ in Crore)

Particulars	**March 31, 2021**	**March 31, 2020**
Opening balance	2,308.68	1,691.18
Add: Technical write-offs during the year	357.87	663.07
Sub-total (A)	**2,666.55**	**2,354.25**
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	12.57	44.58
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	2.08	0.99
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	231.91	-
Sub-total (B)	246.56	45.57
Closing balance at the end of the year (A-B)	**2,419.99**	**2,308.68**

3.11. **Details of Overseas Assets, NPAs and Revenue**

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch(s) as on March 31, 2021 and March 31, 2020. Details of Assets, NPAs and Revenue of IBU are given below:

(₹ in Crore)

Particulars	**March 31, 2021**	**March 31, 2020**
Total Assets	2,346.86	2,794.44
Total NPAs	350.93	189.16
Total Revenue	50.19	99.96

3.12. **Sponsored SPVs**

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at March 31, 2021 and March 31, 2020.

3.13 **Disclosures on Remuneration**

i) Qualitative disclosures

a) Information relating to the composition and mandate of the Nomination, Remuneration, Compensation and Ethics Committee (or Remuneration Committee in short):

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. The Committee comprise of three or more Non-Executive Directors, out of which not less than one-half would be Independent Directors and would include at least one member from Risk Management Committee of the Board.

As on March 31, 2021, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. C Balagopal
- Ms. Grace Elizabeth Koshie
- Mr. A P Hota

Out of the above Ms. Grace Elizabeth Koshie is also a member of Risk Management Committee of the Board.

The Remuneration Committee of the Board functions with the following mandate, in respect of matters related to remuneration:

i. To oversees the framing, review and implementation of an effective Compensation Policy, as per RBI Guidelines.
ii. To review the compensation package for the MD & CEO and Executive Directors and recommend revisions for Board approval.
iii. To consider and approve issuance and allotment of shares under ESOS to MD & CEO /EDs and employees of the Bank.
iv. Work in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formulated and adopted a comprehensive compensation policy covering all the employees and the policy is reviewed on an annual basis. The policy covers all aspects of the compensation structure such as fixed pay, variable compensation, perquisites, performance bonus, guaranteed bonus (joining/sign-on bonus), severance package, share-linked instruments e.g. Employee Stock Option Plan (ESOPs), pension, gratuity, etc., taking into account the Guidelines issued by Reserve Bank of India from time to time.

The objectives of the remuneration policy are four-fold:

- To align compensation with prudent risk taken
- To drive sustainable performance in the Bank
- To ensure financial stability of the Bank; and
- To attract and retain talent

The compensation paid to the **Chief Executive Officers (CEOs) / Whole Time Directors (WTDs) /Material Risk Takers (MRTs)** is divided into two components:

1. **Fixed Pay and Perquisites:** The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will also be treated as part of fixed pay.

2. **Variable Compensation:** The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is fixed based on organizational performance (both business-unit and firm-wide) and KPAs set for the official. The organization's performance is charted

based on Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. The Score Card provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. Additionally, serious supervisory observations (if any) are also factored. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments.

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

Grander Compensation Package to Executives in Level IV and above: The Compensation package applicable to Executives in Level IV and above are governed under the provisions of Grander Compensation Package, a performance linked pay structure implemented in the Bank with effect from May 01, 2017. Annual Increment under the "Grander Compensation Package" will depend on the annual performance rating of the Executive concerned.

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

c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the Bank are arranged under the following three categories:

1. MD & CEO/Whole Time Directors/ Material Risk Takers (MRTs)
2. Risk Control and Compliance Staff
3. Other Categories of Staff

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, the Bank maintains proper balance between fixed pay and variable pay. A significant portion (i.e. at least 50 percent) of total compensation payable to MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) is variable.

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

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

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement. Appropriate compliance arrangements have been established to ensure that employees do not insure or hedge their compensation structure.

Committee of Management for reviewing the linkage of Risk Based Performance with Remuneration (ED Level Committee): The ED Level Committee, comprising of ED and Heads of Risk Division and HR Department would assist the Nomination and Remuneration Committee of the Board to monitor, review and control various risks and to balance prudent risk taking with the compensation paid out to top Executives, WTDs and other employees.

d) Linkage of performance during a performance measurement period with levels of remuneration.

The Bank's performance is charted based on performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through Score cards for MD & CEO / EDs. The score card provides a mix of financial and non-financial, quantitative and qualitative metrics.

The compensation package applicable to Executives in Level IV to VII was fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance-based compensation package called "Grander Compensation Package" has been introduced for Executives in Level 4 (Assistant Vice President) and above with effect from May 01, 2017.

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks Association.

e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.

MD & CEO, Whole Time Directors and Material Risk Takers (MRTs).

Deferral of Variable Pay : For MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under Rs.25 lakh, deferral requirements would not be necessary.

Period of Deferral Arrangement: The deferral period would be minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.
Vesting : Deferred remuneration would either vest fully at the end of the deferral period or be spread out over the course of the deferral period, subject to the following conditions.

- The first such vesting will be not before one year from the commencement of the deferral period.
- The vesting will be no faster than on a pro rata basis.
- Vesting will not take place more frequently than on a yearly basis.

In case of deferred compensation (cash component), the payment will be made as per the Schedule mentioned below.

Proportion of deferred Variable Pay	Timelines
50%	Year N - Upfront *
16.50%	Year N +1
16.50%	Year N +2
17.00%	Year N+3

(* subject to approval of RBI for MD & CEO and WTD's)

Risk Control and Compliance Staff

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

Other categories of Staff

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

Malus / Claw back arrangement

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

- Malus arrangement wherein Bank shall withhold vesting of all or part of the amount of deferred remuneration.

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

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

f) Description of the different forms of variable remuneration

The variable pay is in the form of share-linked instruments, or a mix of cash and share-linked instruments. The Bank uses an optimum and proper mix of cash (Performance Linked Incentive/Ex- Gratia) and share-linked instruments (Stock Options) to decide the compensation of employees in all categories.

The distribution of Stock Options and variable Performance Linked Incentives are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments.

ii) Quantitative disclosures

Particulars			March 31, 2021	March 31, 2020
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		7 ₹ 6,30,000/-	10 ₹ 810,000/-
(b)	(i)	Number of employees having a variable remuneration award during the financial year.	10	3
	(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv)	Details of severance pay, in addition to accrued	Nil	Nil

Particulars			March 31, 2021	March 31, 2020
		benefits, if any.		
(c)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred		Fixed - ₹ 8.35 Crore Variable – ₹ 0.61 Crore	Fixed - ₹ 3.75 Crore Variable - ₹ 0.78 Crore
(e)	(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	Nil	Nil
	(ii)	Total amount of reductions during the financial year due to ex- post explicit adjustments	Nil	Nil
	(iii)	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil
(f)	Number of MRTs identified.		10	-
(g)	(i)	Number of cases where malus has been exercised.	-	-
	(ii)	Number of cases where clawback has been exercised.	-	-
	(iii)	Number of cases where both malus and clawback have been exercised.	-	-

iii) General Quantitative Disclosure

Particulars		March 31, 2021	March 31, 2020
(i)	The mean pay for the bank as a whole (excluding sub-staff) (in ₹)	1,362,873	1,002,708
(ii)	The deviation of the pay of each of its WTDs from the mean pay.		
	• Mr. Shyam Srinivasan, Managing Director & CEO	15.96	21.60
	• Mr. Ashutosh Khajuria, Executive Director & CFO	7.56	10.99
	• Ms. Shalini Warrier, Executive Director & COO	6.97	9.60

3.14 **Securitisation Transactions**

The Bank has not done any securitisation transactions during the year ended March 31, 2021 and March 31, 2020.

3.15 **Details of Intra-Group Exposure**

(₹ in Crore)

Sl. No.	Particulars	March 31, 2021	March 31, 2020
1	Total amount of intra-group exposures*	947.34	1,108.96
2	Total amount of top-20 intra group exposures*	947.34	1,108.96
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.52%	0.69%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July1, 2015.

3.16 **Transfers to Depositor Education and Awareness (DEA) Fund**

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEA Fund. Details of amounts transferred to DEA Fund are set out below:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance of amounts transferred to DEA Fund	177.37	114.56
Add: Amounts transferred to DEA Fund during the year	38.14	67.25
Less: Amounts reimbursed by DEA Fund towards claims	3.48	4.44
Closing balance of amounts transferred to DEA Fund	212.03	177.37

3.17 **Unhedged Foreign Currency Exposure**

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 15.90 Crore (Previous year ₹ 5.96 Crore) as provision and ₹ 21.06 Crore (Previous year ₹ 4.20 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2021.

3.18 Liquidity Coverage Ratio (LCR)

a) Quantitative Disclosure

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2021:

(₹ in Crore)

	Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
		Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**35,501.98**		**38,810.45**		**38,748.71**		**34,844.87**
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	143,128.38	12,057.86	139,489.09	11,728.08	138,293.02	11,619.64	133,691.38	11,248.71
(i)	Stable deposits	45,099.62	2,254.98	44,416.54	2,220.83	44,193.21	2,209.66	42,408.48	2,120.42
(ii)	Less stable deposits	98,028.76	9,802.88	95,072.55	9,507.25	94,099.81	9,409.98	91,282.90	9,128.29
3	Unsecured wholesale funding, of which:	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95
(i)	Outflows related to derivative exposures and other collateral requirements	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	31,079.41	2,925.85	33,599.11	3,195.70	35,098.79	3,274.20	32,628.99	3,075.63
7	Other contingent funding obligations	8,239.81	247.19	8,097.65	242.93	8,010.49	240.31	8,183.54	245.51
8	**TOTAL CASH OUTFLOWS**		**20,969.35**		**19,674.58**		**20,112.72**		**19,700.37**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	6,347.35	-	12,119.68	-	12,242.76	-	6,630.99	-
10	Inflows from fully performing exposures	7,660.01	6,267.08	6,643.56	5,276.93	5,887.14	4,918.80	4,889.64	4,489.15
11	Other cash inflows	10.04	10.04	0.50	0.50	-	-	-	-
12	**TOTAL CASH INFLOWS**	**14,017.40**	**6,277.12**	**18,763.74**	**5,277.43**	**18,129.90**	**4,918.80**	**11,520.63**	**4,489.15**
13	**TOTAL HQLA**		35,501.98		38,810.45		38,748.71		34,844.87
14	**TOTAL NET CASH OUTFLOWS**		14,692.23		14,397.15		15,193.94		15,211.22
15	**LIQUIDITY COVERAGE RATIO (%)**		**241.64%**		**269.57%**		**255.03%**		**229.07%**

Note: LCR data has been computed based on simple average of daily observations.

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2020:

(₹ in Crore)

Particulars		Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
		Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		**28,976.25**		**26,816.35**		**24,524.60**		**23,278.27**
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	125,491.75	11,719.49	123,228.70	11,499.65	119,909.57	11,181.96	116,970.34	10,897.03
(i)	Stable deposits	16,593.62	829.68	16,464.51	823.23	16,179.75	808.98	15,999.95	800.00
(ii)	Less stable deposits	108,898.13	10,889.81	106,764.19	10,676.42	103,729.82	10,372.98	100,970.39	10,097.03
3	Unsecured wholesale funding, of which:	12,178.51	5,994.52	9,899.21	4,367.77	8,754.80	3994.19	8,585.33	4,554.60
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	12,178.51	5,994.52	9,899.21	4,367.77	8,754.80	3,994.19	8,585.33	4,554.60
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	1.87	1.87	0.63	0.63	1.19	1.19	1.09	1.09
(i)	Outflows related to derivative exposures and other collateral requirements	1.87	1.87	0.63	0.63	1.19	1.19	1.09	1.09
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	30,690.59	2,921.01	27,718.35	2,622.83	27,398.32	2,609.12	25,831.38	3,288.79
7	Other contingent funding obligations	7,958.10	238.74	7,442.36	223.27	7,351.84	220.56	6,789.76	203.69
8	**TOTAL CASH OUTFLOWS**		**20,875.63**		**18,714.15**		**18,007.02**		**18,945.20**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	2,400.02	-	1,434.66	-	1,112.62	-	401.70	-
10	Inflows from fully performing exposures	6,652.90	5,246.00	6,856.07	5,398.97	6,698.63	5,056.67	6,053.79	4,179.18
11	Other cash inflows	0.79	0.79	0.72	0.72	1.46	1.46	0.03	0.03
12	**TOTAL CASH INFLOWS**	**9,053.71**	**5,246.79**	**8,291.45**	**5,399.69**	**7,812.71**	**5,058.13**	**6,455.52**	**4,179.21**
13	**TOTAL HQLA**		28,976.25		26,816.35		24,524.60		23,278.27
14	**TOTAL NET CASH OUTFLOWS**		15,628.84		13,314.46		12,948.89		14,765.99
15	**LIQUIDITY COVERAGE RATIO (%)**		**185.40%**		**201.41%**		**189.40%**		**157.65%**

Note: LCR data has been computed based on simple average of daily observations.

b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high-quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from 1st January 2017. Bank has computed the LCR of the IFSC Banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. The Bank has consistently maintained LCR above 80% during the first half and above 90% during the second half as against the regulatory minimum of 80% and 90% during the Fiscal 2021

On an average, 96% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 3% of NDTL as per the relaxations permitted by RBI in the context of Covid-19) and facility to avail liquidity ratio (presently 15% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable from a liquidity perspective is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and 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	March 31, 2021	March 31,2020
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,994,535	1,989,049
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	2,001,686	2,004,059
Nominal Value of share (in ₹)	2.00	2.00
Basic earnings per share (in ₹)	7.97	7.76
Diluted earnings per share (in ₹)	7.94	7.70
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	15,902,973	15,427,811

4.2 A. Equity Issue

During the year ended March 31, 2021, the Bank has allotted 3,488,176 equity shares consequent to exercise of ESOS which resulted in an increase of ₹ 0.70 Crore in Share Capital and ₹ 13.10 Crore in Share premium account.

During the year ended March 31, 2020, the Bank has allotted 7,612,869 equity shares consequent to exercise of ESOS and 1,500 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹ 1.52 Crore in Share Capital and ₹ 31.31 Crore in Share premium account

B. Subscribed and paid up capital includes:

(i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.

(ii) 29,232,891 underlying equity shares of ₹ 2/- each (Previous Year 31,802,641 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

(i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share

(ii) 262,100 shares of ₹ 2/- each (Previous year 262,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share

(iii) 1,074,165 equity shares of ₹ 2/- each (Previous year 1,074,165 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

a) 406,670 shares of ₹ 2/- each (Previous year 406,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and

b) 612,005 bonus shares of ₹ 2/- each (Previous year 612,005 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme (ESOS) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

Number of Options

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	16,057,341	24,147,513
Surrendered during the year	-	-
Granted during the year	-	-
Exercised during the year	3,422,806	7,123,602
Forfeited/lapsed during the year	3,438,342	966,570
Outstanding at the end of the year	9,196,193	16,057,341
Options exercisable	9,171,193	15,897,341

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

ii)Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

Number of Options

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	77,227,910	50,336,281
Additions from the previous year	2,250	-
Surrendered during the year	-	-
Granted during the year	16,884,159	30,522,736
Exercised during the year	65,370	489,267
Forfeited/lapsed during the year	19,121,983	3,141,840
Outstanding at the end of the year	74,926,966	77,227,910
Options exercisable	28,949,455	28,840,450

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

iii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 30.56 Crore (Previous Year: ₹ 56.49 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 7.82 and ₹ 7.80 (Previous Year: ₹ 7.47 and ₹ 7.42) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

The Reserve Bank of India, vide its circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021 reviewed the dividend declaration norms for the year ended March 31, 2021 and permitted Banks to declare dividend subject to 50% of the regulatorily permissible dividend payout ratio. The Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70/- per Equity Share on face value of ₹ 2/- each for the year 2020-21 subject to the approval of the members at the ensuing Annual General Meeting. In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 139.73 Crore from the Profit and loss account for the year ended March 31, 2021. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31, 2021.

As per the Income-tax Act, 1961, as amended by the Finance Act, 2020, dividends paid or distributed by a company on or after 1st April 2020 shall be taxable in the hands of the shareholders. The Company shall, therefore, be required to deduct tax at source at the time of making the payment of the dividend, if approved, at the Annual General Meeting (AGM) of the Company, at the applicable rate. Accordingly, there is no amount is required to be appropriated towards tax on dividend.

In respect of the year ended March 31, 2020 the board of directors had not recommended any dividend in view of the direction from the RBI vide its circular dated April 17 ,2020 that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic.

4.3. **Fixed Assets:**

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

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Gross Block		
At the beginning of the year	250.67	248.75
Additions during the year	54.47	26.57

Particulars	March 31, 2021	March 31, 2020
Deductions / Adjustments during the year	-	24.65
At the end of the year	**305.14**	**250.67**
Depreciation / Amortisation		
At the beginning of the year	201.62	190.50
Charge for the year	25.56	35.77
Deductions / Adjustments during the year	-	24.65
Depreciation to date	**227.18**	**201.62**
Net Block	**77.96**	**49.05**

B) **Revaluation of Fixed Assets**

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2021 and March 31, 2020.

C) **Change in Accounting estimates**

As per the requirements of Accounting Standard (AS) 10 – Property, Plant and Equipment, the Bank has reviewed useful life of all its fixed assets. Based on the review, the Bank has identified certain class of assets, wherein based on the technical evaluation / experience of the Bank, the useful life of the assets is different than those estimated in earlier periods, accordingly the Bank has revised useful life of certain identified class of assets, due to which depreciation charge for the financial year 2020-21 is lower by ₹ 22.12 crore.

4.4. Operating Leases:

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 162.49 Crore (Previous year: ₹ 164.88 Crore) was charged to Profit and loss account.

4.5 Provisions and Contingencies

a) **Movement in provision for non-credit related* frauds included under other liabilities**:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Opening balance at the beginning of the year	5.76	4.46
Additions during the year	1.32	1.37
Reductions during the year	1.54	0.07
Balance at the end of the year	**5.54**	**5.76**

* Provision for credit related frauds included in Provision towards NPAs.

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

(₹ in Crore)

	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	15.58	5.19
Provision made during the year	15.39	36.49
Reductions during the year	25.13	26.10
Closing provision at the end of the year *	**5.84**	**15.58**

* The closing provision is based on the actuarial valuation of accumulated debit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit card reward points.

c) **Movement in provision for other contingencies:**

(₹ in Crore)

	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	31.28	55.49
Provision made during the year	14.35	3.57
Provision utilised for Write off during the year	2.30	1.04
Reductions during the year	1.11	26.74
Closing provision at the end of the year	**42.22**	**31.28**

4.6 **Amount of Provisions made for income-tax during the year**

(₹ in Crore)

Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2020**
Provision for Income tax		
a) Current tax	555.76	562.46
b) Deferred tax	(8.79)	(72.71)
Total	**546.97**	**489.75**

4.7 **Description of contingent liabilities:**

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Bank.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which the bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund

(Refer schedule 12 for amounts relating to contingent liability)

4.8 **Provisioning Pertaining to Fraud Accounts**

Particulars	**March 31, 2021**	**March 31, 2020**
No. of frauds reported during the year	344	589
Amount involved in fraud (₹ in crore)	723.97	196.70
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year (₹ in crore)	188.39	27.32
Provision made during the year (₹ in crore)	183.07	25.21
Provision held as at the end of the year for the above accounts (₹ in crore)	188.39	27.32
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ in crore)	-	-

4.9 **Inter-bank participation with risk sharing**

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2021 was ₹ 854.39 Crore (Previous Year: ₹ 1,556.22 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2021 was ₹ Nil (Previous Year: ₹ 450.00 Crore).

4.10 **Factoring Exposure**

The factoring exposure of the Bank as on March 31, 2021 is ₹ 512.88 Crore (Previous Year: Nil)

4.11 **Priority Sector Lending Certificates (PSLC)**

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold is given below:

(₹ in Crore)

	March 31, 2021		March 31, 2020	
Particulars	**Purchased (Face value)**	**Sold (Face value)**	**Purchased (Face value)**	**Sold (Face value)**
PSLC – Agriculture	-	-	-	-
PSLC – SF/MF	-	-	-	-
PSLC – Micro Enterprises	200.00	-	-	-
PSLC – General	11,795.25	-	-	-

4.12 **Provision for Long Term contracts**

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

4.13 **Corporate Social Responsibility (CSR)**

Operating Expenses include ₹ 35.22 Crores (Previous year**:** ₹ 42.40 Crore) for the year ended March 31,2021 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The Bank has spent 2.00% (Previous year 2.79%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2021. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilizing the reporting year to lay required foundation on which to build and scale future projects and partnerships. The Bank Continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement. Gross amount required to be spent by the Bank for the year ended March 31, 2021 is ₹ 35.22 Crore (Previous year ₹ 30.38 Crore).

The details of amount spent during the respective year towards CSR are as under:

(₹ in Crore)

Sl No	**Particulars**	**March 31,2021**			**March 31,2020**		
		Amount spent	**Amount unpaid/ Provision**	**Total**	**Amount spent**	**Amount unpaid/ Provision**	**Total**
1	Construction / acquisition of any asset	-	-	-	-	-	-
2	On purpose other than (1) above	35.22#	-	35.22#	42.40*	-	42.40*

- Includes Contribution to a trust in relation to CSR expenditure in which KMPs of the Bank can exercise significant influence: ₹ 33.42 crores (Previous Year: ₹ 40.62 crores)

* including unspent portion of FY 2015-16 ₹ 13.88 Crore fully spent in FY 2019-20.

4.14 **Investor education and protection fund**

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

4.15 **Small and Micro Industries**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

4.16 Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal (DIN: 00430938)

A P Hota (DIN: 02593219)

K Balakrishnan (DIN: 00034031)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17,2021

Varma & Varma
Chartered Accountants,
No.53/2600, Kerala Varma Tower
Off Kunjanbava Road, Vytilla,
Kochi -682019

Borkar & Muzumdar
Chartered Accountants,
Anand Nagar, Om Co-op Hsg. Society, Anand Nagar Lane, Off Nehru Road, Santacruz (East)
Mumbai - 400 055

INDEPENDENT AUDITORS' REPORT

To the Members of The Federal Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Federal Bank Limited (hereinafter referred as the 'the Bank' or 'Holding Company') and its subsidiaries (Holding Company and subsidiaries together referred to as 'the Group') and its associates which comprise the consolidated Balance Sheet as at March 31, 2021, the consolidated Profit and Loss Account and the consolidated Cash Flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements of such associates as were audited by other auditors, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking Companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Group and its associates as at March 31, 2021, of its consolidated profit and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the consolidated Financial Statements' section of our report. We are independent of the Group and its associates in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of other auditors referred to in the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note No. 1.13 (e) of Schedule 18 to the consolidated financial statements regarding the impact of COVID-19 pandemic on the Bank's operations and financial position, which will depend on various uncertain aspects including actions taken to mitigate the same and other regulatory measures.

Our opinion on the consolidated financial statements is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

	Key Audit Matters	How our audit addressed the Key Audit Matters
(i)	Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 5.2 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)	
	Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances. The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms'), including circulars in relation to COVID-19 Regulatory	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms) including the additional provisions made on advances considering the current uncertain economic environment arising out of COVID 19 pandemic. - Understanding, evaluation and testing the design and operating effectiveness of key controls (including application controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI.

	Package – Asset Classification and Provisioning. The identification of performing and non-performing advances involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each non-performing asset ('NPA') applying both quantitative as well as qualitative factors prescribed by the regulations. Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on: - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. Further, due to the various COVID-19 pandemic restrictions imposed by the Government / Local Authorities during the period of our audit, audit could not be conducted by physically visiting the premises of certain Branches of the Bank. Accordingly, our audit procedures were required to be modified to carry out the audit remotely. Since the classification of advances, identification of NPAs and creation of	- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: i. Considering testing of the exception reports generated from the application systems where the advances have been recorded. ii. Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. iii. Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors iv. Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product v. Considering audit reports and memorandum of changes issued by statutory branch auditors. vi. Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. vii. Considering the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year. viii. Examination of advances including stressed advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA after considering the key input factors and compared our measurement outcome to that prepared by management.

	provision on advances (including additional provisions arising out of COVID-19 pandemic) and income recognition on advances: - Requires proper control mechanism and significant level of estimation by the Bank; - Has significant impact on the overall financial statements of the Bank; - Could not be entirely covered through personal visits/ physical interaction with relevant branch staff as originally planned; we have ascertained this area as a Key Audit Matter.	Wherever physical access to branches was not possible due to restrictions arising from COVID-19 pandemic, we modified our audit procedures to cover review of sample advances based on scanned records/ reports/ documents/ certificates made available to us by the Bank through digital medium, emails and remote access to CBS and other relevant application software over secure network of the Bank. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period. These audit procedures were supplemented, where relevant, by gathering further evidence through enquiries and discussions with relevant Bank staff using Video Conferencing/ phone calls/ emails and similar communication channels.
(ii)	Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 5.1 of Schedule 17 to the consolidated financial statements)	
	Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments. The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.	Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular - - We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and

	We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.	directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; - We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	Information Technology ('IT') Systems and Controls for financial reporting	
	The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis. Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting, on a sample basis. - We tested IT general controls of the Bank (logical access, changes management and aspects of IT operational controls), on a sample basis. This included testing that requests for access to systems were reviewed and authorized. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting for the Bank. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.

	accurate and timely financial reporting, we have identified this area as a Key Audit Matter.	
(iv)	Assessment of Provisions and Contingent Liabilities (Refer note 5.13 & 5.20 of Schedule 17 to the consolidated financial statements)	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the consolidated financial statements) and various employee benefits schemes (Schedule 5 to the consolidated financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from legal and independent tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet. The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions.	Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported by the Bank; - Understanding the current status of the litigations/tax assessments for the Bank; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets. Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.

	We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	

Information other than the consolidated Financial Statements and Auditors' Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Bank's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

In preparing the consolidated financial statements, the respective Board of Directors of the entities included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the entities included in the Group and of its associates are also responsible for overseeing the financial reporting process of the Group and of its associates.

Auditors' Responsibilities for the audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to consolidated financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial statements made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described under 'Other Matters' in this audit report

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

I. We did not audit the financial statements of 614 Branches included in the consolidated financial statements of the Bank whose financial statements reflect total assets of 84157 crores as at March 31, 2021 and total revenue of Rs.3755 crores for the year ended on that date, as considered in the consolidated financial statements. The financial statements of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.

II. The audit of financial statements of two subsidiaries, whose financial statements reflect total assets of Rs. 5424.84 crores as at 31 March 2021, total revenues of Rs. 722.81 crores and total net profits after tax of Rs.60.43 crores for the year ended 31 March 2021 and net cash inflow amounting to Rs. 384.31 crores for the year ended on that date, as considered in the consolidated financial statements have been carried out by one of the joint auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the said joint auditor.

III. The consolidated financial statements also include the Group's share of net profit of Rs. 32.36 crore for the year ended 31 March 2021, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of its associates and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid associates is based solely on the report of the other auditors.

IV. The consolidated financial statements of the Bank for the year ended March 31, 2020 were audited by predecessor auditors whose report dated May 28, 2020 expressed an unmodified opinion on those consolidated financial statements.

Our opinion on the consolidated financial statements and our Report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters and with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and the consideration of the reports of the other auditors on separate financial statements of such subsidiaries and associates as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report that, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Bank so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated Balance Sheet, the consolidated Profit and Loss Account, the consolidated Cash Flow Statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e) On the basis of written representations received from the directors as on March 31, 2021 and taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiaries and associates none of the directors of the Group companies and its associates is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to the financial statements of the Bank, its subsidiaries and its associates incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

g) In our opinion, being a banking company, the remuneration to its directors during the year ended March 31, 2021 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

   In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiaries and associates which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to their directors is in accordance with the provisions of Section 197 of the Act. The auditors of Ageas Federal Life Insurance Company Limited, (Formerly known as IDBI Federal Life Insurance Company Limited) ('the associate') have reported, managerial remuneration is governed u/s 34A of the Insurance Act, 1938 and requires IRDAI approval. Accordingly, the provisions of Section 197 read with schedule V to the Act are not applicable, and hence reporting under Section 197(16) is not required.

h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Schedule 12 and Note No 1.14 under Schedule 18 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term contracts including derivative contracts - Refer Note 1.15 under Schedule 18 to the consolidated financial statements; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank or its subsidiaries and associates during the year ended 31 March 2021.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Sd/-
R Rajasekharan
Partner
M. No.22703
UDIN: 21022703AAAAAG4631
Kochi-19
17th May 2021

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Devang Vaghani
Partner
M. No. 109386
UDIN: 1109386AAAAEW6536
Mumbai-55
17th May 2021

Annexure A to the Independent Auditors' Report of even date on the consolidated financial statements of The Federal Bank Limited

Report on the Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to consolidated financial statements of The Federal Bank Limited ('the Bank'), its subsidiary companies and its associates which are companies incorporated in India, as at March 31, 2021 in conjunction with our audit of the consolidated financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing as specified under section 143 (10) of the Companies Act, 2013 to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiaries and associates, in terms of their report referred to in the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting with reference to consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank, its subsidiary and its associate companies have, in all material respects, an adequate internal financial controls system over financial reporting with reference to consolidated financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

1. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to its subsidiaries and associates, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.
2. Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 614 branches of the Bank is based on the corresponding reports of the respective branch auditors of those branches of the Bank.

Our opinion on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Sd/-
R Rajasekharan
Partner
M. No.22703
UDIN: 21022703AAAAAG4631
Kochi-19
17th May, 2021

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Devang Vaghani
Partner
M. No. 109386
UDIN: 1109386AAAAEW6536
Mumbai-55
17th May, 2021

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2021

(₹ in Thousands)

	Schedule	As at March 31, 2021	As at March 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	3,992,301	3,985,325
Reserves and surplus	2	161,029,972	144,238,256
Minority interest	2A	2,167,336	1,809,643
Deposits	3	1,721,861,042	1,522,519,073
Borrowings	4	122,706,009	125,277,199
Other liabilities and provisions	5	37,908,610	35,703,762
TOTAL		**2,049,665,270**	**1,833,533,258**
ASSETS			
Cash and balances with Reserve Bank of India	6	76,545,101	61,825,426
Balances with banks and money at call and short notice	7	121,612,248	65,747,653
Investments	8	367,316,744	357,153,933
Advances	9	1,355,144,123	1,248,494,994
Fixed assets	10	5,174,870	5,048,118
Other assets	11	123,872,184	95,263,134
TOTAL		**2,049,665,270**	**1,833,533,258**
Contingent liabilities	12	364,270,082	344,638,154
Bills for collection		39,772,224	37,676,464
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal (DIN: 00430938)

A P Hota (DIN: 02593219)

K Balakrishnan (DIN: 00034031)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2021

(₹ in Thousands)

	Schedule	Year ended March 31, 2021	Year ended March 31, 2020
I. INCOME			
Interest earned	13	143,140,755	135,903,904
Other income	14	19,578,598	18,818,113
TOTAL		**162,719,353**	**154,722,017**
II. EXPENDITURE			
Interest expended	15	84,349,581	86,783,092
Operating expenses	16	38,986,638	35,467,071
Provisions and contingencies		22,911,075	16,944,181
TOTAL		**146,247,294**	**139,194,344**
III. NET PROFIT FOR THE YEAR		**16,472,059**	**15,527,673**
Less: Minority interest		152,363	102,800
Add: Share in Profit of Associates		323,642	377,087
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		**16,643,338**	**15,801,960**
Balance in Profit and Loss Account brought forward from previous year		27,417,347	22,747,623
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		-	69,757
V. AMOUNT AVAILABLE FOR APPROPRIATION		**44,060,685**	**38,479,826**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		2,295,718	1,474,611
Transfer to Statutory Reserve		3,975,743	3,856,953
Transfer to Capital Reserve		1,534,458	1,358,289
Transfer to Special Reserve		1,209,900	960,000
Transfer to Reserve fund		86,730	58,502
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		-	2,782,229
Tax on dividend (Note 1.1 E of Schedule 18)		-	571,895
Balance carried over to Consolidated Balance Sheet		34,958,136	27,417,347
TOTAL		**44,060,685**	**38,479,826**
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		8.34	7.94
Diluted		8.31	7.88
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal (DIN: 00430938)

A P Hota (DIN: 02593219)

K Balakrishnan (DIN: 00034031)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

THE FEDERAL BANK LIMITED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021 (₹ in Thousands)		
	Year ended March 31, 2021	**Year ended March 31, 2020**
Cash Flow from Operating Activities		
Net Profit before taxes	22,256,900	20,873,947
Adjustments for:		
Depreciation on Group's Property	1,149,202	1,257,270
Depreciation on Investments	147,350	635,001
Amortisation of Premium on Held to Maturity Investments	1,421,890	740,116
Provision for Non Performing Investments	39,038	53,733
Provision / Charge for Non Performing Assets	15,436,804	10,124,852
Provision for Standard Assets	1,592,599	1,118,079
(Profit)/ Loss on sale of fixed assets (net)	(17,989)	(51,724)
(Income) / Loss From Associates	(323,642)	(377,087)
Provision for Restructured assets	(15,966)	(103,017)
Provision for Other Contingencies	97,688	43,545
	41,783,874	**34,314,715**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *[excluding Held to Maturity Investments]*	26,435,688	4,022,630
(Increase)/ Decrease in Advances	(122,085,933)	(143,260,641)
(Increase)/ Decrease in Other Assets	(28,001,726)	(26,143,694)
Increase/ (Decrease) in Deposits	199,341,969	173,729,752
Increase/ (Decrease) in Other liabilities and provisions	596,736	1,653,577
	76,286,734	**10,001,624**
Direct taxes paid	(6,287,094)	(7,010,671)
Net Cash Flow from / (Used in) Operating Activities	**111,783,514**	**37,305,668**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,299,307)	(1,544,635)
Proceeds from Sale of Fixed Assets	41,342	90,301
Investment in Subsidiary	586,080	(642,000)
Investment in Associate	7,997	(6,661)
(Increase)/ Decrease in Held to Maturity Investments	(38,477,212)	(44,822,694)
Net Cash generated / (Used in) Investing Activities	**(39,141,100)**	**(46,925,689)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	6,976	15,229
Proceeds from Share Premium	129,293	825,666
Increase / (Decrease) in Minority Interest	357,693	913,658
Proceeds from Issue of Subordinate Debt	-	3,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(2,571,190)	35,214,286
Dividend Paid (Including Tax on Dividend)	-	(3,354,125)
Net Cash generated from financing Activities	**(2,077,228)**	**36,614,714**
Effect of exchange fluctuation on translation reserve	19,084	43,697
Increase/(Decrease) in Cash and Cash Equivalents	**70,584,270**	**27,038,390**

(₹ in Thousands)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash and Cash Equivalents at the beginning of the year	127,573,079	100,534,689
Cash and Cash Equivalents at the end of the year	198,157,349	127,573,079

Note:

Cash and Cash Equivalents comprise of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Consolidated Balance Sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

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Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

For Borkar & Muzumdar
Chartered Accountants
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R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

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C Balagopal (DIN: 00430938)

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Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 1 - CAPITAL		
Authorised Capital	8,000,000	5,000,000
4,000,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,994,991	3,988,015
1,997,495,543 (Previous year 1,994,007,367) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,992,305	3,985,329
1,996,152,748 (Previous year 1,992,664,572) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	**3,992,301**	**3,985,325**
Refer Note 1.1 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	29,833,982	25,977,029
Additions during the year	3,975,744	3,856,953
	33,809,726	**29,833,982**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	**50,091**
(b) Others		
Opening balance	5,046,005	3,687,716
Additions during the year*	1,534,458	1,358,289
	6,580,463	**5,046,005**
	6,630,554	**5,096,096**
III. Share premium (Also refer Note 1.1 of Schedule 18)		
Opening balance	53,173,992	52,348,326
Additions during the year	130,995	844,463
Deductions during the year	1,702	18,797
	53,303,285	**53,173,992**
IV. Revenue and Other Reserves		
(a) Revenue Reserve		
Opening Balance	20,170,491	18,695,880
Additions during the year	2,295,718	1,474,611
Deductions during the year	-	-
	22,466,209	**20,170,491**
(b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	**1,897,200**
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	6,039,900	5,079,900
Additions during the year	1,209,900	960,000
	7,249,800	**6,039,900**
V. Foreign Currency Translation Reserve		
Opening Balance	63,488	19,791
Additions / (Deductions) during the year [Refer Schedule 17 (5.6)]	19,084	43,697
	82,572	**63,488**
VI. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VII. Reserve Fund		
Opening balance	243,993	207,032
Additions during the year	86,730	79,057
Deductions during the year	-	42,096
	330,723	**243,993**
VIII. General Reserve		
Opening balance	764	853
Additions during the year	-	-
Deductions during the year	-	89
	764	**764**
IX. Balance in Consolidated Profit and Loss Account	**34,958,136**	**27,417,347**
Total	**161,029,972**	**144,238,256**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :
a) Gain on sale of Held to Maturity Investments ₹ 1,523,907 Thousands (Previous year ₹ 1,336,850 Thousands)
b) Profit on sale of Premises ₹ 10,551 Thousands (Previous year ₹ 21,439 Thousands)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 2A - MINORITY INTEREST		
Minority interest at the date on which parent-subsidiary relationship came into existence	786,638	786,638
Subsequent increase	1,380,698	1,023,005
	2,167,336	**1,809,643**
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	4,583,310	2,201,459
ii. From Others	113,320,966	79,815,030
	117,904,276	**82,016,489**
II. Savings Bank Deposits	**468,522,891**	**385,344,370**
III. Term Deposits		
i. From Banks	26,909,515	31,507,478
ii. From Others	1,108,524,360	1,023,650,736
	1,135,433,875	**1,055,158,214**
Total	**1,721,861,042**	**1,522,519,073**
B. I. Deposits of branches in India	1,721,819,135	1,521,643,190
II. Deposits of branches outside India	41,907	875,883
Total	**1,721,861,042**	**1,522,519,073**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	19,880,000
ii. Other Banks	35,555,016	20,314,686
iii. Other institutions and agencies	65,459,065	59,347,522
Total	**101,014,081**	**99,542,208**
II.Borrowings outside India	21,691,928	25,734,991
Total	**122,706,009**	**125,277,199**
a) Secured borrowings included in I and II above	88,526,605	101,338,611
b) Tier II bond included in I(ii) & I(iii) above	3,105,000	3,000,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	4,980,825	1,803,851
II. Inter - office adjustments (Net)	0	-
III. Interest accrued	2,472,313	3,104,896
IV. Others (including provisions)*	30,455,472	30,795,015
Total	**37,908,610**	**35,703,762**
*Includes		
(a) General provision for standard assets	7,529,203	6,405,053
(b) Deferred Tax Liability	-	66,209

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	16,746,615	13,813,235
II. Balance with Reserve Bank of India		
i. in Current Accounts	59,798,486	48,012,191
ii. in Other Accounts	-	-
Total	**76,545,101**	**61,825,426**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	6,690,910	8,426,874
b. in Other Deposit Accounts	3,570,372	1,880,000
ii. Money at call and short notice		
a. With Banks	-	2,750,000
b. With other institutions	38,500,000	38,250,000
Total	**48,761,282**	**51,306,874**
II. Outside India		
i. in Current Accounts	12,060,693	5,704,165
ii. in Other Deposit Accounts	60,351,613	7,374,644
iii. Money at call and short notice	438,660	1,361,970
Total	**72,850,966**	**14,440,779**
Grand Total (I and II)	**121,612,248**	**65,747,653**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	327,826,425	317,607,101
ii. Other approved Securities	-	-
iii. Shares#	4,418,463	4,342,661
iv. Debentures and Bonds	19,607,863	14,686,492
v. Joint Venture*	2,763,618	2,453,062
vi. Others @	11,855,402	17,303,679
Total	**366,471,771**	**356,392,995**
II. Investments outside India		
i. Government Securities (including Local authorities)	840,738	756,555
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,235	4,383
Total	**844,973**	**760,938**
Grand Total (I and II)	**367,316,744**	**357,153,933**
Gross Investments		
In India	370,805,482	360,825,605
Outside India	844,973	760,938
Total	**371,650,455**	**361,586,543**
Depreciation/ Provision for Investments		
In India	4,333,711	4,432,610
Outside India	-	-
Total	**4,333,711**	**4,432,610**
Net Investments		
In India	366,471,771	356,392,995
Outside India	844,973	760,938
Total	**367,316,744**	**357,153,933**

Securities costing ₹ 91,902,027 Thousands (Previous Year ₹ 70,234,352 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

Includes Cost of Investment in Associate amounting to ₹ 226,857 Thousands (Previous Year ₹ 66,239 Thousands) including Goodwill of ₹ 146,709 Thousands (Previous Year ₹ 45,582 Thousands)

* represents investment accounted as an associate in line with AS -23 , Accounting of Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].

@ Comprises of:

(₹ in Thousands)

Particulars	**As at March 31, 2021**	**As at March 31, 2020**
Pass through certificates (PTCs)	3,319,135	3,179,372
Certificate of Deposits	4,998,672	8,426,645
Commercial Paper	484,080	1,952,494
Venture Capital Funds (VCFs)	1,102,906	963,367
Security Receipts	1,600,621	2,381,801
Mutual Fund	349,988	400,000
Others	-	-
	11,855,402	**17,303,679**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 9 - ADVANCES		
A. i. Bills purchased and discounted	48,623,002	50,037,816
ii. Cash credits, overdrafts and loans repayable on demand	551,041,833	554,542,514
iii. Term loans	755,479,288	643,914,664
Total	**1,355,144,123**	**1,248,494,994**
B. i. Secured by tangible assets*	1,098,734,868	1,041,671,392
ii. Covered by Bank/Government guarantees #	18,370,850	23,853,476
iii. Unsecured	238,038,405	182,970,126
Total	**1,355,144,123**	**1,248,494,994**
C.I.Advances in India		
i. Priority sectors	356,182,092	296,524,927
ii. Public sector	805,144	1,307,504
iii. Banks	9,155,519	3,500,000
iv. Others	971,035,654	923,619,663
Total	**1,337,178,409**	**1,224,952,094**
C.II.Advances outside India		
i. Due from Banks	1,526,508	808,103
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	5,657,157	9,326,488
c) Others	10,782,049	13,408,309
Total	**17,965,714**	**23,542,900**
Grand Total (C I and C II)	**1,355,144,123**	**1,248,494,994**

* Includes Advances against book debts
# Includes Advances against Letter of credit issued by banks
(Advances are net of provisions)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 10 - FIXED ASSETS		
A.Premises #		
Gross Block		
At the beginning of the year	2,402,232	2,416,139
Additions during the year	39,600	-
Deductions during the year	5,283	13,907
At the end of the year	**2,436,549**	**2,402,232**
Depreciation		
As at the beginning of the year	982,845	946,441
Charge for the year	43,492	45,917
Deductions during the year	2,886	9,513
Depreciation to date	**1,023,451**	**982,845**
Net Block	**1,413,098**	**1,419,387**
B.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	12,232,112	11,825,450
Additions during the year	1,405,023	1,452,041
Deductions during the year	265,449	1,045,379
At the end of the year	**13,371,686**	**12,232,112**
Depreciation		
As at the beginning of the year	8,879,497	8,679,340
Charge for the year	1,105,595	1,217,253
Deductions during the year	244,377	1,017,096
Depreciation to date	**9,740,715**	**8,879,497**
Net Block	**3,630,971**	**3,352,615**
C. Capital Work in progress (Including Capital Advances)	130,801	276,116
Grand Total (A+B+C)	**5,174,870**	**5,048,118**

Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 453,476 Thousands (Previous Year ₹ 464,092 Thousands) with remaining lease period varying from 56 - 68 years.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2021	As at March 31, 2020
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	12,777,790	10,849,208
III. Tax paid in advance/tax deducted at source (Net of provision)	11,277,117	10,728,633
IV. Stationery and Stamps	8,600	6,731
V. Non-banking assets acquired in satisfaction of claims*	16,259	24,376
VI. Others#	99,792,418	73,654,186
Total	**123,872,184**	**95,263,134**
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# Includes		
(a) Priority sector shortfall deposits	85,220,770	60,167,801
(b) Deferred Tax Asset (Refer Note 1.7 of Schedule 18)	58,840	-
(c) Security deposits	1,574,871	928,954
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	17,445,140	14,559,765
II. Liability on account of outstanding forward exchange contracts**	260,669,140	247,702,742
III. Guarantees given on behalf of constituents - in India	67,442,288	65,911,076
IV. Acceptances, endorsements and other obligations	14,349,424	14,105,927
V. Other items for which the Bank is contingently liable@	4,364,090	2,358,644
Total	**364,270,082**	**344,638,154**
(Refer Note 1.14 of Schedule 18) ** - Including Derivatives		
@ - includes ₹ 2,120,340 Thousands (Previous Year : ₹ 1,773,742 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2021	Year ended March 31, 2020
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	113,531,365	110,451,811
II. Income on investments	23,382,858	21,854,988
III.Interest on balances with Reserve Bank of India and other inter-bank funds	3,681,644	1,399,639
IV. Others*	2,544,888	2,197,466
Total	**143,140,755**	**135,903,904**
* - Includes interest on Income tax refunds amounting to ₹ 87,514 Thousands (Previous year ₹ 1,878 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	10,494,554	9,640,542
II. Profit on sale of investments (Net)	6,108,187	6,079,246
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	17,989	51,724
V. Profit on foreign exchange/derivative transactions (Net)	1,939,989	2,183,131
VI. Income earned by way of dividends etc. subsidiaries / associates and / or joint ventures.	-	667
VII.Miscellaneous income**	1,017,879	862,803
Total	**19,578,598**	**18,818,113**
** - Includes Recoveries in assets written off ₹ 810,108 Thousands (Previous year ₹ 522,418 Thousands)		

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2021	Year ended March 31, 2020
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	78,045,404	81,003,652
II. Interest on Reserve Bank of India/Inter bank borrowings	419,646	914,103
III.Others	5,884,531	4,865,337
Total	**84,349,581**	**86,783,092**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	21,720,184	18,759,804
II. Rent, taxes and lighting	3,190,459	3,217,217
III. Printing and stationery	259,667	259,878
IV. Advertisement and publicity	96,758	121,258
V. Depreciation on Bank`s property	1,149,202	1,257,270
VI. Directors' fees, allowances and expenses	23,851	23,866
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	85,021	95,594
VIII.Law charges	194,298	208,710
IX. Postage, Telegrams, Telephones etc	819,003	787,675
X. Repairs and maintenance	700,499	760,413
XI. Insurance	1,929,055	1,427,808
XII. Other expenditure#	8,818,641	8,547,578
Total	**38,986,638**	**35,467,071**
# - Includes expenditure on Corporate Social Responsibility - ₹ 362,802 Thousands (Previous Year: ₹ 433,170 Thousands)		

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

1. Background

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India. The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable Acts/ regulations. The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Principles of consolidation

i) The consolidated financial statements relate to The Federal Bank Limited ('FBL' or the 'Bank'), its subsidiary companies and the Group's share of Profit/Loss in its associates. The details of subsidiaries and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				March 31, 2021	March 31, 2020
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	74.00#	74.00$
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	19.90*	8.74

During the year ended March 31, 2021, pursuant to Right issue announced by Fedbank Financial Services Limited, the bank has purchased 12,210,000 number of equity shares of face value ₹ 10.00 each at ₹ 48.00 per share

$ During the year ended March 31, 2020, Fedbank Financial Services Limited issued 26,714,257 number of equity share of face value of ₹ 10/- each to True North Fund VI LLP on private placement basis. Pursuant to which the Bank's shareholding in Fedbank Financial Services Limited decreased from 82.59% in FY 2018-19 to 74.00% in FY 2019-20. Further, the company issued 16,666,668 number of equity shares to all existing shareholders in their holding proportion at ₹ 48/- per share.

* During the year ended March 31, 2021, the bank has made additional investment in Equirus Capital Private Limited by purchasing 864,506 number of Equity shares and 642,167 number of compulsorily convertible preference shares (face value ₹ 5 each) at ₹ 9.25 per share pursuant to right issue announced by the Company. Subsequently, all compulsorily convertible preference shares including 7,022,000 number of shares held as on March 31, 2020 was converted into equity shares. Thus, the equity investment in Equirus capital Private Limited increased from 8.74% to 19.90%.

(ii) The audited financial statements of the subsidiary companies and the audited financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2021.

(iii) The financial statements of the Bank and its subsidiary companies have been combined on a line-by-line basis as per *AS 21, Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

(iv) The consolidated financial statements include the share of profit of the associate companies which have been accounted for using equity method as per *AS 23 Accounting for Investments in Associates in Consolidated Financial Statements*. Accordingly, the share of profit of the associate companies has been added to the cost of respective investment.

(v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.

(vi) Differences in accounting policies followed by the subsidiaries and associates have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. Basis of accounting and preparation of consolidated financial statements

The Consolidated Financial Statements of the Bank and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

5. Significant accounting policies

5.1 Investments

The Bank

Classification

In accordance with the RBI guidelines, investments are categorized at the time of purchase as:

- Held for Trading (HFT)
- Available for Sale (AFS) and
- Held to Maturity (HTM)

Investments which are primarily held for sale within 90 days from the date of purchase are classified as

"Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA') / Financial Benchmarks India Pvt Ltd. ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

   - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI/ FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.

- In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per company based on the stipulated norms as per RBI circular.
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1/- per VCF. Investment in unquoted VCF after August 23, 2006 are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.

f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.

g) The Bank follows settlement date method of accounting for purchase and sale of investments.

h) Non-Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss account.

b) Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the Profit and Loss account.

Repo and Reverse Repo transactions

Repo and reverse repo transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility (‘LAF’) and Marginal Standby Facility (‘MSF’) with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in ‘Securities Short Sold (‘SSS’) A/C, specifically created for this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiaries

Investments that are readily realizable and intended to be held for not more than a year are classified as

Current Investments. All other investments are classified as Long-Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

5.2 Advances

The Bank

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

The Bank also maintains provisions on loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt Restructuring (SDR) scheme as per the RBI guidelines.

Amounts recovered against debts written off are recognised in the profit and loss account and included under “Other Income”.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time.

The Bank makes additional provisions as per RBI’s guidelines on ‘Prudential Framework on Resolution of Stressed Assets’ dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution framework are made as per extant RBI guidelines.

In respect of borrowers classified as non-cooperative and wilful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

Fedbank Financial Services Limited

Advances are classified as Performing Assets or Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016"

5.3 Securitisation and transfer of assets

The Bank

The Bank enters into purchase of corporate and retail loans through direct assignments route and the same is accounted as per extant RBI guidelines.

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Fedbank Financial Services Limited

The Company enters into securitisation / assignment transactions and assets are de-recognised upon sale only if the Company surrenders the control over the contractual rights that comprises in the financial assets i.e. when they meet true sale criteria. The Company has adopted the accounting policy for securitisation / assignment transactions, as notified by RBI in its circular “Revision to the guidelines on transfer of assets through Securitisation and Direct Assignment of cash flows” issued on August 21, 2012. Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle (SPV), losses if any are recognised upfront. The amount of cash profit on assignment transaction is held under “Cash Profit on loan transfer transactions pending recognition” maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at every reporting period end as prescribed by RBI in the afore mentioned circular. The unamortised portion is reflected as “Other long-term liabilities” / “Other current liabilities”.

5.4 Country risk

The Bank

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank’s total funded assets.

5.5 Priority Sector Lending Certificates (PSLC)

The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions.

The fee paid for purchase of the PSLC is treated as an ‘Expense’ and the fee received from the sale of PSLCs is treated as ‘Other Income’.

5.6 Transactions involving foreign exchange

The Bank

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognized in the profit and loss account.

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by FEDAI at the balance sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortized and recognized as interest income / interest expense in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

5.7 Derivative transactions

The Bank

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

Fedbank Financial Services Limited

The company enters into derivative contracts in the nature of Cross Currency Interest Rate Swaps, Foreign

Currency Forwards etc. with an intention to hedge its existing assets and liabilities in foreign currency. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the below policy stated for Hedge Accounting.

All other derivative contracts are marked to market and losses are recognised in the statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

Hedge accounting

The company uses Cross Currency Interest Rate Swaps, Foreign Currency Forward contracts etc. to hedge its risk associated with foreign currency fluctuation relating to highly probable forecast transactions. The company designates such forward contracts/Interest rate swap in a cash flow hedging relationship by applying the hedge accounting principles set out in "Guidance Note on Accounting for Derivative contracts" issued by ICAI. These forward contracts/interest rate swaps are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in Cash Flow Hedge Reserve under Reserves and surplus and ineffective portion is recognised immediately in the statement of Profit & Loss. Amounts accumulated in the Cash flow hedge reserve are reclassified to the statement of Profit & Loss in the same periods during which the forecasted transaction affects Profit & Loss. Hedge accounting is discontinued when hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for Hedge accounting. for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve is retained until the forecasted transaction occurred. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in cash flow hedge reserve is immediately transferred to statement of Profit & Loss.

5.8 Revenue Recognition

The Bank

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on “first in first out” policy, i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.

- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

Fedbank Financial Services Limited

- Revenue is recognized as and when it is earned, and no significant uncertainty exists as to its realization or collection. Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction,2016 " and the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.

- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.

- Processing Fees & Penal Charges are recognized on receipt basis**.**

Federal Operations and Services Limited

- Revenue from Operations is recognised as and when services are rendered, as per the terms of Master Service Agreement entered into by the company.

5.9 Fixed assets and depreciation

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis, except as mentioned below.

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvements to leased Premises are depreciated over lower of lease term or 5 years based on technical evaluation.

- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

The management believes that the useful life of assets assessed by the Bank, pursuant to Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software / Firewall etc.	3 / 5 Years
Servers/Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

Fedbank Financial Services Limited

- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes Freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.
- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on a Straight-Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

Federal Operations and services Limited

- The cost of leaseholds Improvements are amortised on a straight-line basis over the lease period.

- The cost of software is capitalized as intangible asset and amortised on a straight-line basis over the useful life of 5 years

5.10 Impairment of Assets

Group

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

5.11 Non-Banking Assets

The Bank

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realisable value.

5.12 Lease transactions

Operating Lease

Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

5.13 *Retirement and other employee benefits*

The Bank

a) Provident Fund

Employees covered under provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank Employees Provident Fund. The contribution made by the bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) Pension Fund

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution made by the bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

c) Gratuity

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution made by the bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss account.

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

The employees of the Bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The Bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the Profit and Loss account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

e) New Pension Scheme ('NPS')

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by PFRDA. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

f) Other employee Benefits

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the service. These benefits include performance incentives.

Fedbank Financial Services Limited

a) **Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Profit & Loss Statement of the year in which the related services are rendered.

b) **Defined Contribution Plan**

The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Statement of Profit & Loss for the Year.

c) **Defined Benefit Plan**

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company, makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the statement of profit & loss for the period in which they occur.

d) The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Statement for the period in which they occur.

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a) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

b) The company pays gratuity, a defined benefit plan, to employees who retire or resign. The company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on actuarial valuation, conducted annually using projected unit credit method at balance sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

5.14 Debit card reward points

The Bank

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss account.

5.15 Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognised in reserves are adjusted in reserves and not in Profit and Loss Account.

5.16 Corporate Social Responsibility

Group

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

5.17 Earnings per Share

Group

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive.

5.18 Employee Stock Option Scheme

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on “Accounting for Employee Share based payments” issued by the ICAI, the bank follows ‘Intrinsic value method’ for accounting of ESOS based on which, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

Fedbank Financial Services Limited

Stock options granted to employees under the stock option schemes are accounted using the intrinsic value method prescribed in the guidance note on Employees Share Based Payments issued by The Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is considered as deferred employee compensation. The expense on deferred employee compensation is recognized in Profit and Loss Statement on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to expense, equal to the amortized portion of value of lapsed portion.

5.19 Share issue expenses

Group

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.20 Provisions, contingent liabilities, and contingent assets

Group

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

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

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

Further in the case of ***Fedbank Financial Services Limited-***

- Secured Loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- Other loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding company, employee benefits or any kind of provision which is in dispute with regulatory authority.

5.21 Input Credit under GST

Group

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

5.22 Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

5.23 Proposed Dividend

Group

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognised in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.24 Cash and Cash Equivalents

Group

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks ⁄ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

Amounts in notes forming part of the Consolidated Financial Statements for the year ended March 31, 2021 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1 **Share Capital:**

A. Equity Issue

During the year ended March 31, 2021, the Bank has allotted 3,488,176 equity shares consequent to exercise of ESOS, which resulted in an increase of ₹ 0.70 Crore in Share Capital and ₹ 13.10 Crore in Share premium account.

During the year ended March 31, 2020, the Bank has allotted 7,612,869 equity shares consequent to exercise of ESOS and 1,500 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹ 1.52 Crore in Share Capital and ₹ 31.31 Crore in Share premium account.

B. Subscribed and paid up capital includes:

(i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.

(ii) 29,232,891 underlying equity shares of ₹ 2/- each (Previous Year 31,802,641 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

(i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share

(ii) 262,100 shares of ₹ 2/- each (Previous year 262,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share

(iii) 1,074,165 equity shares of ₹ 2/- each (Previous year 1,074,165 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

a) 406,670 shares of ₹ 2/- each (Previous year 407,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and

b) 612,005 bonus shares of ₹ 2/- each (Previous year 612,005 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):

The Bank

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

(Number of Options)

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	16,057,341	24,147,513
Surrendered during the year	-	-
Granted during the year	-	-
Exercised during the year	3,422,806	7,123,602

	March 31, 2021	March 31, 2020
Forfeited/lapsed during the year	3,438,342	966,570
Outstanding at the end of the year	9,196,193	16,057,341
Options exercisable	9,171,193	15,897,341

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

(Number of Options)

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	77,227,910	50,336,281
Additions from the previous year	2,250	-
Surrendered during the year	-	-
Granted during the year	16,884,159	30,522,736
Exercised during the year	65,370	489,267
Forfeited/lapsed during the year	19,121,983	3,141,840
Outstanding at the end of the year	74,926,966	77,227,910
Options exercisable	28,949,455	28,840,450

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

iii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 30.56 Crore (Previous Year: ₹ 56.49 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 7.82 and ₹ 7.80 (Previous Year: ₹ 7.47 and ₹ 7.42) respectively.

Federal Bank Financial Services Limited

Shareholders of the Company had approved Fedbank Financial Services Limited Employee Stock Option Plan 2018 ("ESOP Plan")., the result of which was announced on November 13, 2018, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Company not exceeding 6% of the aggregate number of paid up equity shares of the Company, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the Company granted the following options:

(Number of Options)

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	5,511,351	-
Surrendered during the year	-	-
Granted during the year	2,700,000	5,571,351
Exercised during the year	12,000	-
Forfeited/lapsed during the year	48,000	60,000
Outstanding at the end of the year	8,151,351	5,511,351
Options exercisable	655,000	515,028

Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on **"**Black-Scholes pricing model**"** for pricing and accounting of options, net profit would be lower by ₹ 2.54 Crore (Previous Year: ₹ 1.31 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 1.93 and ₹ 1.92 (Previous Year: ₹ 1.64 and ₹ 1.64) respectively.

Group

Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 32.44 Crore (Previous Year: ₹ 57.46 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 8.18 and ₹ 8.16 (Previous Year: ₹ 7.66 and ₹ 7.61) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

The Reserve Bank of India, vide its circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021 reviewed the dividend declaration norms for the year ended March 31, 2021 and permitted Banks to declare dividend subject to 50% of the regulatorily permissible dividend payout ratio. The Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70/- per Equity Share on face value of ₹ 2/- each for the year 2020-21 subject to the approval of the members at the ensuing Annual General Meeting. In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 139.73 Crore from the Profit and loss account for the year ended March 31, 2021. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31, 2021.

As per the Income-tax Act, 1961, as amended by the Finance Act, 2020, dividends paid or distributed by a company on or after 1st April 2020 shall be taxable in the hands of the shareholders. The Company shall, therefore, be required to deduct tax at source at the time of making the payment of the dividend, if approved, at the Annual General Meeting (AGM) of the Company, at the applicable rate. Accordingly, there is no amount is required to be appropriated towards tax on dividend.

In respect of the year ended March 31, 2020 the board of directors had not recommended any dividend in view of the direction from the RBI vide its circular dated April 17 ,2020 that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic.

1.2 **Employee Benefits (AS 15)**

1.2.1 Defined Contribution Plan

The Bank

Provident Fund

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme (introduced for employees of Central Government) was implemented and employees who are covered under New Pension Scheme are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees covered under New Pension Scheme.

The Subsidiaries

The subsidiaries have defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

Group

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 7.37 Crore (Previous year: ₹ 5.26 Crore) for provident fund contributions, ₹ 0.64 Crore (Previous Year ₹ 0.48 Crore) for Employee State Insurance Scheme Contributions and ₹ 45.79 Crore (Previous year: ₹ 36.39 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

1.2.2 Defined benefit plan

A. Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Federal Bank Financial Services Limited

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the statement of profit & loss for the period in which they occur.

Federal Operations and Services Limited

The company pays gratuity, a defined benefit plan, to employees who retire or resign. The Company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on the basis of actuarial valuation under projected unit credit method at the Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

B. Superannuation / Pension

The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. . Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2021.

i) Change in benefit obligations (₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Projected benefit obligation, beginning of the year	374.63	329.19	1.81	1.07	0.06	*	1,197.98	983.39
Current Service Cost	37.79	20.39	0.99	0.59	0.11	0.06	224.60	168.92
Interest cost	24.22	21.19	0.10	0.07	*	*	70.22	59.17
Actuarial (gain)/ loss	83.38	43.54	(0.30)	0.19	(0.01)	*	330.11	223.26
Benefits paid	(52.21)	(39.68)	(0.11)	(0.11)	-	-	(336.63)	(236.76)
Projected benefit obligation, end of the year	**467.81**	**374.63**	**2.49**	**1.81**	**0.16**	**0.06**	**1,486.28**	**1,197.98**

* denotes figures less than ₹ 1 lakh

ii) Change in plan assets (₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Plan assets at beginning of the year at fair value	369.30	334.23	1.49	1.10	1,129.93	978.09
Expected return on plan assets	22.20	24.53	0.10	0.09	80.68	73.26
Actuarial gain/(loss)	2.29	0.38	0.15	(0.01)	9.83	2.85
Employer's Contributions	127.91	49.84	0.69	0.41	610.90	312.49
Benefits paid	(52.21)	(39.68)	(0.11)	(0.10)	(336.63)	(236.76)
Plan assets at end of the year, at fair value	**469.49**	**369.30**	**2.33**	**1.49**	**1,494.71**	**1,129.93**

iii) Reconciliation of present value of the obligation and the fair value of the plan assets

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Fair value of plan assets at the end of the year	469.49	369.30	2.33	1.49	-	-	1,494.71	1,129.93

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Present value of the defined benefit obligations at the end of the year	467.81	374.63	2.49	1.81	0.16	0.06	1,486.28	1,197.98
Liability/ (Asset) recognized in the Consolidated Balance Sheet	**(1.68)**	**5.33**	**0.17**	**0.31**	**0.16**	**0.06**	**(8.43)**	**68.05**

iv) Gratuity / pension cost for the year ended March 31, 2021

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Current Service cost	37.79	20.39	0.99	0.59	0.11	0.06	224.60	168.92
Interest cost	24.22	21.19	0.10	(0.02)	*	*	70.22	59.17
Expected return on plan assets	(22.20)	(24.53)	(0.10)	0.01	-	-	(80.68)	(73.26)
Actuarial (gain)/loss	81.09	43.15	(0.46)	0.19	(0.01)	*	320.28	220.41
Net Cost	120.90	60.20	0.53	0.77	0.10	0.06	534.42	375.24
Net Cost Debit to Consolidated Profit and Loss Account	120.90	60.20	0.53	0.77	0.10	0.06	534.42	375.24
Actual return on plan assets#	24.49	24.91	-	-	-	-	90.52	76.11

* denotes figures less than ₹ 1 lakh

#Figures taken from Audited Financial statements of respective trusts.

v) Investment details of plan Assets* (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	5.00	7.99
Balance in Saving bank account with the Bank	0.01	2.42	0.01	4.14
Net current assets	-	0.01	0.32	0.53
Balance with LIC/ABSL #	469.48	366.87	1,489.38	1,117.27
Total	**469.49**	**369.30**	**1,494.71**	**1,129.93**

* - Figures taken from Audited Financial statements of respective trusts.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

a) Gratuity Plan

FBL (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	467.81	374.63	329.19	311.55	260.48	246.09
Plan Assets	469.49	369.30	334.23	265.75	261.54	225.66
Surplus/[Deficit]	1.68	(5.33)	5.04	(45.80)	1.06	(20.43)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(89.21)	(10.09)	(6.56)	(7.08)	2.18	(46.00)
Experience Adjustments on Plan Assets [Gain/ (Loss)]	7.20	3.29	0.77	1.97	(0.42)	(1.97)

FFSL (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit obligations	2.49	1.81	1.07	0.64	0.46	0.19
Plan Assets	2.33	1.49	1.10	Nil	Nil	Nil
Surplus/[Deficit]	(0.16)	(0.31)	0.03	(0.64)	(0.46)	(0.19)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.29	(0.07)	0.04	0.05	0.03	0.10
Experience adjustments on Plan Assets [Gain/(Loss)]	0.15	(0.01)	0.01	NA	NA	NA

NA – Not Applicable.

b) Pension Plan

FBL (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	1,486.28	1,197.98	983.39	899.64	737.38	637.50
Plan Assets	1,494.71	1,129.93	978.09	893.06	746.33	578.27
Surplus/[Deficit]	8.43	(68.05)	(5.30)	(6.58)	8.95	(59.23)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(327.78)	(95.10)	(39.39)	(33.27)	93.67	(142.49)
Experience adjustments on Plan Assets [Gain/(Loss)]	13.79	7.54	(3.14)	9.60	6.66	0.18

vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Discount rate	6.95%	6.85%	5.60%	5.59%	6.76%	6.71%	6.82%	6.84%
Annuity rate per Rupee	-	-	-	-	-	-	150.83000	134.98313

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020	March 31,2021	March 31,2020
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	6.01%	7.34%	-	-	-	-	7.14%	7.49%
Attrition Rate	2.00%	2.00%	Not Available	Not Available	-	-	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

(C) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 55.69 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. (Previous Year: ₹ 25.55 Crore)

Federal Bank Financial Services Limited

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the year in which they occur.

The Actuarial liability of compensated absences of accumulated privilege, sick, casual leaves and leave travel concession of the employees of the Group is given below:

(₹ in Crore)

	March 31, 2021		March 31, 2020	
	FBL	FFSL	FBL	FFSL
Privilege leave	219.59	2.36	168.29	1.20
Sick leave	22.12	-	18.25	-
Leave Travel Concession	21.26	-	20.43	-
Casual Leave	1.23	-	1.54	-

	March 31, 2021		March 31, 2020	
	FBL	**FFSL**	**FBL**	**FFSL**
Total actuarial liability	**264.20**	**2.36**	**208.51**	**1.20**
Assumptions				
Discount rate	6.95%	5.60%	6.85%	5.90%
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
Attrition Rate	2.00%	Not Available	2.00%	Not Available

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

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

1.3 **Segment Reporting (AS 17)**

A. Business Segments

Business of the Group is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and other banking operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivatives, and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings in the form of interest from the investment portfolio of the bank, gains, losses, margins, and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consists of diminution in the value of portfolio of the segment
.

Corporate/Wholesale Banking:

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.
.

Retail banking:

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, based on the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them including para-banking operations. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Other Banking Operations
This segment includes banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021(Continued…)

Unallocated

All items that are reckoned at Enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, Fixed assets, Cash and Balances in other bank current accounts, etc. Unallocated segment revenue consists of profit on sale of Fixed assets, Notice pay on resignation of employees etc.

The following table sets forth, for the periods indicated, the business segment results:

March 31, 2021

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,731.35	4,519.07	9,019.08	-	16,269.50
Result (Net of provisions)	722.26	215.47	1,268.39	-	2,206.12
Unallocated Income / (expense)					2.44
Operating profit (PBT)					2,208.56
Income taxes					(561.36)
Share in Profit of associates					32.37
Minority Interest					(15.24)
Extraordinary profit/loss					-
Net Profit					1,664.33
OTHER INFORMATION					
Segment Assets	44,796.57	70,839.59	82,825.63	-	198,461.79
Unallocated assets					6,504.74
Total assets					204,966.53
Segment liabilities	14,032.76	16,099.60	156,117.03	-	186,249.39
Unallocated liabilities					1,998.18
Total liabilities					188,247.57

March 31, 2020

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,237.96	4,866.14	8,368.10	-	15,472.20
Result (Net of provisions)	384.36	184.21	1,495.76	-	2,064.33
Unallocated Income / (expense)					(4.36)
Operating profit (PBT)					2,059.97
Income taxes					(507.20)
Share in Profit of associates					37.71
Minority Interest					(10.28)
Extraordinary profit/loss					-
Net Profit					1,580.20
OTHER INFORMATION					
Segment Assets	37,654.64	69,975.31	68,329.86	-	175,959.81
Unallocated assets					7,393.52
Total assets					183,353.33
Segment liabilities	16,261.74	12,911.43	136,495.98	-	165,669.15
Unallocated liabilities					2,680.86
Total liabilities					168,350.01

B. Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

Note: Pursuant to Board approved policy on preparation of segment information, the Bank, with effect from quarter ended June 30, 2020, has revised the basis of preparation of segment information on a direct identification basis with the aid of Internal Transfer pricing mechanism for more appropriate presentation of the segment results. Accordingly, figures for the previous year have been regrouped / reclassified to conform to current period's classification. The change in segment information has no impact on the overall Revenue, Results, and Capital employed of the bank for the year ended March 31, 2021 or the previous year.

1.4 **Related Party Disclosures (AS 18)**

a) Details of Related Parties:

Name of the entity	Nature of Relationship
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Fedbank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

Key Management Personnel

Name of the Key Management personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	• Mr. T S Srinivasan • Ms. Kamala Srinivasan • Ms. Maya Shyam • Ms. Meena Lochani • Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director & CFO	• Ms. Sunita Khajuria • Ms. Vasundhara Khajuria • Ms. Yashodhara Khajuria
Ms. Shalini Warrier, Executive Director & COO	• Ms. Parvathi Warrier • Ms. Asha Warrier

b) Transactions with related parties

For the year ended March 31, 2021

(₹ in Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	22.18 (45.67)
Advances#	5.39 (28.78)	0.25 (0.28)	- -	5.64 (29.06)
Investments in Shares#	229.60 (229.60)	-	- -	229.60 (229.60)
Interest paid	0.55	0.14	0.07	0.76
Interest received	0.23	0.01	-	0.24
Income from Services Rendered to	46.95	-	-	46.95
Receivable from	8.30	-	-	8.30

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Remuneration paid	-	4.56	-	4.56
Share capital received on exercise of ESOS	-	1.22	-	1.22
No.of Options granted under ESOS (in numbers)	-	-	-	-
No.of Options outstanding under ESOS (in numbers)	-	3,310,680	-	3,310,680

- Represents outstanding as on March 31, 2021

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

For the year ended March 31, 2020

(₹ in Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	20.80 (26.06)	3.08 (3.08)	1.03 (1.05)	24.91 (30.19)
Advances#	-	0.28 (0.53)	- -	0.28 (0.53)
Investments#	228.21 (228.21)	- -	- -	228.21 (228.21)
Interest paid	0.49	0.05	0.04	0.58
Interest received	-	0.02	-	0.02
Income from Services Rendered to	43.93	-	-	43.93
Receivable from	9.13	-	-	9.13
Remuneration paid	-	4.53	-	4.53
Dividend Received	30.57	-	-	30.57
Dividend Paid	-	1.18	-	1.18
Share capital received on exercise of ESOS	-	0.47	-	0.47
No.of Options granted under ESOS (in numbers)	-	800,000	-	800,000
No.of Options outstanding under ESOS (in numbers)	-	4,120,680	-	4,120,680

- Represents outstanding as on March 31, 2020

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

The significant transactions between the Group and the related parties during the year ended March 31, 2021 and March 31, 2020 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(₹ in Crore)

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Deposits	Equirus Capital Private Limited	17.15	*
	Mr. Shyam Srinivasan	2.61	1.98
Advances	Equirus Capital Private Limited	5.39	-

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Investments in Shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
Interest paid	Ageas Federal Life Insurance Company Limited	0.55	0.48
	Mr. Shyam Srinivasan	0.09	0.01
Interest received	Equirus Capital Private Limited	0.23	-
Income from Services Rendered to	Ageas Federal Life Insurance Company Limited	46.94	43.93
Receivable from	Ageas Federal Life Insurance Company Limited	8.30	9.13
Remuneration paid	Mr. Shyam Srinivasan	2.31	2.27
	Mr. Ashutosh Khajuria	1.17	1.20
	Ms. Shalini Warrier	1.09	1.06
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	1.22	0.47
No.of Options outstanding under ESOS (in numbers)	Mr. Ashutosh Khajuria	847,500	1,400,000
No.of Options outstanding under ESOS (in numbers)	Ms. Shalini Warrier	2,142,500	2,400,000

* denotes figures less than ₹ 1 lakh

1.5 **Operating Lease (AS 19):**

The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 162.49 Crore (Previous year: ₹ 164.88 Crore) was charged to Profit and loss account.

Fedbank Financial Services Limited

The Company has entered into operating lease arrangement for its corporate office. The lease is non-cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provides for an increase in lease payment by 5% for every one year.

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Future minimum lease payments:		
- Up to one year	4.62	5.51
- More than one year and upto five years	11.07	15.06
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	4.42	3.60

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for taken on an operating lease ₹ 17.66 Crore (Previous Year ₹11.99 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

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The company has taken premises under rental arrangements, which are in the nature of cancellable operating leases except for rent of 2nd floor office in Visakhapatnam, which has a lock-in period of 3 years.

Future minimum lease payable under non-cancellable operating leases are as follows:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Future minimum lease payments:		
- Up to one year	0.56	0.72
- More than one year and upto five years	-	0.56
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	0.72	0.69

1.6 **Earnings per Share ('EPS') (AS 20)**

Particulars	March 31, 2021	March 31, 2020
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,994,535	1,989,049
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	2,001,686	2,004,059
Nominal Value of share (in ₹)	2.00	2.00
Basic earnings per share (in ₹)	8.34	7.94
Diluted earnings per share (in ₹)	8.31	7.88
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	16,643,338	15,801,960

1.7 **Deferred Tax Assets / Liability (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in Crore)

Particulars	**March 31, 2021**	**March 31, 2020**
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	153.75	148.83
(ii) Depreciation on Investments	13.38	11.35
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	168.12	137.64
(iv) Others	10.90	7.44
Total - (A)	**346.15**	**305.26**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	1.44	2.74
(ii) Provision for Standard Assets	185.42	157.58
(iii) Depreciation on Fixed Assets	11.76	11.66
(iv) Others	153.41	126.65
Total - (B)	**352.03**	**298.63**
Net Deferred tax liability/ (Asset) (A-B)	**(5.88)**	**6.63**

1.8 **'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include:**

(₹ in Crore)

		March 31, 2021	March 31, 2020
i)	Provision towards NPAs	1,547.04	1,012.48
ii)	Provision for depreciation Investments (Net)	14.74	63.50
iii)	Provision for Non-Performing Investments	3.90	5.37
iv)	Provision for Standard Assets	149.95	111.82
v)	Provision for Taxation	561.35	507.20
vi)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	14.13	(5.95)
	Total	**2,291.11**	**1,694.42**

1.9 **Amount of Provisions made for income-tax during the year**

(₹ in Crore)

Particulars	March 31,2021	March 31, 2020
Provision for Income Tax		
a) Current Tax	583.31	580.58
b) Deferred Tax	(21.95)	(73.38)
Total	**561.36**	**507.20**

1.10 **Draw Down from Reserves**

The Bank has not drawn down from any reserves during the year ended March 31, 2021 and March 31, 2020.

1.11 **Details of Penalty imposed by RBI**

The Bank

(₹ in Lakhs)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Penalty imposed on currency chests	2.08	0.50
Dates of Payment	Various dates	Various dates
b) Penalty imposed on deficiency in regulatory compliances	Nil	50.00#
Date of Payment	Not Applicable	August 14, 2019

Penalty was imposed by RBI vide letter EFD. CO. SO. 124 / 02.02.003 / 2019-20 dated August 05, 2019.

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During the year ended March 31, 2021, RBI vide order ref EFD.CO.SO/372/02.14.148/2020-21 March 22 ,2021 in exercise of the powers conferred under clause (b) of sub-section (1) of section 58G read with clause (aa) of subsection (5) of section 58B of the Reserve Bank of India Act, 1934, a penalty of ₹ 15 Lakhs is imposed on Fedbank Financial Services Limited. (Previous Year ₹ Nil)

1.12 **Fixed Assets**

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

(₹ in Crore)

Particulars	March 31,2021	March 31, 2020
Gross Block		
At the beginning of the year	257.74	253.78
Additions during the year	55.87	28.95
Deductions / Adjustments during the year	0.49	24.99
At the end of the year	**313.12**	**257.74**
Depreciation / Amortisation		
At the beginning of the year	206.48	194.64
Charge for the year	26.67	36.70
Deductions during the year	0.47	24.86
Depreciation to date	**232.68**	**206.48**
Net Block	**80.44**	**51.26**

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2021 and March 31, 2020.

C) **Change in Accounting estimates**

As per the requirements of Accounting Standard (AS) 10 – Property, Plant and Equipment, the Bank has reviewed useful life of all its fixed assets. Based on the review, the Bank has identified certain class of assets, wherein based on the technical evaluation / experience of the Bank, the useful life of the assets is different than those estimated in earlier periods, accordingly the Bank has revised useful life of certain identified class of assets, due to which depreciation charge for the financial year 2020-21 is lower by ₹ 22.12 crore.

1.13 **Provisions and Contingencies**

a) **Movement in provision for non-credit related* frauds included under other liabilities:**

(₹ in Crore)

	March 31,2021	**March 31, 2020**
Opening balance at the beginning of the year	5.76	4.46
Additions during the year	1.32	1.37
Reductions on account of payments during the year	1.54	0.07
Balance at the end of the year	**5.54**	**5.76**

* Provision for credit related frauds included in Provision towards NPAs.

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

(₹ in Crore)

	March 31,2021	**March 31,2020**
Opening provision at the beginning of the year	15.58	5.19
Provision made during the year	15.39	36.49
Reductions during the year	25.13	26.10
Closing provision at the end of the year *	**5.84**	**15.58**

* The closing provision is based on the actuarial valuation of accumulated debit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit card reward points.

c) **Movement in provision for other contingencies:**

(₹ in Crore)

	March 31, 2021	**March 31, 2020**
Opening provision at the beginning of the year	31.28	55.49
Provision made during the year	14.35	3.57
Provision utilized for Write off during the year	2.30	1.04
Reductions during the year	1.11	26.74
Closing provision at the end of the year	**42.22**	**31.28**

d) **Movement in floating provision:**

(₹ in Crore)

Particulars	**Standard Assets Provisions**		**NPA Provision**	
	March 31, 2021	**March 31,2020**	**March 31, 2021**	**March 31, 2020**
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Draw down from provision	-	-	-	-
Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

e) COVID-19 – Uncertainties, Regulatory Packages, Asset Classification and Provisioning

The Bank

On account of uncertainties arising from the COVID-19 pandemic across the world and in India, including the current 'second wave' which has resulted in imposition of renewed restrictions in various parts of the country, the extent to which the same will impact the Bank's operations and financial position will depend on various aspects including actions taken to mitigate its impact and other regulatory measures. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

As per the 'COVID-19 Regulatory Packages' announced by the RBI ('the RBI guidelines'), with regard to providing relief to borrowers', whose accounts were standard as on February 29, 2020, the Bank, in accordance with the Board approved policy had offered moratorium on repayment of loan instalments and/or deferment of interest due between March 1, 2020 and August 31, 2020, including relaxation in certain parameters to all eligible borrowers, without considering the same as restructuring. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The Honourable Supreme Court in a writ petition by Gajendra Sharma Vs Union of India & Anr vide its interim order dated September 3, 2020 had directed Banks that the accounts which were not declared Non performing asset (NPA) till August 31, 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank had not declared any account as NPA, which was not declared as NPA till August 31, 2020 as per the RBI Prudential norms on Income Recognition, Asset classification, and provisioning pertaining to advances., The interim order to not declare accounts as NPA has been vacated by the Honourable Supreme Court on March 23, 2021 vide judgement in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors and RBI has issued a circular dated April 07, 2021 thereon, in accordance with which the Bank has made the asset classification of borrower accounts which were granted moratorium as above, as per the applicable extant IRAC norms with effect from September 1, 2020.

Further, the Bank has permitted restructuring of eligible borrower accounts affected by the pandemic stress in accordance with the resolution framework prescribed by RBI and offered other relief measures under the various concessional schemes.

Provisions have been created by the Bank in respect of the above stated COVID-19 assistance schemes provided by the Bank to the borrowers, and in the opinion of the management, the provisions held are considered adequate based on the current facts and circumstances

Fedbank Financial Services Limited

The second wave of COVID-19 and resultant infections have been more significant than in the first wave. Some of our staff or their family members have been affected. With many of the states going in for curtailed activity / shut-downs – currently we expect the business risk to remain elevated at least for Q1, 22. With strong liquidity in the balance sheet and with a large amount of term facilities availed from banks which remain un-utilised, with our ability to retain collections at high levels in-spite of the impact on customers in the affected state, with increased realisation of benefits on the digital processes we began instituting, adequate impairment provisions against anticipated credit losses and a comparatively higher capital adequacy – we are in significantly better position than last year to face any adverse events – as they present themselves. The management continues to closely monitor for any material changes in the macroeconomic factors impacting the operations of the Company. Taking into consideration the impact arising from the COVID-19 pandemic on the economic environment, the Company has, during the year, continued to undertake a risk assessment of its credit exposures and in addition to the provision required as per the IRAC norms of RBI, it has recorded a total additional provision overlay of ₹ 45.26 crore as on March 31, 2021 (as on March 31, 2020: ₹ 5.47 crore) in the Balance sheet, to reflect deterioration in the macroeconomic outlook. The final impact of this pandemic is very uncertain, and the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results.

Federal Operations and services Limited

Based on an assessment carried out by the management following the global outbreak of Coronavirus (COVID-19) pandemic, having regard to the overall national and global economic environment, taking into account internal and external information available up to the date of approval of these financial statements, no material adjustments are required in the financial statements. The impact of the pandemic may be different from that estimated as at the date of approval of these financial statements and the management will continue to closely monitor any material changes to future economic conditions.

1.14 **Description of contingent liabilities:**

a) Claims against the Group not acknowledged as debts

These represent claims filed against the group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the group.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements, and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund.

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

1.15 **Provision for Long Term contracts**

The Group has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

1.16 **Small and Micro Industries**

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 5.32 crore (Previous year ₹ 8.70 crore), ₹ Nil (Previous year ₹ 0.10 crore) is due to Micro, Small and Medium Enterprises. The Company has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as at 31.03.2021, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

1.17 **Additional information on net assets and share of profits of the Bank, its subsidiaries, associates, and joint ventures as considered in the Consolidated Financial Statements.**

March 31, 2021

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.71%	16,123.61	95.55%	1,590.30
Subsidiary: Fedbank Financial Services Limited	1.85%	306.36	2.60%	43.36
Federal Operations and Services Limited	0.02%	2.82	0.11%	1.84
Associate: Ageas Federal Life Insurance Company Limited	0.41%	68.36	1.87%	31.05
Equirus Capital Private Limited	0.01%	1.08	(0.13)%	(2.22)
Total	**100.00%**	**16,502.23**	**100.00%**	**1,664.33**

March 31, 2020

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.94%	14,517.60	97.63%	1,542.78
Subsidiary: Fedbank Financial Services Limited	1.78%	263.16	1.85%	29.26
Federal Operations and Services Limited	0.01%	0.98	0.08%	1.27
Associate: Ageas Federal Life Insurance Company Limited	0.25%	37.31	0.51%	7.97
Equirus Capital Private Limited	0.02%	3.30	(0.07%)	(1.08)
Total	**100.00%**	**14,822.35**	**100.00%**	**1,580.20**

1.18. **Additional disclosure**

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

1.19. Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director& CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Directors:

C Balagopal (DIN: 00430938)

A P Hota (DIN: 02593219)

K Balakrishnan (DIN: 00034031)

Siddhartha Sengupta (DIN: 08467648)

Manoj Fadnis (DIN: 01087055)

Sudarshan Sen (DIN: 03570051)

Varsha Vasant Purandare (DIN: 05288076)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No: 004532S

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No: 101569W

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Place: Kochi
Date : May 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our Financial Statements for the years ended March 31, 2021, 2022 and 2023 included in this Preliminary Placement Document. Please also refer to the sections "Selected Financial Information" and "Selected Statistical Information" included in this Preliminary Placement Document. Unless otherwise specified, references herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis. All financial figures presented in this section are based on our consolidated financial statements unless otherwise specified.

*We prepare our financial statements in accordance with Indian GAAP. Our financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Paragraph 7 of the Companies (Accounts) Rules, 2014, and Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply, and guidelines issued by the Reserve Bank of India ("**RBI**"). For the purposes of a comparative analysis in the discussion below, previous years' figures have been reclassified and regrouped wherever necessary.*

Our fiscal year ends on March 31, of each year. Accordingly, all references to a particular fiscal year are to the 12-month period ended on March 31, of that year. Unless otherwise specified, all information regarding cost, yield and average balances is based on the daily average of our Bank's balances outstanding during the relevant period. Certain non-GAAP measures are presented in this section are a supplemental measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, or IFRS. In addition, these non-GAAP measures are not standardized terms and hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting their usefulness as a comparative measure.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the section "Forward-Looking Statements" on page 13, the section "Risk Factors" on page 37 and elsewhere in this Preliminary Placement Document. Certain portions of the following discussion include information publicly available from the RBI and other sources.

Overview

Our Bank is a leading private sector bank in India in Fiscal 2023, based on its net advances as of March 31, 2023 *(Source: RBI, Statistical Tables Relating to Banks in India: Liabilities and Assets of SCBs, 2021-2022; Company filings for Fiscal 2023)*. Our Bank was originally incorporated in 1931 as the "Travancore Federal Bank Limited Nedumpram" under the Travancore Companies Regulation. On December 2, 1949, its name was changed to The Federal Bank Limited. In 1959, our Bank was licensed under the Banking Regulation Act, 1949, and thereafter our Bank became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

Our Bank offers a wide range of products and services, mainly through its retail banking and wholesale banking business units. Our Bank offers several products and services to its retail customers, such as deposits (including term deposits, savings accounts and current accounts), banking services for non-resident Indians ("**NRIs**"), housing loans and top-ups, loans against property ("**LAP**"), automobile loans, retail gold loans, personal loans, cards and payment services, agricultural loans, business banking loans and commercial vehicles / construction equipment ("**CV/CE**") loans. These products are offered with certain variations as customized products to certain target groups such as senior citizens, students and salaried employees. Our Bank's wholesale banking business unit provides several commercial banking ("**CoB**") and corporate institutional banking ("**CIB**") products and services such as working capital, term loans, documentary letters of credit, bank guarantees, supply chain finance and foreign exchange services. In addition, our Bank markets wealth management products and services in collaboration with its associate, Equirus Capital Private Limited ("**Equirus Capital**"), such as mutual funds. Our Bank has also entered into bancassurance partnerships with various insurance companies to offer different types of insurance products, such as life insurance, general insurance and health insurance. For further details of our Bank's retail and wholesale banking offerings, see *"Description of our Bank's Banking Operations"* on page 672.

As of March 31, 2023, our Bank had 1,355 bank branches, 1,916 ATMs (including cash recyclers and mobile ATMs), 941 relationship managers and 11 business correspondents ("**BCs**"). In addition, our Bank distributes its products and services through direct sales agents ("**DSAs**") and connectors, i.e., individuals or entities who identify potential customers for our Bank. Our Bank's multi-pronged distribution approach involves a 'lite branch heavy distribution' model that is complemented by alternate distribution channels. Our Bank adopted the 'lite branch heavy distribution' model in Fiscal 2022 and under this model, our Bank's branches have a lean employee structure with a strong focus on fintech collaborations, and our Bank's branches have been integrated with our Bank's relationship manager network. Our Bank's robust presence across India is complemented by its international footprint. Our Bank is developing its international presence by building a network outside India to cater to the NRI market, with representative offices in Dubai and Abu Dhabi. Our Bank has also opened an international banking unit in the Gujarat International Finance Tec-City ("**GIFT City**"). Our Bank's physical distribution network is complemented by its digital initiatives that enable our Bank to provide its customers with access to on-demand banking services. Our Bank has also invested in innovative solutions such as "BankOnTheGo", using bus vehicles as a distribution platform ("**BaaP**"), wherein our Bank uses buses to boost its footprint where our Bank does not have a significant branch presence, and these buses have, among other things, cash recyclers and multi-functional kiosks to help the public to carry out several routine banking transactions. Our Bank's other digital offerings include "SoftPOS", a mobile application-based solution available on android platforms and a form of "Mobile as POS" that enables merchants to accept cash, card, QR or UPI transactions on their mobile phones without the need of additional hardware and "FedMi", a technology platform for microlending. For further details in relation to our Bank's other digital offerings, see "*Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Digital initiatives*" on page 684.

In addition, due to its digital readiness and robust information technology infrastructure that supports an open banking ecosystem, our Bank has been able to onboard multiple fintech collaborators including Paisabazaar Marketing and Consulting Private Limited ("**Paisabazaar**"), OneConsumer Services Private Limited ("**OneConsumer**") (for its "OneCard" application), Digivriddhi Technologies Private Limited ("**DGV**"), Mashreqbank PSC ("**Mashreq**"), Epifi Technologies Private Limited ("**Epifi**") (for its "Fi" platform) and Amica Financial Technologies Private Limited (for its "**Jupiter**" application) as of March 31, 2023. Our Bank's fintech collaborators are served through a dedicated business unit that has specialized skills and capabilities for risk management, and our Bank has a strong technology stack to support its fintech partners. Our Bank's fintech collaborations generate cross-selling opportunities, enable access to customers that are new to banking, including customers with an existing credit history and digitally native customers. Our Bank generates higher return on assets ("**RoA**") through customers accessing high margin lending products, such as credit cards, through the Bank's fintech collaborations, as the cost of acquisition of these customers is relatively lower compared to branch customers. Our Bank's fintech collaborations further help it to establish its presence in markets at a faster pace and expand its distribution footprint in India without requiring a physical presence. For further details in relation to our Bank's fintech collaborations, see "*Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Fintech collaborations*" on page 686.

Our Bank has had a sustained business growth in the last three Fiscals. Our Bank's total deposits have grown from ₹1,726,444.80 million as of March 31, 2021, to ₹1,817,005.86 million as of March 31, 2022, and to ₹2,133,860.39 million as of March 31, 2023, at a compound annual growth rate ("**CAGR**") of 11.17%. Our Bank's total net advances, i.e., gross advances minus the provision held for non-performing assets, have grown from ₹1,318,786.01 million as of March 31, 2021, to ₹1,449,283.25 million as of March 31, 2022, and to ₹1,744,468.85 million as of March 31, 2023, at a CAGR of 15.01%. As of March 31, 2023, our Bank's gross retail advances accounted for 54.00% of total gross advances, i.e., our Bank's total advances, and its gross wholesale advances accounted for the remaining 46.00% of those total gross advances.

For further details, see *"Our Business – Overview"* on page 664.

Factors Affecting our Results of Operations

Numerous factors affect our results of operations and financial condition. The following factors are of particular importance:

India's Macroeconomic Environment

As most of our operations are conducted in India, we are significantly affected by the general macroeconomic environment in India. A favorable macroeconomic environment is generally characterized by, among other factors, high gross domestic product ("**GDP**") growth, adequate liquid and efficient capital markets, low inflation, a high level of business and investor confidence, stable political and economic conditions, and strong business earnings. Unfavorable or uncertain economic conditions may result from conflict or war, pandemics, declines in economic growth, business activity or investor confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation, interest rates, exchange rate volatility, default rates or the price of basic commodities, capital controls or limits on the remittance of dividends, or a combination of these and/ or other factors.

We believe that some of the key macroeconomic growth drivers in India are growing GDP per capita, rising urbanization, changing demographics, growing adoption of digital payments and rising financial inclusion:

GDP per capita

The Indian economy is one the largest economies in the world with GDP at current prices estimated at ₹305 trillion for Fiscal 2023. *(Source: International Monetary Fund, World Economic Outlook, April 2023).* According to the National Statistical Office ("**NSO**"), India's real GDP was estimated to grow from ₹136.87 trillion in Fiscal 2021 to ₹149.26 trillion in Fiscal 2022 and to ₹160.06 trillion in Fiscal 2023. *(Source: NSO, Provisional Estimates)* Accordingly, real GDP on a per capita basis grew from ₹100,981 in Fiscal 2021 to ₹109,060 in Fiscal 2022 and ₹115,746 in Fiscal 2023, at a compound annual growth rate ("**CAGR**") of 7.06%. *(Source: NSO, Provisional Estimates, CAGR calculated based on data in the NSO Provisional Estimates)*. India attracted foreign direct investment ("**FDI**") of USD 70.97 billion in Fiscal 2023. *(Source: Fact Sheet on FDI Inflow from April 2000 to March 2023, Ministry of Commerce and Industry, Government of India ("**GoI**") ("**Fact Sheet**"))*. The last eight years have seen further liberalization of policy towards foreign investors, with most sectors now open for 100% FDI under the automatic route and this has resulted in a structural shift in the gross FDI flows to India. *(Source: Ministry of Finance, Economic Survey 2023)*

Rising urbanization and changing demographics

As per the United Nations, India's population was expected to exceed that of China in April 2023, making India the most populous country. *(Source: UN, Department of Economic and Social Affairs "DESA", Policy Brief No. 153)* By 2036, 600 million people are expected to be living in cities in India *(Source: World Bank, "Financing India's Urban Infrastructure Needs")*. According to World Bank, India is estimated to need over USD 840 billion in investments in urban projects over the next 15 years or an average of USD 55 billion per annum to effectively meet the needs of its fast-growing population. *(Source: World Bank, Financing India's urban infrastructure needs)*. Further, India has a median age of 27.6 years as on July 1, 2021 *(Source: United Nations, World Population Prospects 2022, https://population.un.org/wpp/https://population.un.org/wpp/)*. With a total population of 1,402 million, of which more than 50% is below the age of 35 years, India has one of the largest bases of younger population in the world. *(Source: United Nations,% of population below the age of 35 calculated based on population distribution by age group data)*

Growing adoption of digital payments

During the last five years, various convenient modes of digital payments such as Bharat Interface for Money-Unified Payments Interface ("**BHIM-UPI**"), Immediate Payment Service ("**IMPS**"), and National Electronic Toll Collection ("**NETC**") have registered substantial growth and have transformed the digital payment ecosystem by increasing person-to-person ("**P2P**") and person-to-merchant ("**P2M**") payments. *(Ministry of Electronics & IT, Digital Transactions in India, February 2023)* The volume of digital payment transactions increased significantly from 14.59 billion in Fiscal 2018 to 113.95 billion in Fiscal 2023, at a CAGR of 50.85% *(Source: RBI, Annual Reports 2022-2023 & 2019-2020, CAGR calculated based on data in the RBI annual reports)*

Rising financial inclusion

Numerous digital public goods such as digital verification (e-KYC), digital signature, digital repositories (Digilocker) and digital payments (UPI) have supported financial inclusion by improving access to formal financial services and reducing transaction costs. *(Source: Ministry of Finance, GoI, Economic Survey 2022-2023)* The population covered with bank accounts increased from 53% in Fiscal 2016 to 78% in Fiscals 2020 and 2021. *(Source: Ministry of Finance, GoI, Economic Survey 2022-2023)* Greater financial inclusion and access to credit incentivize higher consumption and investment, leading to higher economic growth. *(Source: Ministry of Finance, GoI, Economic Survey 2022-2023)*

Food and energy insecurity, financial stability concerns and risks of debt distress pose downside risks to the outlook for emerging market and developing economies. *(Source: RBI, Monetary Policy Report, April 2023)* The persistence of inflation at elevated levels across economies, continuing geopolitical uncertainties, and tightening financial conditions are affecting global economic activity. *(Source: RBI, Monetary Policy Report, April 2023)* Expectations of further monetary tightening by the US Federal Reserve has also led to an outflow of portfolio investments from India *(Source: RBI, Monetary Policy Report, April 2023)* In Fiscal 2023, the Indian rupee depreciated *vis-a-vis* the US dollar, exerting pressure on the rupee *(Source: RBI, Monetary Policy Report, April 2023)*. India's current account deficit ("**CAD**") had widened until December 2022 due to higher global prices for crude oil, edible oils and fertilizer. *(Source: Ministry of Finance, GoI, Macro-Economic Framework Statement, 2023)* Adverse supply shocks and the pass-through of inputs costs to output prices imparted sustained upward pressures on the consumer price index ("**CPI**") inflation in the second half of Fiscal 2023. *(Source: RBI, Monetary Policy Report, April 2023)*The COVID-19 pandemic induced unprecedented economic and fiscal crisis across the globe, including in India. *(Source: Ministry of Finance, GoI, Macro-Economic Framework Statement, 2023)* The GoI raised the level of fiscal deficit to 9.2% of GDP in Fiscal 2021 as against 3.5% of GDP estimated for budgeted estimates 2020-2021, and fiscal deficit fell to 6.7% of GDP in Fiscal 2022 and is budgeted to decline to 6.4% of GDP in revised estimates 2022-2023. *(Source: Ministry of Finance, GoI, Macro-Economic Framework Statement, 2023)* Nonetheless, the Indian banking sector remained resilient in Fiscals 2022 and 2023, as banks witnessed healthy balance sheet growth on broad-based acceleration in credit. *(Source: RBI Report on Trend and Progress of Banking in India 2021-2022)* Deposit growth moderated from the COVID-19 induced precautionary surge (*Source: RBI Report on Trend and Progress of Banking in India 2021-2022*)

Strong economic growth tends to positively impact our results of operations, since it can cause businesses to plan and invest more confidently, in turn driving stronger demand for bank credit as well as other banking products and services that we offer. Strong economic growth also generally increases the demand for the loans we offer and increase the interest income that we are able to generate. Economic growth also tends to improve the overall creditworthiness of our customers reducing our exposure to non-performing loans. However, adverse macroeconomic conditions in India, regionally or globally, which may be characterized by higher unemployment, lower household income, lower corporate earnings, lower business investments, higher inflation, increase in interest rates and lower consumer spending, could negatively impact our results of operations. Inflationary pressures also affect the interest rates at which we are able to lend to our customers, the interest rates at which we raise funds and the ability of our customers to repay loans.

Health of the Indian banking sector

The Indian banking sector is highly regulated and monitored, which contributes to its relative stability during uncertain economic periods. For further details, see *"-Factors affecting results of operations – India's macroeconomic environment*" and "*Industry Overview"* on pages 608 and 648, respectively.

During Fiscal 2023, the banking system continued the efforts to augment capital and improve asset quality. *(Source: RBI, Annual Report 2022-2023)* The asset quality of scheduled commercial banks continued to improve, with gross non-performing assets ("**GNPA**") ratio and net non-performing assets ("**NNPA**") ratio declining, the provision coverage ratio ("**PCR**") steadily increasing and the quarterly slippage ratio cooling off. *(Source: RBI, Annual Report 2022-2023)* For further details, see *"Industry Overview"* on page 648.Our standalone GNPA as a percentage of standalone gross advances stood at 3.41%, 2.80% and 2.36% as of March 31, 2021, March 31, 2022, and March 31, 2023, respectively. Our standalone NNPA as a percentage of standalone net advances stood at 1.19%, 0.96% and 0.69% as of March 31, 2021, March 31, 2022, and March 31, 2023, respectively. Our standalone PCR was 65.14, 65.54 and 70.02 in Fiscals 2021, 2022 and 2023, respectively, and our standalone slippage ratio was 1.55, 1.39 and 1.16 in Fiscals 2021, 2022 and 2023, respectively.

Regulatory intervention

The banking industry in India is subject to extensive regulation by Governmental organizations and regulatory bodies such as the RBI and Securities and Exchange Board of India ("**SEBI**"). These regulations cover various aspects such as loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. The RBI also prescribes required levels of lending to "priority sectors" such as agriculture, which may expose us to higher levels of risk than we may otherwise face.

An outbreak of COVID-19 was recognized as a pandemic by the World Health Organization ("**WHO**") on March 11, 2020. In response to the COVID-19 outbreak the governments of several countries, including India, had taken and may continue to take preventive or protective actions, such as imposing country-wide lockdowns, restrictions on travel and business operations and advising or requiring individuals to limit their time outside of their homes. Temporary closures of businesses were ordered, and numerous other businesses were temporarily closed on a voluntary basis as well. A resurgence of COVID-19 in India in April 2021 led to further lockdowns in various regions of India and several businesses were temporarily closed. While lockdowns were progressively relaxed, the RBI prescribed a number of measures aimed at reducing the economic and humanitarian impact of COVID-19 pandemic and the disruptions caused by the lockdown. RBI took several measures, including:

- the RBI by way of its notification dated May 20, 2020, reduced the policy repo rate by 40 basis points to 4.00% from 4.40% and the MSF rate and bank rate to 4.25% from 4.65%. Simultaneously, the reverse repo rate was reduced to 3.35% from 3.75%;

- the LCR was reduced to 80.00% from 100.00%. For further details, see *"-Factors affecting our results of operations – Capital requirements, reserve ratios and liquidity coverage ratio"* on page 611;

- CRR was reduced by 100 bps from 4.00% of net demand time liabilities to 3.00%. For further details, see *"-Factors affecting our results of operations – Capital requirements, reserve ratios and liquidity coverage ratio"* on page 611.

Further, in August 2022, the RBI adopted an inflation target of 4.00% (with an upper limit of 6.00% and lower limit of 2.00%) as the medium-term target under its monetary policy framework. Monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of our advances and deposits. The RBI sets interest rates in an effort to keep inflation within the target range, and Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly. A monetary policy designed to combat inflation typically results in an increase in RBI lending rates. For instance, RBI raised the repo rate by 250 bps to 6.50% in Fiscal 2023 to control inflation. It was due to, among other things, a sharp rise in commodity prices in 2022 because of disruptions caused by the Russia-Ukraine crisis, which kept headline inflation above RBI's upper tolerance limit of 6% for the majority of Fiscal 2023.

The following table sets forth the RBI's bank rate, the reverse repo rate and the repo rate as at the dates indicated:

	Cash reserve ratio	**RBI's bank rate**	**Reverse repo rate**	**Repo rate**
	(in %)			
As of March 31, 2021	3.00%	4.25%	3.35%	4.00%
As of March 31, 2022	4.00%	4.25%	3.35%	4.00%
As of March 31, 2023	4.50%	6.75%	3.35%	6.50%

(Source: RBI)

Provisioning

Indian banks are required to comply with RBI guidelines on recognition and provisioning for non-performing assets ("**NPAs**"). Provisions are created by a charge to expense and represent our estimate for loan losses and risks inherent in the credit portfolio. At a minimum, we make provisions in accordance with RBI guidelines, though we may provide in excess of RBI requirements to reflect our internal estimates of actual losses.

The level of our non-performing loans is affected by, among other things, the general level of economic growth in India, the difficulties inherent in restructuring problem loans, the amount of non-performing loans written-off and our credit approval and monitoring policies. Other factors include a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, regulators' assessment and review of our loan portfolio, a sharp and sustained rise in interest rates, refinance risks due to slow-down in lending by non-banking financial companies, housing finance companies and other financial intermediaries, movements in global commodity markets and exchange rates, each of which could cause a further increase in the level of NPAs. An increase in the volume of our NPAs may require us to increase our provisions against advances, investments and the related recovery and litigation costs. To the extent that we are required to make additional provisions on account of our NPAs, such provisions are charged to our profit and loss account and decrease our profitability.

Pursuant to the revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" issued by the RBI on May 30, 2013, provisioning requirements on all new standard restructured assets increased to 5.00% with effect from June 1, 2013. This increased requirement for existing restructured standard assets has been gradually implemented, from provisioning of 3.5% with effect from March 31, 2014, to provisioning of 4.25% with effect from March 31, 2015 and to provisioning of 5.00% with effect from March 31, 2016. These provisions will apply for two years from the date of restructuring and in case of moratorium on payment of interest and principal after restructuring, such advances will attract provisions for the moratorium period and two years thereafter. In addition, NPAs when upgraded to standard attract a higher provision in the first year of being upgraded. In addition, the RBI in its circular dated April 18, 2017 prescribed additional provisions for standard advances higher than prescribed rates based on evaluation of risk and stress in various sectors. We placed a policy in this regard before the risk management committee of the Board and we have been following the norms since 2017. Our standalone net restructured asset considered standard as of March 31, 2023 was ₹28,301.92 million, equivalent to 1.60% of our standalone gross advances.

Our asset quality metrics improved between Fiscals 2021 and 2023, thus leading to a reduction in our NPA ratios. Our standalone GNPA as a percentage of standalone gross advances stood at 3.41%, 2.80% and 2.36% as of March 31, 2021, March 31, 2022, and March 31, 2023, respectively. Our standalone NNPA as a percentage of standalone net advances stood at 1.19%, 0.96% and 0.69% as of March 31, 2021, March 31, 2022, and March 31, 2023, respectively.

Capital Requirements, Reserve Ratios and Liquidity Coverage Ratios

The RBI imposes several compulsory deposit and capital adequacy requirements on banks and financial institutions as a mechanism to control the liquidity and stability of the Indian financial system. The RBI has issued guidelines for implementation of Basel III from April 1, 2013 in a phased manner wherein Indian banks are required to improve the quality and consistency of their capital base, enhance risk coverage and supplement the risk-based capital requirement with a leverage ratio.

*Cash reserve ratio ("**CRR**"):* A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding interbank deposits, by way of cash reserve with itself and by way of balance in current account with the RBI. Due to the outbreak of COVID-19 pandemic, in March 2020, the RBI reduced the CRR requirement from 4.00% to 3.00% of net demand and time liabilities. This was gradually restored to 4.00% in a phased manner with banks required to maintain the cash reserve ratio at 3.50% of their net demand and time liabilities effective from the fortnight beginning March 27, 2021 and at 4.00% effective from fortnight beginning May 22, 2021. In May 2022, the RBI increased the CRR to 4.50% of net demand and time liabilities, effective from the reporting fortnight beginning May 21, 2022. As on the date of this Preliminary Placement Document, the RBI requires a CRR 4.50% of our net demand and time liabilities. In February 2021, the RBI permitted banks to deduct the amount equivalent to credit disbursed to new micro, small and medium enterprise ("**MSME**") borrowers (who have not availed credit from the banking system as on January 1, 2021) from their net demand and time liabilities for calculation of CRR. This exemption was available only up to ₹2.50 million per borrower disbursed up to the fortnight ending October 1, 2021, for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier. In May 2021, the exemption timeline was extended until December 31, 2021.

The RBI has the authority to prescribe CRR without any ceiling limits and it does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period. The daily cash reserve requirement on any day of the fortnight has to be 90.00% of the requirement. Following the outbreak of COVID-19 pandemic, the RBI India reduced the minimum daily maintenance of the cash reserve ratio from 90.00% of the requirement to 80.00% effective from March 28, 2020. This was a one-time dispensation available up to September 25, 2020. Our CRR as of March 31, 2023, was 106.59% of our requirement of our net demand and time liabilities.

*Statutory liquidity ratio ("**SLR**"):* In addition to the CRR, a bank is required to maintain SLR, which is a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. As on the date of this Preliminary Placement Document, RBI requires a SLR of 18.00% effective since April 2020. Although SLR is intended to be a measure to maintain our liquidity, it has adverse implications on our ability to expand our credit. Changes in the interest rates also impact the valuation of our SLR portfolio and thereby affect our profitability.

*Liquidity coverage ratio ("**LCR**")*: In line with the Basel III framework, banks in India are required to maintain a minimum LCR, which is a ratio of the stock of high-quality liquid assets to total net cash outflows over the next 30 calendar days under certain prescribed stressed conditions. The LCR is designed to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets to meet any acute liquidity requirements over a hypothetical stressed period lasting 30 days and the requirement was phased in over time. A minimum LCR requirement of 100.00% has been required since January 1, 2019. Following the outbreak of the COVID-19 pandemic, the LCR to be maintained by banks was lowered from 100.00% to 80.00% until September 30, 2020 and was subsequently increased to 90.00% starting from October 1, 2020 and further to 100.00% from April 1, 2021. As on March 31, 2023, our standalone average LCR was 128.12%, which is above the current requirement of 100.00%.

More stringent compulsory deposit requirements and capital adequacy requirements tend to negatively impact the banks' capital position, thus requiring the banks to commit additional capital in order to meet such increased requirements. This tends to decrease overall liquidity in the financial system and decrease the amount of capital available for deployment in credit transactions or higher-yielding investments, which negatively impacts the banks' interest-earning assets. Any increases in the CRR requirements or capital adequacy requirements could affect our profitability by limiting the amount that is available for commercial credit transactions or for investment in higher-yielding securities, thus restricting our ability to grow our business. We may also be compelled to dispose of certain of our assets and/or take other measures in order to meet more stringent requirements, which may adversely affect our results of operations and financial condition.

Interest Rates

Interest rate changes have a significant impact on our profitability. Interest rates are sensitive to many factors, including the RBI's monetary policy, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors.

Changes in lending and deposit interest rates directly affect our financial condition, results of operations and cash flows. Generally, an increase in interest rates tends to increase our interest income as a result of higher yield on our loans; however, such an increase can also adversely affect our interest income as a result of a decrease in the volume of loans due to reduced overall demand for loans. In addition, an increase in interest rates may affect our funding costs, particularly term deposits and interbank deposits, and can adversely affect our profitability if we are unable to pass on our increased funding costs to our clients in a timely manner or at all, thereby impacting our net interest margin. Finally, higher interest rates can increase the risk of default by our clients.

Conversely, a decrease in interest rates can reduce our interest income as a result of lower yields on our loans. This reduction in interest income may eventually be offset by an increase in the volume of loans that we make due to increased demand for loans and/or a decrease in our funding costs.

Floating rate loans generally allow us to pass on, in most cases, any changes in interest rates to our customers and broadly maintain our margins. Prior to April 2016, bank loans in India were priced by reference to a base rate. With effect from April 1, 2016, RBI guidelines replaced the base rate-linked loan pricing with a new regime based on the marginal cost of funds-based lending rate ("**MCLR**"). Accordingly, Rupee advances sanctioned or renewed after April 1, 2016 are generally priced with reference to MCLR of different maturities. Commercial banks must review and publish their MCLR of different maturities every month.

The RBI issued a circular on September 4, 2019 making it mandatory for the banks to link all floating rate personal or retail loans and floating rate loans to micro and small enterprise borrowers to an external benchmark with effect from October 1, 2019. The banks are free to choose one of the several benchmarks indicated in the circular. The banks are also free to choose their spread over the benchmark rate, subject to the condition that the credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract. In addition, the RBI issued a circular on February 26, 2020 making it mandatory for banks to link all floating rate loans extended to medium enterprises to an external benchmark with effect from April 1, 2020.

The table below sets forth distribution of our standalone advances mix by rate type at the dates indicated:

	As of March 31,		
	2021	**2022**	**2023**
	% of advance mix by rate type mix		
Floating rate	67.29%	72.43%	72.33%
Of which			
• **MCLR linked**	**26.81%**	**18.60%**	**13.61%**
• **Foreign currency linked**	**1.30%**	**2.06%**	**1.74%**
• **Base rate linked**	**3.05%**	**1.78%**	**1.06%**
• Bank prime lending rate linked	0.05%	0.04%	0.03%
• **Repo linked**	**27.00%**	**42.43%**	**49.20%**
• Financial Benchmarks India Limited treasury bill linked	4.69%	2.45%	0.98%
• Government security linked	0.24%	0.15%	0.08%
• Assignment, inter bank participating certificates, factoring etc.	2.62%	3.77%	3.88%
• International Banking Unit	1.53%	1.15%	1.75%
Fixed rate	**32.71%**	**27.57%**	**27.67%**
Total	**100.00%**	**100.00%**	**100.00%**

As of March 31, 2023, 10.21% of our loans were linked to the 12-month MCLR rate, while 2.15% were linked to the six-month MCLR rate, 0.97% were linked to the three-month MCLR rate and 0.28% were linked to the one-month MCLR rate. As of March 31, 2023, 27.67% of our loans have fixed rates. We may not be able to reprice our fixed rate loans in a timely manner to pass on changes in interest rate.

Changes in interest rates can also affect the value of our securities portfolio, and therefore, our financial condition and results of operations. However, the effect of these fluctuations may be limited by our use of derivative hedging instruments. For hedge transactions, we identify the hedged item at the inception of the transaction itself.

Sources and Cost of Funding

Our primary interest-bearing liabilities are our deposit base, subordinated debt instruments, RBI, inter-bank borrowings and borrowings from other financial institutions. An increase in the cost of our interest-bearing liabilities generally tends to increase our interest expenses. Conversely, a decrease in the cost of our interest-bearing liabilities generally tends to decrease our interest expenses. The cost of our interest-bearing liabilities depends on many external factors, including competitive factors and developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the inter-bank markets. Internal factors that can impact our cost of funds include changes in our credit ratings, available credit limits and our ability to mobilize low-cost deposits, particularly from retail customers and balances in current accounts.

We currently enjoy a relatively low-cost deposit base achieved through our distribution network, our innovative products, our digital capabilities, our relationship approach, and our customer stickiness to deposits, largely driven by multiple product propositions. Our total standalone deposits have increased at a CAGR of 11.17% from ₹1,726,444.80 million in Fiscal 2021 to ₹2,133,860.38 million in Fiscal 2023. Our market share of all scheduled commercial bank deposits in India increased from 1.09% as of March 26, 2021 to 1.13% as of March 24, 2023.[2]

In addition, we have a strong NRI franchise. Our NRI franchise has contributed to our development in our deposits and current or demand and savings accounts ("**CASA**") ratio. The deposits from NRIs constituted 39.44%, 39.98% and 35.80% of total standalone deposits in the corresponding periods of Fiscals 2021, 2022 and 2023, respectively. To continue to source low-cost funding through deposits, we must, among other things, providing a convenient banking experience to customers, and offering differentiated products and solutions to meet the specific needs of particular customer demographics. However, the increasing sophistication of customers, competition for funding, increasing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates we pay on our deposits.

While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also impacted by stable share of CASA in relation to total deposits. The ratio of our CASA plus deposits less than ₹20 million to total standalone deposits in Fiscals 2021, 2022 and 2023 was 87.97%, 91.89% and 84.03%,respectively. In Fiscal 2023, there was an increase in the rate for term deposits and as a result, many retail investors placed a portion of their CASA funds in term deposits. As a result, there was a decrease in CASA and resulting a decrease in the ratio of CASA plus deposits less ₹20 million to total standalone deposits in Fiscal 2023.

Other sources of funding on which we rely are subordinated debt instruments, RBI, inter-bank borrowings and borrowings from other financial institutions.

Customer relationships

Growth of our loan portfolio is one of the main drivers to increase our revenue. The expansion of our loan portfolio is dependent on the number of customer relationships, while maintaining quality for credit exposure. For our wholesale banking business unit, growth of our loan book also depends on our ability to grow our customers' business. The number of customers we serve depends on the success of our relationship managers, the reach and strength of our distribution network, and the demand for, and competitiveness of, our products and services. The Indian banking industry is very competitive.. Our ability to compete effectively will depend, in part, on our ability to offer a diverse product mix and expand our distribution network. We have invested in expanding our network across channels and added lite branches, i.e., our branches that have a lean employee structure with a strong focus on fintech collaborations, across multiple markets, increased the total number of relationship managers and enhanced productivity through specialization and collaborated with BC partners for penetrating rural and urban locations. As a result, we have expanded our distribution network from 1,272 bank branches, 1,957 ATMs (including cash recyclers and mobile ATMs), 854 relationship managers, and four BCs as of March 31, 2021 to 1,355 bank branches, 1,916 ATMs (including cash recyclers and mobile ATMs), 941 relationship managers and 11 BCs as of March 31, 2023. For further details in relation to our bank branches, ATMs (including cash recyclers and mobile ATMs), relationship managers, BCs and DSAs and connectors in Fiscals 2021, 2022 and 2023, see "*Our Business*" on page 664. We have also magnified our reach through alternate channels such as co-lending through our fintech collaborations, digital marketing and tele-sales, which are outsourced through other entities, including FedServ. In addition, we engage in digital marketing campaigns to target 'new to banking' customers. These alternate channels enable us to leverage the distribution capabilities of our collaborators, distribute and cross-sell multiple products, including our high margin lending products, diversify risk and optimize our cost of customer

[2] *The market share has been calculated based on March 26, 2021, and March 24, 2023, data of (i) our standalone deposits (excluding interbank deposits), and (ii) RBI fortnightly data for scheduled commercial banks outstanding deposits.*

acquisition. If we are not successful in developing new customer relationships, or retaining existing customer relationships, due to, among other things, our distribution network and / or competitiveness of our products and services, our earnings may be adversely affected.

Employee cost

Employee cost is a large component of our total cost. In Fiscals 2021, 2022 and 2023, our payments to, and provisions for, employees were ₹21,720.18 million, ₹25,116.60 million and ₹24,402.44 million, respectively, constituting 55.71%, 54.69% and 46.83% of our operating expenses, respectively. The Indian financial services sector is highly competitive, and it can be difficult and expensive to hire and assimilate talented and experienced employees. The attrition rate of our employees in Fiscals 2021, 2022 and 2023 was 1.46%, 2.86% and 4.59%, respectively. For further details in relation to the risks associated with attracting and retaining employees, see *"Risk Factors 27 – Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons"* on page 50.

Components of Income and Expenditure

Interest Earned

Interest earned consists of interest /discount on advances / bills, income on investments, interest on balances with RBI and other inter-bank funds and other interest earned from debtors and other sources. Income on investments consists of interest on government securities, interest on other investments and income by way of dividends from other companies other than subsidiaries, associates and/or joint ventures. Other interest earned includes interest on deposits placed with National Bank for Agricultural and Rural Development ("**NABARD**"), Small Industries Development Bank of India and National Housing Bank and interest on, among other things, collateralized borrowing and lending obligations and income tax refunds. Our securities portfolio consists primarily of government securities, debentures and bonds, shares, mutual fund units, certificates of deposit, commercial paper, security receipts, venture capital funds and pass-through certificates. On the balances that we maintain with RBI to meet our cash reserve requirements, we do not receive any interest..

Other Income

Our non-interest income consists principally of (i) commission, exchange and brokerage, (ii) net profit or loss on the sale of investments, (iii) net profit or loss on the revaluation of investments; (iv) net profit or loss on the sale of land, buildings and other assets; (v) net profit or loss on foreign exchange and derivative transactions; and (vi) miscellaneous income, which primarily includes recoveries in assets written off. Commission, exchange and brokerage income includes fee income from corporate banking, portfolio management services and distribution of various third-party products.

Interest Expended

Our interest expended consists of interest on deposits, interest on RBI and inter-bank borrowings and other interest such as interest on subordinated debt and other borrowings from other financial institutions.

Operating Expenses

Our operating expenses consist principally of (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation on our property, (vi) directors' fees, allowances and expenses, (vii) auditors' fees and expenses (including branch auditors' fees and expenses), (viii) law charges, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance and (xii) other expenditure, which includes expenditure on corporate social responsibility, payment of service charge to service providers and channel transaction related payments made to card networks.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision towards NPAs and contingencies (including write-offs net of recoveries), (ii) provision for non-performing investments, (iii) provision for standard assets, being the provision, that RBI requires all banks and NBFCs to maintain on standard assets, (iv) provision for income tax, and (v) provision towards present value of sacrifice on restructuring, other contingencies, etc.

Minority interest

Minority interest consists of that part of the net results of operations of a Subsidiary, Fedbank Financial Services Limited, attributable to interests which are not owned by the Bank, directly or indirectly through such Subsidiary.

Share in profit of associates

Our share in profit of the associates is accounted for using equity method as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements.

Fiscal 2023 compared to Fiscal 2022

Summary of Performance

	Fiscal		
	2023	2022	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Income			
Interest earned	178,117.77	143,815.32	23.85%
Other income	24,362.38	21,209.33	14.87%
Total	**202,480.15**	**165,024.65**	**22.70%**
Expenditure			
Interest expended	99,752.39	79,593.79	25.33%
Operating expenses	52,112.06	45,921.47	13.48%
Provisions and contingencies	18,858.07	19,855.43	(5.02)%
Total	**170,722.52**	**145,370.69**	**17.44%**
Net profit for the year	**31,757.63**	**19,653.96**	**61.58%**
Less: minority interest	451.04	266.39	69.32%
Add: share in profit of Associates	340.60	310.28	9.77%
Consolidated net profit for the year	**31,647.19**	**19,697.85**	**60.66%**

Net Interest Income

Our net interest income increased by 22.02% from ₹64,221.53 million for Fiscal 2022 to ₹78,365.38 million for Fiscal 2023. Our net interest margin increased from 3.37% in Fiscal 2022 to 3.49% in Fiscal 2023, primarily due to a higher increase in yield on advances as compared to the increase in the cost of deposits. The following table sets out the components of net interest income:

	Fiscal		
	2023	2022	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Interest earned			
Interest / discount on advances / bills	145,078.82	115,643.11	25.45%
Income on investments	27,818.77	23,164.92	20.09%
Interest on balances with RBI and other inter-bank funds	2,062.52	2,202.67	(6.36)%
Others	3,157.66	2,804.62	12.59%
Total interest earned	**178,117.77**	**143,815.32**	**23.85%**
Interest expended			
Interest on deposits	86,127.81	73,322.89	17.46%
Interest on RBI / inter-bank borrowings	906.54	358.48	152.88%
Others	12,718.04	5,912.42	115.11%
Total interest expended	**99,752.39**	**79,593.79**	**25.33%**
Net Interest Income	**78,365.38**	**64,221.53**	**22.02%**

Interest earned

Our total interest earned increased by 23.85% from ₹143,815.32 million for Fiscal 2022 to ₹178,117.77 million for Fiscal 2023. The increase in interest earned was primarily due to an increase in interest and discounts on advances and bills by 25.45% from ₹115,643.11 million for Fiscal 2022 to ₹145,078.83 million for Fiscal 2023. This increase was primarily due to:

- an increase in our standalone average total advances by 17.22%, primarily attributable to an increase in the scale of our operations due to a wider network coverage by increasing the number of relationship managers and entering into new fintech collaborations. Our fintech collaborations have generated further cross-selling opportunities and provided access to customers that are 'new to banking', including customers with an existing credit history and digitally native customers. For further details in relation to our relationship managers and fintech collaborations, see *"Business – Description of our Banking Operations -Multi-Pronged Distributions Approach"* on page 669 ;

- an increase in our standalone yield on advances by 51 bps, primarily due to an increase in the volume of high margin lending products offered in Fiscal 2023; and

- repricing of our repo linked loan book pursuant to repo rate increases announced by RBI in Fiscal 2023.

Contributing to the increase in total interest earned was an increase in income on investments by 20.09% from ₹23,164.92 million in Fiscal 2022 to ₹27,818.77 million in Fiscal 2023. This increase was primarily due to:

- an increase in the average investment and composition of high yielding investments primarily attributable to an increase in investment opportunities in GoI securities, equities and corporate bonds; and

- an increase in market interest rate primarily due to an increase in the repo rate by the RBI.

Interest Expended

Our total interest expended increased by 25.33% from ₹79,593.79 million for Fiscal 2022 to ₹99,752.39 million for Fiscal 2023. This increase was primarily due to an increase of 17.46% in interest on deposits from ₹73,322.89 million in Fiscal 2022 to ₹86,127.81 million in Fiscal 2023, primarily attributable to:

- an increase in our standalone total average deposit by 11.15% primarily due to an increase in our total number of branches, new fintech partnerships, deeper penetration of existing clients and onboarding of new to banking customers through our relationship managers;

- an increase in our standalone average cost of deposits by 25 bps as a result of repricing of existing as well as incremental deposits at a higher interest rate. The repricing was primarily due to an increase in market interest rate primarily due to a and repo rate hike by the RBI.

Contributing to the increase in interest expended was an increase in other interest expended by 115.11% from ₹5,912.42 million in Fiscal 2022 to ₹12,718.04 million in Fiscal 2023, primarily due to:

- an increase in repo rate by the RBI and an increase in borrowings in order to fund the increase in higher growth of advances; and

- to a lesser extent, an incremental high-cost borrowing raised during Fiscal 2023 through, among other things, issuance of Tier II bonds and additional unsecured borrowings.

Other Income

The following table sets out the components of other income:

	Fiscal		
	2023	**2022**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Commission, exchange and brokerage	18,678.01	13,228.65	41.19%
Profit on sale of investments (Net)	902.44	3,886.88	(76.78)%
Profit / (Loss) on revaluation of investments (Net)	(474.31)	(813.50)	(41.70)%
Profit / (Loss) on sale of land, buildings and other assets (Net)	8.29	53.30	(84.43)%
Profit on foreign exchange / derivative transactions (Net)	2,971.39	2,420.16	22.78%
Miscellaneous income	2,276.55	2,433.84	(6.46)%
Recoveries in assets written off (part of miscellaneous income)	1,407.34	1,791.35	(21.44)%
Total other income	**24,362.37**	**21,209.33**	**14.87%**

Our total other income increased by 14.87% from ₹21,209.33 million in Fiscal 2022 to ₹24,362.37 million in Fiscal 2023. This was primarily attributable to an increase in commission, exchange and brokerage by 41.19% from ₹13,228.65 million in Fiscal 2022 to ₹18,678.01 million in Fiscal 2023, as a result of an increase in processing fees from loans and advances, general service charge income, channel transaction related income from card networks and commission income from bancassurance services. This increase was primarily attributable to an increase in our business volumes, introduction of new avenues of fee generation and an increase in fee rates. This increase was partially offset by a decrease of 76.78% in profit on sale of investments (net) from ₹3,886.88 million in Fiscal 2022 to ₹902.44 million in Fiscal 2023, as a result of a decrease in profit from sale of securities primarily attributable to unfavorable market conditions.

Operating Expenses

The following table sets out the components of operating expenses:

	Fiscal		
	2023	**2022**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Payments to and provision for employees	24,402.44	25,116.60	(2.84)%
Rent, taxes and lighting	4,302.50	3,655.87	17.69%
Printing and stationery	533.20	294.40	81.11%
Advertisement and publicity	409.29	121.70	236.31%
Depreciation on our property	1,821.77	1,388.98	31.16%
Directors' fees, allowances and expenses	38.05	31.81	19.62%
Auditors' fees and expenses (including branch auditors' fees and expenses)	63.19	78.28	(19.28)%
Law charges	544.43	316.51	72.01%
Postage, telegrams, telephone etc.	1,256.73	912.63	37.70%
Repairs and maintenance	1,152.57	858.13	34.31%
Insurance	2,318.90	2,145.71	8.07%
Other expenditure	15,268.98	11,000.85	38.80%

	Fiscal		
	2023	2022	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Expenditure on corporate social responsibility (part of other expenditure)	452.44	407.40	11.06%
Total operating expenses	**52,112.05**	**45,921.47**	**13.48%**

Our total operating expenses increased by 13.48% from ₹45,921.47 million in Fiscal 2022 to ₹52,112.05 million in Fiscal 2023. This increase was primarily due to:

- an increase in other expenditure by 38.80% from ₹11,000.85 million in Fiscal 2022 to ₹15,268.98 million in Fiscal 2023 due to an increase in, among other things, channel transactions related payments made to card networks, service charge payments to various support service providers, payments to direct selling agents and advertising expenditure. The increase in payments to card networks was primarily attributable to higher volume of transactions and an increase in payments to direct selling agents was due to higher volume of sale of our products;

- repairs and maintenance increased by 34.31% from ₹858.13 million in Fiscal 2022 to ₹1,152.57 million in Fiscal 2023 due to renovation of our branches and offices; and

- depreciation on our property increased by 31.16% from ₹1,388.98 million in Fiscal 2022 in ₹1,821.77 million in Fiscal 2023.

Provisions and Contingencies

Provisions and contingencies decreased by 5.02% from ₹19,855.43 million in Fiscal 2022 to ₹18,858.07 million in Fiscal 2023. This decrease was primarily due to a decrease in provision for standard assets by 80.74% from ₹6,104.03 million in Fiscal 2022 to ₹1,175.63 million. This was primarily due to provisions created in Fiscal 2022 for accounts restructured pursuant to RBI Resolution Framework for COVID-19 related stress. This was partially offset by an increase in provision for taxation by 59.67% from ₹6,808.81 million in Fiscal 2022 to ₹10,871.77 million in Fiscal 2023. The increase was primarily attributable to an increase in provision for income tax – current tax from ₹8,452.50 million in Fiscal 2022 to ₹10,859.30 million in Fiscal 2023, due to an increase in our business operations.

Net Profit

As a result of the above, our net profit for the year increased by 61.58% from ₹19,653.96 million for Fiscal 2022 to ₹31,757.63 million for Fiscal 2023.

Minority interest

Our minority interest increased by 69.32% from ₹266.39 million for Fiscal 2022 to ₹451.04 million for Fiscal 2023, primarily due to an increase in the reported profits of our subsidiaries.

Share in profit of associates

Our share in profit of associates increased by 9.77% from ₹310.28 million for Fiscal 2022 to ₹340.60 million for Fiscal 2023, primarily due to an increase in the reported profits of our associates.

Consolidated net profit

As a result of the above, our consolidated net profit increased by 60.66% from ₹19,697.85 million in Fiscal 2022 to ₹31,647.19 million in Fiscal 2023.

Fiscal 2022 Compared to Fiscal 2021

Summary of Performance

	Fiscal		
	2022	2021	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Income			
Interest earned	143,815.32	143,140.75	0.47%
Other income	21,209.33	19,716.54	7.57%
Total	**165,024.65**	**162,857.29**	**1.33%**
Expenditure			
Interest expended	79,593.79	84,349.58	(5.64)%
Operating expenses	45,921.47	38,986.64	17.79%
Provisions and contingencies	19,855.43	23,049.01	(13.86)%
Total	**145,370.69**	**146,385.23**	**(0.69)%**

	Fiscal		
	2022	2021	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Net profit for the year	**19,653.96**	**16,472.06**	**19.32%**
Less: minority interest	266.39	152.36	74.84%
Add: share in profit of Associates	310.28	323.64	(4.13)%
Consolidated net profit for the year	**19,697.85**	**16,643.34**	**18.35%**

Net Interest Income

Our net interest income increased by 9.24% from ₹58,791.17 million in Fiscal 2021 to ₹64,221.53 million in Fiscal 2022. Our net interest margin increased from 3.30% in Fiscal 2021 to 3.37% in Fiscal 2022, primarily due to an increase in net interest income. The following table sets out the components of net interest income:

	Fiscal		
	2022	2021	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Interest Earned			
Interest / discount on advances / bills	115,643.11	113,531.37	1.86%
Income on investments	23,164.92	23,382.86	(0.93)%
Interest on balances with RBI and other inter-bank funds	2,202.67	3,681.64	(40.17)%
Others	2,804.62	2,544.89	10.21%
Total interest earned	**143,815.32**	**143,140.75**	**0.47%**
Interest expended			
Interest on deposits	73,322.89	78,045.40	(6.05)%
Interest on RBI / inter-bank borrowings	358.48	419.65	(14.58)%
Others	5,912.42	5,884.53	0.47%
Total interest expended	**79,593.79**	**84,349.58**	**(5.64)%**
Net Interest Income	**64,221.53**	**58,791.17**	**9.24%**

Interest Earned

Our total interest earned increased by 0.47% from ₹143,140.76 million in Fiscal 2021 to ₹143,815.32 million in Fiscal 2022. The increase in total interest earned was primarily on account of an increase in interest and discounts on advances and bills by 1.86% from ₹113,531.37 million in Fiscal 2021 to ₹115,643.11 million in Fiscal 2022. This increase was primarily due to an increase in our standalone average advances by 9.03% primarily attributable to an increase in our branches, a wider network coverage by our relationship managers and new fintech partnerships as well as introduction of new products.

Partially offsetting the increase in total interest earned was a decrease in income on investments by 0.93% from ₹23,382.86 million in Fiscal 2021 to ₹23,164.92 million in Fiscal 2022. This decrease was primarily due to a reduction in the interest received on debentures and bonds as well as dividend income. There was also a decrease in the interest on balances with RBI and other inter-bank funds by 40.17% from ₹3,681.64 million in Fiscal 2021 to ₹2,202.67 million in Fiscal 2022.

Interest Expended

Our total interest expended decreased by 5.64% from ₹84,349.58 million in Fiscal 2021 to ₹79,593.79 million in Fiscal 2022. The decrease in interest expended was primarily due to a decrease by 6.05% in the interest paid on deposit paid from ₹78.045.40 million in Fiscal 2021 to ₹73,322.89 million in Fiscal 2022.This was primarily attributable to:

- a decrease in the standalone cost of deposit by 67 bps due to repricing of deposit at lower interest rate; and
- incremental deposit raised at lower cost primarily attributable to a fall in the market interest rate due to a reduction in interest rates set by the RBI and an increase in the market liquidity as a result of several COVID-19 regulatory packages announced by the GoI and the RBI.

Further, there was a decrease in the interest on RBI and inter-bank borrowings by 14.58%, from ₹419.65 million in Fiscal 2021 to ₹358.48 million in Fiscal 2022, primarily attributable to a fall in the market interest rate due to a reduction in policy interest rates by the RBI and an increase in the market liquidity as a result of several COVID-19 regulatory packages announced by the GoI and the RBI.

Other Income

The following table sets out the components of other income:

	Fiscal		
	2022	2021	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Commission, exchange and brokerage	13,228.65	10,494.55	26.05%
Profit on sale of investments (Net)	3,886.88	6,108.19	(36.37)%
Profit / (Loss) on revaluation of investments (Net)	(813.50)	137.94	(689.75)%
Profit / (Loss) on sale of land, buildings and other assets (Net)	53.30	17.99	196.28%
Profit on foreign exchange / derivative transactions (Net)	2,420.16	1,939.99	24.75%
Miscellaneous income	2,433.84	1,017.88	139.11%
Recoveries in assets written off (part of Miscellaneous income)	1,791.35	810.11	121.12%
Total other income	**21,209.33**	**19,716.54**	**7.57%**

Our total other income increased by 7.57% from ₹19,716.54 million in Fiscal 2021 to ₹21,209.33 million in Fiscal 2022. The increase in other income was primarily due to an increase in commission, exchange and brokerage by 26.05% from ₹10,494.55 million in Fiscal 2021 to ₹13,228.65 million in Fiscal 2022. This was primarily attributable to an increase in the processing fee from loans and advances, general service charge income, channel transaction related income from card networks and commission income from bancassurance services. This increase was primarily due to an increase in business volume, new products being launch and new arrangements being entered into. Contributing to the increase in our other income was an increase in miscellaneous income by 139.11% from ₹1,017.88 million in Fiscal 2021 to ₹2,433.84 million in Fiscal 2022, largely due to recoveries on assets previously written off. Partially offsetting these increases was a loss on revaluation of investments (net) of ₹813.50 million in Fiscal 2022 as compared to a profit on revaluation of investments (net) of ₹137.94 million in Fiscal 2021. The loss on revaluation of investments was primarily attributable to a rise in yield of government securities from 6.16% in Fiscal 2021 to 6.83% in Fiscal 2022.

Operating Expenses

The following table sets out the components of operating expenses:

	Fiscal		
	2022	2021	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Payments to and provision for employees	25,116.60	21,720.18	15.64%
Rent, taxes and lighting	3,655.87	3,190.46	14.59%
Printing and stationery	294.40	259.67	13.37%
Advertisement and publicity	121.70	96.76	25.78%
Depreciation on Group's property	1,388.98	1,149.20	20.86%
Directors' fees, allowances and expenses	31.81	23.85	33.38%
Auditors' fees and expenses (including branch auditors' fees and expenses)	78.28	85.02	(7.93)%
Law charges	316.51	194.30	62.90%
Postage, telegrams, telephones etc.	912.63	819.00	11.43%
Repairs and maintenance	858.13	700.50	22.50%
Insurance	2,145.71	1,929.06	11.23%
Other expenditure	11,000.85	8,818.64	24.75%
Expenditure on corporate social responsibility (part of other expenditure)	407.40	362.80	12.29%
Total Operating Expenses	**45,921.47**	**38,986.64**	**17.79%**

Our total operating expenses increased by 17.79% from ₹38,986.64 million in Fiscal 2021 to ₹45,921.47 million in Fiscal 2022. This increase was primarily due to:

- an increase in payments to, and provision for, employees by 15.64% from ₹21,720.18 million in Fiscal 2021 to ₹25,116.60 million in Fiscal 2022. The payments to, and provision for, employees contributed 54.69% of total operating expenses in Fiscal 2022 and increased primarily as a result of an additional liability amounting to ₹1,773.16 million recognized on account of revision in family pension for employees covered under the 11th Bipartite Settlement and Joint Note dated November 11, 2020 ("**Bipartite Settlement**");

- an increase in other expenditure by 24.75% from ₹8,818.64 million in Fiscal 2021 to ₹11,000.85 million in Fiscal 2022. This was primarily attributable to channel transaction related expenses to card networks, service charge payments to various support service providers and payments to direct selling agents. This increase was primarily attributable to an increase in business volumes, introduction of new avenues of fee generation and an increase in fee rates; and

- an increase in the rents, taxes and lighting by 14.59% from ₹3,190.46 million in Fiscal 2021 to ₹3,655.87 million in Fiscal 2022, primarily due to addition of new branches and increase in goods and service tax expenses.

Provisions and Contingencies

Provisions and contingencies decreased by 13.86% from ₹23,049.01 million in Fiscal 2021 to ₹19,855.43 million in Fiscal 2022. This decrease was primarily due to a decrease in provisions for NPAs by 57.24% from ₹15,470.40 million in Fiscal 2021 to ₹6,615.44 million in Fiscal 2022, largely as a result of a reduction in gross NPA. This reduction was primarily attributable to overall lower slippages as well as focused collection and recovery efforts that led to upgradation, i.e., improvement in credit from NPA to non-NPA status by collecting the entire arrears outstanding from the borrower, and repayment of NPAs. This was partially offset by an increase in provision for standard assets by 307.07% from ₹1,499.50 million in Fiscal 2021 to ₹6,104.03 million in Fiscal 2022, largely as a result of provision created for accounts restructured pursuant to the RBI resolution framework for COVID-19 related stress.

Net Profit

As a result of the above, our net profit for the year increased by 19.32% from ₹16,472.06 million in Fiscal 2021 to ₹19,653.96 million in Fiscal 2022.

Minority interest

Our minority interest increased by 74.84% from ₹152.36 million for Fiscal 2021 to ₹266.39 million for Fiscal 2022, primarily due to an increase in the reported profits of our Subsidiaries.

Share in profit of associates

Our share in profit of associates decreased by 4.13% from ₹323.64 million for Fiscal 2021 to ₹310.28 million for Fiscal 2022, primarily due to an increase in the reported profits of our Associates.

Consolidated net profit

As a result of the above, our consolidated net profit for the year increased by 18.35% from ₹16,643.34 million in Fiscal 2021 to ₹19,697.85 million in Fiscal 2022.

Financial Condition

Assets

The following table sets forth the principal components of our assets as of March 31, 2023, 2022 and 2021:

	As of March 31,		
	2023	**2022**	**2021**
Cash and balances with the RBI	126,042.36	160,661.11*	113,545.11*
Balances with banks and money at call and short notice	51,996.93	50,699.95*	84,612.25*
Investments	487,022.38	390,651.93	367,316.74
Advances	1,819,567.49	1,499,514.62	1,355,144.12
Fixed assets	9,717.11	6,721.03	5,174.87
Other assets	185,694.30	154,161.81	123,872.18
Total	**2,680,040.57**	**2,262,410.45**	**2,049,665.27**

**Previous year figures have been regrouped / reclassified to conform to Fiscal 2023 accounting classification.*

Our total assets increased by 18.46% from ₹2,262,410.45 million as of March 31, 2022 to ₹2,680,040.57 million as of March 31, 2023. This increase was primarily due to:

- an increase in advances by 21.34%, from ₹1,499,514.62 million as of March 31, 2022 to ₹1,819,567.49 million as of March 31, 2023. For further details in relation to our advances, see *"-Financial Condition - Advances"* on page 621;

- an increase in investments by 24.67% from ₹390,651.93 million as of March 31, 2022 to ₹487,022.38 million as of March 31, 2023. For further details in relation to our investments, see *"-Financial Condition – Investments"* on page 621;

- an increase in other assets by 20.45% from ₹154,161.81 million as of March 31, 2022 to ₹185,694.30 million as of March 31, 2023. This was primarily attributable to an increase in priority sector shortfall deposits by 19.31% from ₹109,941.41 million as of March 31, 2022 to ₹131,167.87 million as of March 31, 2023. This was largely as a result of withdrawal in Fiscal 2023 of the undrawn portion from the Rural Infrastructure Development Fund established by NABARD ("**RIDF**") and other fund allocations made in the previous years, along with withdrawal of the allocations made in Fiscal 2023;

- an increase in interest accrued by 34.20% from ₹12,523.38 million as of March 31, 2022 to ₹16,805.87 million as of March 31, 2023, largely as result of an increase in interest receivable on advances and investments pursuant to an increase in the advances and investments;

- an increase in balances with banks and money at call and short notice by 2.56% from ₹50,699.95 million as of March 31, 2022 to ₹51,966.93 million as of March 31, 2023; and

- an increase in fixed assets by 44.58% from ₹6,721.03 million as of March 31, 2022 to ₹9,717.11 million as of March 31, 2023.

This was partially offset by a decrease in cash and balances with RBI from ₹160,661.11 million as of March 31, 2022 to ₹126,042.36 million as of March 31, 2023.

Our total assets increased by 10.38% from ₹2,049,665.27 million as of March 31, 2021 to ₹2,262,410.45 million as of March 31, 2022. This increase was primarily due to:

- advances increased by 10.65%, from ₹1,355,144.12 million as of March 31, 2021 to ₹1,499,514.62 million as of March 31, 2022. For further details in relation to our advances, see *"-Financial Condition - Advances"* on page 621;

- investments increased by 6.35% from ₹367,316.74 million as of March 31, 2021 to ₹390,651.93 million as of March 31, 2022. For further details in relation to our investments, see *"-Financial Condition – Investments"* on page 621;

- other assets increased by 24.45% from ₹123,872.18 million as of March 31, 2021 to ₹154,161.81 million as of March 31, 2022. This was primarily attributable to an increase in priority sector shortfall deposits by 29.01% from ₹85,220.77 million as of March 31, 2021 to ₹109,941.41 million as of March 31, 2022. This was largely as a result of an increase in RIDF and other fund allocations for Fiscal 2022 and withdrawal of those allocations. Further, there was an increase in deferred tax asset from ₹58.84 million as of March 31, 2021 to ₹1,615.14 million as of March 31, 2022, largely as result of an increase in provisions for standard assets. In addition, there was an increase in security deposits from ₹1,574.87 million as of March 31, 2021 to ₹2,354.95 million as of March 31, 2022;

- an increase in cash and balances with RBI by 41.50% from ₹113,545.11 million as of March 31, 2021 to ₹160,661.11 million as of March 31, 2022;

- balances with banks and money at call and short notice decreased by 40.08% from ₹84,612.25 million as of March 31, 2021 to ₹50,699.95 million as of March 31, 2022; and

- fixed assets increased by 29.88% from ₹5,174.87 million as of March 31, 2021 to ₹6,721.03 million as of March 31, 2022.

Advances

The following table sets forth a breakdown of our advances as of March 31, 2023, 2022 and 2021:

	As of March 31,		
	2023	**2022**	**2021**
Gross advances	1,849,277.20	1,526,952.25	1,385,210.96
NPA provisions	29,709.71	27,437.63	30,066.84
Net advances	**1,819,567.49**	**1,499,514.62**	**1,355,144.12**

Our gross advances increased by 21.11% from ₹1,526,952.25 million as of March 31, 2022 to ₹1,849,277.20 million as of March 31, 2023. The increase was primarily due to an increase in our business operations.

Our gross advances increased by 10.23% from ₹1,385,210.96 million as of March 31, 2021 to ₹1,526,952.25 million as of March 31, 2022. The increase was primarily due to an increase in our business operations.

Investments

The following table sets forth a breakdown of our investments as of March 31, 2023, 2022 and 2021:

(in ₹ million)

	As of March 31,		
	2023	**2022**	**2021**
Investments in India			
Government securities	426,889.67	352,689.97	327,826.43
Securities pledged for availment of fund transfer facility, clearing facility and margin requirements (part of government securities)	95,151.63	77,383.90	91,902.03
Shares	5,585.18	4,562.52	4,418.46
Cost of investment in associate (part of shares)	346.28	309.71	226.86
Goodwill (part of shares)	150.18	150.18	146.71
Debentures and bonds	21,197.65	13,543.33	19,607.86
Joint venture	2,963.03	2,738.50	2,763.62
Others	29,037.11	16,517.25	11,855.40
Pass through certificates (part of others)	25,761.61	5,596.81	3,319.13
Certificate of deposits (part of others)	1,340.61	5,323.43	4,998.67
Commercial paper (part of others)	492.52	2,481.33	484.08

	As of March 31,		
	2023	**2022**	**2021**
Venture capital funds (part of others)	1,242.38	1,141.68	1,102.91
Security receipts (part of others)	-	694.07	1,600.62
Mutual fund (part of others)	199.99	1,279.93	349.99
Total investments in India	**485,672.64**	**390,051.57**	**366,471.77**
Investments outside India			
Government securities (including local authorities)	24.53	439.30	840.73
Debentures and bonds	504.50	151.74	-
Shares	10.10	9.32	4.24
Others (certificate of deposit)	810.61	-	-
Total investments outside India	**1,349.74**	**600.36**	**844.97**
Total net investments	**487,022.38**	**390,651.93**	**367,316.74**

Our total net investments increased by 24.67% from ₹390,651.93 million as of March 31, 2022 to ₹487,022.38 million as of March 31, 2023, primarily as a result of increase in investment in government securities in India by 21.04% from ₹352,689.97 million as of March 31, 2022 to ₹426,889.67 million as of March 31, 2023. The increase was largely as a result of an increase in our business operations, which in turn increased our net demand and time liabilities. Further, there was an increase in investment in pass through certificates from ₹5,596.81 million as of March 31, 2022 to ₹25,761.61 million as of March 31, 2023.

Our total net investments increased by 6.35% from ₹367,316.74 million as of March 31, 2021 to ₹390,651.93 million as of March 31, 2022, primarily as a result of increase in investment in government securities in India by 7.58% from ₹327,826.43 million as of March 31, 2021 to ₹352,689.97 million as of March 31, 2022. The increase was largely as a result of an increase in our business operations, which in turn increased our net demand and time liabilities. Further, there was an increase in investment in commercial papers from ₹484.08 million as of March 31, 2021 to ₹2,481.33 million as of March 31, 2022. This was partially offset by a decrease in investments in debentures and bonds in India from ₹19,607.86 million as of March 31, 2021 to ₹13,543.33 million as of March 31, 2022.

Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2023, 2022 and 2021:

(in ₹ million)

	As of March 31,		
	2023	**2022**	**2021**
Deposits	2,129,885.01	1,816,775.21	1,721,861.04
Borrowings	258,619.79	195,873.86	122,706.01
Other liabilities and provisions	66,791.98	54,152.88	37,888.35
Total	**2,455,296.78**	**2,066,801.95**	**1,882,455.40**

Our liabilities increased by 18.80% from ₹2,066,801.95 million as of March 31, 2022 to ₹2,455,296.78 million as of March 31, 2023. The increase was primarily on account of growth in our deposits and borrowings.

Our liabilities increased by 9.79% from ₹1,882,455.40 million as of March 31, 2021 to ₹2,066,801.95 million as of March 31, 2022. The increase was primarily on account of growth in our deposits and borrowings.

Deposits

The following table sets forth a breakdown of our deposits, as well as the percentage of total deposits that each item contributes, as of March 31, 2023, 2022 and 2021:

	As of March 31,					
	2023		**2022**		**2021**	
	(₹ in millions, except percentages)					
Demand deposits	153,908.16	7.23%	143,699.54	7.91%	117,904.28	6.85%
Savings bank deposits	543,369.91	25.51%	530,826.74	29.22%	468,522.89	27.21%
Term deposits	1,432,606.94	67.26%	1,142,248.93	62.87%	1,135,433.87	65.94%
Total deposits	**2,129,885.01**	**100.00%**	**1,816,775.21**	**100.00%**	**1,721,861.04**	**100.00%**

An important part of our deposit base are the deposits that we receive from NRIs. Our standalone NRI deposits as a percentage of our total standalone deposits were 35.80% as of March 31, 2023, 39.98% as of March 31, 2022 and 39.44% as of March 31, 2021. Deposits from NRIs include a mix of demand deposits, savings deposits and term deposits.

Our deposits increased by 17.23% from ₹1,816,775.21 million as of March 31, 2022 to ₹2,129,885.01 million as of March 31, 2023. Demand deposits, savings deposits and term deposits increased by 7.10%, 2.36% and 25.42%, respectively, primarily as a result of an increase in our geographical coverage, onboarding new to banking customers, an increase in interest rates on deposits and an increase in the existing customers wallet share.

Our deposits increased by 5.51% from ₹1,721,861.04 million as of March 31, 2021 to ₹1,816,755.21 million as of March 31, 2022. Demand deposits, savings deposits and term deposits increased by 21.88%, 13.30%, and 0.60%, respectively, mainly as a result of onboarding new to banking customers, and an increase in the existing customers wallet share.

Borrowings

Our borrowings increased by 32.03% from ₹195,873.86 million as of March 31, 2022 to ₹258,619.79 million as of March 31, 2023. The increase was primarily on account of borrowings in India to support lending activities, as well as borrowings outside India to support the functioning of our international banking unit in GIFT City.

Our borrowings increased by 59.63% from ₹122,706.01 million as of March 31, 2021 to ₹195,873.86 million as of March 31, 2022. The increase was primarily on account of borrowings in India to support lending activities.

Other liabilities and provisions

Other liabilities and provisions increased by 23.34% from ₹54,152.88 million as of March 31, 2022 to ₹66,791.98 million as of March 31, 2023. The increase was primarily on account of interest accrued.

Other liabilities and provisions increased by 42.93% from ₹37,888.35 million as of March 31, 2021 to ₹54,152.88 million as of March 31, 2022. The increase was primarily on account of an increase in the provision for standard asset created during Fiscal 2022 and an additional liability provided by our Bank, pursuant to the revision in family pension payable to our employees covered under the Bipartite Settlement.

Segmental information

Business segments

Our business is divided into four segments, i.e., treasury, corporate or wholesale banking, retail banking and other banking operations:

- Treasury operations include trading and investments in government securities and corporate debt instruments, equity and mutual funds, derivate trading and foreign exchange operations on proprietary account and for customers;

- Corporate or wholesale banking segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment;

- Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, on the basis of the status of the borrower, nature of the product and granularity of the exposure and quantum thereof. As per the RBI Circular dated April 7, 2022 on establishment of digital banking unit, digital banking has been identified as a sub-segment of the existing retail banking with effect from Fiscal 2023;

- Other banking operations includes banking operations, not covered under any of the above segments such as para banking operations.

All items that are reckoned at enterprise level and cannot be allocated to reportable segments are included in unallocated portion.

The following table sets forth, for the years indicated, the business segment results:

March 31, 2023

(amount in ₹ million)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	25,355.50	52,070.40	122,871.00	2,122.50	202,419.40
Result (net of provisions)	5,246.00	9,433.50	26,153.80	1,581.70	42,415.00
Unallocated income / (expense)	-	-	-	-	214.40
Operating profit (PBT)	-	-	-	-	42,629.40
Income taxes	-	-	-	-	(10,871.77)
Share in profit of associates	-	-	-	-	340.60
Minority interest	-	-	-	-	(451.04)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit	-	-	-	-	31,647.19
Other Information					
Segment assets	520,692.36	967,272.89	1,125,696.41	131.31	2,613,792.97

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Unallocated assets					66,247.60
Total assets					2,680,040.57
Segment liabilities	294,209.28	241,407.98	1,892,889.20	29.40	2,428,535.86
Unallocated liabilities					26,760.92
Total liabilities					2,455,296.78

 # Sub segments included in retail banking are as follows:

(amount in ₹ million)

Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	9,035.04	1,135.90	41,659.22	120,372.00
Other Retail Banking	113,835.96	25,017.90	1,084,037.19	1,772,517.20

March 31, 2022

(amount in ₹ million)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	23,132.66	42,230.70	97,815.51	1,483.70	164,662.57
Result (net of provisions)	6,272.24	5,411.36	13,343.33	1,073.82	26,100.75
Unallocated income / (expense)	-	-	-	-	362.03
Operating profit (PBT)	-	-	-	-	26,462.78
Income taxes	-	-	-	-	(6,808.82)
Share in profit of associates	-	-	-	-	310.28
Minority interest	-	-	-	-	(266.39)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit	-	-	-	-	19,697.85
Other Information					
Segment assets	476,376.36	780,846.54	937,825.51	40.10	2,195,088.51
Unallocated assets	-	-	-	-	67,321.93
Total assets	-	-	-	-	2,262,410.44
Segment liabilities	185,958.41	187,736.60	1,668,410.80	36.40	2,042,142.21
Unallocated liabilities	-	-	-	-	24,659.74
Total liabilities	-	-	-	-	2,066,801.95

Sub segments included in retail banking are as follows:

(amount in ₹ million)

Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	5,677.20	688.00	20,434.60	62,756.40
Other Retail Banking	92,138.31	12,655.33	917,390.91	1,605,654.40

March 31, 2021

(amount in ₹ million)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	27,451.37	45,190.67	89,370.85	820.00	162,832.89
Result (net of provisions)	7,222.60	2,154.70	11,986.92	697.00	22,061.22
Unallocated income / (expense)	-	-	-	-	24.40
Operating profit (PBT)	-	-	-	-	22,085.62
Income taxes	-	-	-	-	(5,613.56)
Share in profit of associates	-	-	-	-	323.64
Minority interest	-	-	-	-	(152.36)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit	-	-	-	-	16,643.34
Other Information	-	-	-	-	-
Segment assets	447,965.74	708,395.92	828,256.25	-	1,984,617.91
Unallocated assets	-	-	-	-	65,047.36
Total assets	-	-	-	-	2,049,665.27
Segment liabilities	140,327.62	160,995.97	1,561,170.27	-	1,862,493.86
Unallocated liabilities	-	-	-	-	19,961.54
Total liabilities	-	-	-	-	1,882,455.40

Retail banking

Fiscal 2023 compared to Fiscal 2022

Segment result (net of provision) for the retail banking segment increased by 96.01% from ₹13,343.33 million for Fiscal 2022 to ₹26,153.80 million for Fiscal 2023. This increase was primarily attributable to an increase in revenue from retail banking segment from ₹97,815.51 million in Fiscal 2022 to ₹122,871.00 million for Fiscal 2023. The increase in the segmental revenue was primarily attributable to growth in our retail banking segment and reduction in loan loss provisions.

Fiscal 2022 compared to Fiscal 2021

Segment result (net of provision) for the retail banking segment increased by 11.32% from ₹11,986.92 million for Fiscal 2021 to ₹13,343.33 million for Fiscal 2022. This increase was primarily attributable to an increase in revenue from retail banking segment from ₹89,370.85 million in Fiscal 2021 to ₹97,815.51 million for Fiscal 2022. The increase in the segmental revenue was primarily attributable to growth in our retail banking segment.

Corporate/wholesale banking

Fiscal 2023 compared to Fiscal 2022

Segment result (net of provision) for the corporate/wholesale segment increased by 74.33% from ₹5,411.36 million for Fiscal 2022 to ₹9,433.50 million for Fiscal 2023. This increase was primarily attributable to an increase in revenue from corporate/wholesale banking segment from ₹42,230.70 million in Fiscal 2022 to ₹52,070.40 million for Fiscal 2023. The increase in the segmental revenue was primarily attributable to growth in our corporate/wholesale banking segment and reduction in loan loss provisions.

Fiscal 2022 compared to Fiscal 2021

Segment result (net of provision) for the corporate/wholesale segment increased by 151.14% from ₹2,154.70 million for Fiscal 2021 to ₹5,411.36 million for Fiscal 2022. This increase was primarily attributable to a reduction in loan loss provisions, which was partially offset due to a decrease in revenue from corporate/wholesale banking segment from ₹45,190.67 million in Fiscal 2021 to ₹42,230.70 million for Fiscal 2022.

Treasury

Fiscal 2023 compared to Fiscal 2022

Segment result (net of provision) for the treasury segment decreased by 16.36% from ₹6,272.24 million for Fiscal 2022 to ₹5,246.00 million for Fiscal 2023. This decrease was primarily attributable to a reduction in the profit on sale of investments from ₹ 3,886.80 million in Fiscal 2022 to ₹ 902.44 million in Fiscal 2023. This was partially offset by an increase in revenue from treasury segment from ₹23,132.66 million in Fiscal 2022 to ₹25,355.50 million for Fiscal 2023. The increase in the segmental revenue was primarily attributable to an increase in our investment portfolio.

Fiscal 2022 compared to Fiscal 2021

Segment result (net of provision) for the retail banking segment decreased by 13.16% from ₹7,222.60 million for Fiscal 2021 to ₹6,272.24 million for Fiscal 2022. This decrease was primarily attributable to a decrease in revenue from treasury segment from ₹27,451.37 million in Fiscal 2021 to ₹23,132.66 million for Fiscal 2022. The decrease in the segmental revenue was primarily attributable to a reduction in profit on sale of our investments.

Other banking operations

Fiscal 2023 compared to Fiscal 2022

Segment result (net of provision) for the other banking operations segment increased by 47.30% from ₹1,073.82 million for Fiscal 2022 to ₹1,581.70 million for Fiscal 2023. This increase was primarily attributable to an increase in revenue from other banking operations segment from ₹1,483.70 million in Fiscal 2022 to ₹2,122.50 million for Fiscal 2023. The increase in the segmental revenue was primarily attributable to an increase in the volume of other banking operations.

Fiscal 2022 compared to Fiscal 2021

Segment result (net of provision) for the other banking operations segment increased by 54.06% from ₹697.00 million for Fiscal 2021 to ₹1,073.82 million for Fiscal 2022. This increase was primarily attributable to an increase in revenue from other banking operations segment from ₹820.00 million in Fiscal 2021 to ₹1,483.70 million for Fiscal 2022. The increase in the segmental revenue was primarily attributable to an increase in the volume of other banking operations.

Retail banking – segment assets

Our segment assets for our retail banking segment increased from ₹828,256.25 million as of March 31, 2021 to ₹937,825.51 million as of March 31, 2022 to ₹1,125,696.41 million as of March 31, 2023. This increase was primarily attributable to a growth in retail banking advances.

Corporate / wholesale banking – segment assets

Our segment assets for our corporate/wholesale banking segment increased from ₹708,395.92 million as of March 31, 2021 to ₹780,846.54 million as of March 31, 2022 to ₹967,272.89 million as of March 31, 2023. This increase was primarily attributable to a growth in our corporate/wholesale banking advances.

Treasury – segment assets

Our segment assets for our treasury segment increased from ₹447,965.74 million as of March 31, 2021 to ₹476,376.36 million as of March 31, 2022 to ₹520,692.36 million as of March 31, 2023. This increase was primarily attributable to an increase in our investment portfolio.

Other banking operations – segment assets

Our segment assets for our other banking operations segment increased from nil as of March 31, 2021 to ₹40.10 million as of March 31, 2022 to ₹131.31 million as of March 31, 2023. This increase was primarily attributable to an increase in sales volume of our para-banking product.

Retail banking – segment liabilities

Our segment liabilities for our retail banking segment increased from ₹1,561,170.27 million as of March 31, 2021 to ₹1,668,410.80 million as of March 31, 2022 to ₹1,892,889.20 million as of March 31, 2023. This increase was primarily attributable to a growth in our retail deposits.

Corporate / wholesale banking – segment liabilities

Our segment liabilities for our corporate / wholesale segment increased from ₹160,995.97 million as of March 31, 2021 to ₹187,736.60 million as of March 31, 2022 to ₹241,407.98 million as of March 31, 2023. This increase was primarily attributable to a growth in our corporate/wholesale deposits.

Treasury – segment liabilities

Our segment liabilities for our treasury segment increased from ₹140,327.62 million as of March 31, 2021 to ₹185,958.41 million as of March 31, 2022 to ₹294,209.28 million as of March 31, 2023. This increase was primarily attributable to an increase in our borrowings.

Other banking operations – segment liabilities

Our segment liabilities for our other banking operations segment increased from nil as of March 31, 2021 to ₹36.40 million as of March 31, 2022. The increase was primarily attributable to an increase in the volume of our other banking operations. It subsequently decreased to ₹29.40 million as of March 31, 2023 primarily due to a decrease in the volume of our other banking operations.

Geographical segments

Our operations are largely concentrated in India and for the purpose of segment reporting, we only operate in the domestic segment, though we have operations in the IFSC banking unit in GIFT city. This business is considered as a part of the Indian operations.

Liquidity and capital resources

The purpose of the liquidity management function is to ensure that we have funds available to extend loans to our customers across our various products, to repay principal and interest on our borrowings and to fund our working capital requirements.

We believe we have sufficient sources of funding to meet our business requirements for the next 12 months and in the longer term. We manage our liquidity position by raising funds periodically. For Fiscal 2023, our cash and cash equivalents at the end of the year was ₹178,039.29 million.

As of March 31, 2023, our contractual obligations in respect of line of credit given to Clearing Corporation of India Limited and National Payments Corporation of India is ₹5,000.00 million and ₹1,000.00 million, respectively.

We regularly monitor the market liquidity and other macroeconomic environments, as well as our funding levels to ensure that we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Our liquidity management policy includes several reports for monitoring and assessing our liquidity risk..

For further details in relation to our capital adequacy, reserve ratios and liquidity coverage, see *"Selected Statistical Information"* and "*Factors Affecting our Results of Operations-Capital Requirements, Reserve Ratios and Liquidity Coverage Ratio"* on pages 697and 611, respectively.

Cash Flows

The following table sets forth our cash flows for Fiscals 2023, 2022 and 2021:

	Fiscals		
	2023	2022	2021
	(₹ in million)		
Net cash flow from / (used) in operating activities	4,893.00	(77,736.52)	111,790.34*
Net cash flow from / (used) in investing activities	(98,437.44)	9,077.30	(39,149.10)
Net cash flow from / (used in) financing activities	60,381.27	81,926.39	(2,076.06)
Effect of exchange fluctuation translation reserve	(158.60)	(63.47)	19.09
Net increase / (decrease) in cash and cash equivalents	(33,321.77)	13,203.70	70,584.27
Cash and cash equivalents at the beginning of the year	211,361.06	198,157.36	127,573.09
Cash and cash equivalents at the end of the year	178,039.29	211,361.06	198,157.36

**Previous year figures have been regrouped / reclassified to conform to Fiscal 2023 accounting classification.*

Cash flows from / (used) in operating activities

Net cash flows from operating activities were ₹4,893.00 million in Fiscal 2023. Net profit before taxes in Fiscal 2023 amounted to ₹42,518.96 million with adjustments primarily for provision for non-performing advances of ₹6,552.81 million, amortization of premium on held to maturity investments of ₹1,744.60 million, provision for standard assets and contingencies of ₹1,500.29 million and depreciation on our property of ₹1,821.77million. The main working capital adjustments in Fiscal 2023 included, increase in advances of ₹326,605.68million and increase in deposits of ₹313,109.80 million.

Net cash flows used in operating activities was ₹77,736.52 million in Fiscal 2022. Net profit before taxes in Fiscal 2022 amounted to ₹26,506.67 million with adjustments primarily for provision for standard assets and contingencies of ₹6,438.43 million, provision for non-performing advances of ₹6,615.44 million, amortization of premium on held to maturity investments of ₹1,692.23 million and depreciation on our property of 1,388.98 million. The main working capital adjustments in Fiscal 2022 included, increase in advances of ₹150,985.93 million and increase in deposits of ₹94,914.17 million.

Net cash flows from operating activities was ₹111,790.34 million in Fiscal 2021. Net profit before taxes in Fiscal 2021 amounted to ₹22,256.90 million, with adjustments primarily for provision for non-performing advances of ₹15,436.80 million, provision for standard assets and contingencies of ₹1,674.32 million, amortization of premium on held to maturity investments of ₹1,421.89 million and depreciation on our property of ₹1,149.20 million. The main working capital adjustments in Fiscal 2021 included, increase in deposits of ₹199,341.97 million and increase in advances of ₹122,085.93 million.

Cash flows from / (used) in investing activities

Net cash flow used in investing activities was ₹98,437.44 million in Fiscal 2023, primarily due to increase in held to maturity investments of ₹93,627.90 million and purchase of fixed assets of ₹4,840.24 million.

Net cash flow from investing activities was ₹9,077.30 million in Fiscal 2022, primarily due to decrease in held to maturity investments of ₹11,959.14 million. This was partially offset by purchase of fixed assets of ₹2,955.20million.

Net cash flow used in investing activities was ₹39,149.10 million in Fiscal 2021, primarily due to increase in held to maturity investments of ₹37,891.13 million and purchase of fixed assets of ₹1,299.31 million.

Cash flows from / (used) in financing activities

Net cash flow from financing activities was ₹60,381.27 million in Fiscal 2023, primarily on account of increase in borrowings (excluding subordinate debt) of ₹52,795.93 million and proceeds from issue of subordinate debt of ₹9,950.00 million, which was partially offset by dividend paid of ₹3,786.63 million.

Net cash flow from financing activities was ₹81,926.39million in Fiscal 2022, primarily on account increase in borrowings (excluding subordinate debt) of ₹66,119.85million, proceeds from share premium (net of share issue expenses) of ₹9,057.31 million and proceeds from issue of subordinate debt of ₹7,048.00million, which was partially offset by dividend paid of ₹1,397.40 million.

Net cash flow used in financing activities was ₹2,076.06 million in Fiscal 2021, primarily on account of decrease in borrowings (excluding subordinate debt) of ₹2,571.19 million.

Capital adequacy requirements

We are a banking company within the meaning of the Indian Banking Regulation Act, 1949. We are registered with and subject to supervision by the RBI. Basel III Capital Regulations are being implemented in India with effect from April 1, 2013 in a phased manner, which we have complied with. For further details, see *"-Factors affecting our results of operations* " and "*Selected Statistical Information*" on pages 607and 697, respectively.

Our regulatory capital and capital adequacy ratios calculated under Basel III as of March 31, 2023 are as follows:

	Basel III - March 31, 2023	
	Solo	**Consolidated**
	(*₹ in millions, except percentages*)	
Tier 1 capital	204,313.54	214,210.26
Tier 2 capital	28,131.44	31,191.75
Total capital	232,444.98	245,402.01
Total risk weighted assets and contingents	**1,569,155.69**	**1,609,839.13**
Capital ratios of the Group		
Tier 1 CRAR	13.02%	13.31%
Total CRAR	14.81%	15.24%
Minimum capital ratios required by the RBI:	**11.50%**	**11.50%**
Tier 1 including capital conservation buffer	204,313.54	214,210.26
Total capital	232,444.98	245,402.01

Capital Expenditure

Our capital expenditure consists principally of expenditure relating to branch network expansion as well as investment in technology and communication infrastructure, in each case principally in India. For Fiscals 2021, 2022 and 2023, we spent ₹1,444.62 million, ₹2,797.52 million and ₹4,314.8 million on capital expenditures, respectively.

Our planned future capital expenditure relates primarily to branch expansion, branch renovation, office space expansion, maintenance and investments in technology and communication infrastructure. We do not consider our current capital expenditure plans to be material in amount, given the size, scope and nature of our business. However, our actual capital expenditure may be higher or lower than our current expectations and could be material in amount. Moreover, we may incur capital expenditure for purposes other than above, depending on, among other factors, the business environment prevailing at the time and any change in our business plans.

Contingent Liabilities, Financial Instruments and Cross Border Exposures

Contingent Liabilities

Our contingent liability primarily relates to:

1. Claims not acknowledged as debts.

   These represent claims filed against us 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 us.

2. Liability on account of forward exchange and derivative contracts.

   We enter into forward exchange contracts and interest rate swaps with interbank counterparties and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference.

3. Guarantees given on behalf of constituents

   As a part of our banking activities, we issue guarantees on behalf of our customers to enhance their credit standing. Guarantees represent irrevocable assurances that we will make payments in the event of the customer failing to fulfil its financial or performance obligations.

4. Acceptances, endorsements and other obligations.

   These include documentary credit issued by us on behalf of our customers and bills drawn by our customers that are accepted or endorsed by us.

5. Other items for which we are contingently liable.

   Includes capital commitments and amounts transferred to RBI under the Depositor Education and Awareness Fund (DEAF).

The following table presents our contingent liabilities:

	As of March 31,		
	2023	**2022**	**2021**
	(₹ in million)		
Claims against the Bank not acknowledged as debts	18,470.24	16,878.50	17,445.14
Liability on account of outstanding forward exchange contracts	610,661.76	266,022.36	260,669.14
Guarantees given on behalf of constituents–in India	107,735.58	78,761.96	67,442.29

	As of March 31,		
	2023	**2022**	**2021**
	(₹ in million)		
Acceptances, endorsements and other obligations	25,350.12	22,885.85	14,349.42
Other items for which the Bank is contingently liable	3,842.03	4,766.37	4,364.09
Total	**766,059.73**	**389,315.04**	**364,270.08**

Financial Instruments

Our foreign exchange and derivative product offerings to our customers cover a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of foreign exchange dealers and relationship managers from our treasury front office works on such product offerings jointly with the relationship managers across our various customer groups. Our bank has a foreign exchange and derivatives policy as well as the market risk management policy.

We also enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants, to support our activities with our clients. We also trade, to a more limited extent, for our own account. In addition, we also use these instruments for our asset liability management. Our Bank's net open exchange position was ₹363.21 million as on March 31, 2023. If our contingent liability on account of outstanding currency and interest rate derivatives as on March 31, 2023 is realized, our exposure would be ₹3,359.70 million.

We earn profit on customer transactions by way of a margin as a mark-up over the inter-bank exchange or interest rate. We earn profit on inter-bank transactions by way of a differential between the purchase rate and the sale rate. These profits are recorded as income from foreign exchange and derivative transactions. The RBI imposes limits on our ability to hold overnight positions in foreign exchange and derivatives, and we maintain our overnight positions within the limits as per our risk management policies approved by our Board within the RBI framework.

Cross Border Exposures

The RBI requires banks in India to implement RBI prescribed guidelines on country risk management in respect of those countries where a bank has net funded exposure in excess of a prescribed percentage of its total assets. In the normal course of business, we have both direct and indirect exposure to risks related to counter parties and entities in foreign countries. We monitor such cross-border exposures on an ongoing basis. Our aggregate country risk exposure was 0.99% of our total assets as of March 31, 2023.

Qualifications, Reservations and Adverse Remarks

There are no reservations, qualifications or adverse remarks highlighted by the auditors in their reports to our financial statements as of and for the Fiscals ended March 31, 2022, 2021, 2020 and 2019. The auditors have included the following matter of emphasis in the audit reports for Fiscals ended March 31, 2022, 2021 and 2020:

Standalone audited financial statements

Financial Year	Matter of Emphasis
2020	As more fully described in Note 1.4.6.(B)-7 to the standalone financial statements, the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter
2021	We draw attention to Note No. 1.4.6(B)-7 of Schedule 18 to the Standalone financial statements regarding the impact of COVID-19 pandemic on the Bank's operations and financial position, which will depend on various uncertain aspects including actions taken to mitigate the same and other regulatory measures. Our opinion is not modified in respect of this matter
2022	We draw attention to Note No. 3.14 of Schedule 18 to the Standalone financial statements regarding the impact of COVID-19 pandemic. As stated therein, in view of continuing uncertainties, the extent of impact of the pandemic on the Bank's operations and financial position would depend on several factors including actions taken to mitigate its impact and other regulatory measures. Our opinion is not modified in respect of this matter.

Consolidated audited financial statements

Financial Year	Matter of Emphasis

As at and for the year ended March 31, 2020	As more fully described in Note 1.13 (e) to the Consolidated Financial Statements, the extent to which the COVID-19 pandemic will have impact on the Bank's financial performance is depended on future developments which are highly uncertain Our opinion on the consolidated financial statements is not modified in respect of the above matters.
As at and for the year ended March 31, 2021	We draw attention to Note No. 1.13 (e) of Schedule 18 to the consolidated financial statements regarding the impact of COVID-19 pandemic on the Bank's operations and financial position, which will depend on various uncertain aspects including actions taken to mitigate the same and other regulatory measures. Our opinion on the consolidated financial statements is not modified in respect of this matter
As at and for the year ended March 31, 2022	We draw attention to Note No. 1.21 of Schedule 18 to the consolidated financial statements regarding the impact of COVID-19 pandemic. As stated therein, in view of continuing uncertainties, the extent of impact of the pandemic on the Group's operations and financial position would depend on several factors including actions taken to mitigate its impact and other regulatory measures. Our opinion on the consolidated financial statements is not modified in respect of this matter.

Critical Accounting Estimates

Our financial statements are prepared in accordance with Indian GAAP as applicable to banks. The preparation of our financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses as well as the disclosure of contingent liabilities. The notes to the financial statements contain a summary of our significant accounting policies. Certain of these policies are critical to the portrayal of our financial condition, since they require management to make subjective judgements, some of which may relate to matters that are inherently uncertain.

As on March 31, 2023, there are no critical accounting estimates.

Changes in Accounting Policies

There are no changes in the accounting policies of our Bank during the Fiscals 2021, 2022, 2023 and three months ended June 30, 2023, except as disclosed below:

Financial Year/ Period	Changes in accounting policy	Effect on profits and reserves of Bank
2022	Our Bank was following the 'Intrinsic value method' of accounting for Employee Stock Option Schemes as per the guidelines issued by the Securities and Exchange Board of India (SEBI) and Guidance Note on 'Accounting for Share-based Payments' issued by the Institute of Chartered Accountants of India (ICAI). On August 30, 2021, the Reserve Bank of India, pursuant to its clarification on Guidelines on Compensation of Whole Time Directors / Chief Executive Officer / Material Risk Takers and Control Function Staff, advised all private sector banks and foreign banks operating in India that the fair value of share-linked instruments on the date of grant should be recognized as an expense beginning with the accounting period for which approval has been granted, for all share-linked instruments granted after the accounting period ending March 31, 2021. Accordingly, our Bank changed its accounting policy from the intrinsic value method to the fair value method for all stock options granted to the material risk takers after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognized as employee compensation expense over the vesting period.	Decrease in profit amounting to ₹ 5.14 million, and no impact on reserves.

Interest coverage ratio

The following tables set forth our interest coverage ratio for Fiscals 2021, 2022 and 2023

Fiscal 2021

(₹ in million)

Particulars	For the year ended March 31, 2021:
(A) Net Profit for the year	16,643.34
Add:	
(B) Provision for tax	5,613.56
(C) Depreciation	1,149.20
(D) Finance costs *	6,304.18
(E) Earnings before Interest, Tax and Depreciation (A+B+C+D)	29,710.28
(F) Interest coverage Ratio (E/D)	4.71

**Finance cost excludes a) interest expense on deposits accepted and b) premium amortized upon acquisition of investments.*

Fiscal 2022

(₹ in million)

Particulars	For the year ended March 31, 2022
(A) Net Profit for the year	19,697.85
Add:	
(B) Provision for tax	6,808.81
(C) Depreciation	1,388.98
(D) Finance costs *	6,270.90
(E) Earnings before Interest, Tax and Depreciation (A+B+C+D)	34,166.54
(F) Interest Coverage Ratio (E/D)	5.45

**Finance cost excludes a) interest expense on deposits accepted and b) premium amortized upon acquisition of investments.*

Fiscal 2023

(₹ in million)

Particulars	For the year ended March 31, 2023
(A) Net Profit for the year	31,647.19
Add:	
(B) Provision for tax	10,871.77
(C) Depreciation	1,821.77
(D) Finance costs *	13,624.58
(E) Earnings before Interest, Tax and Depreciation (A+B+C+D)	57,965.31
(F) Interest Coverage Ratio (E/D)	4.25

**Finance cost excludes a) interest expense on deposits accepted and b) premium amortized upon acquisition of investments*

Related Party Transactions

We enter into various transactions with related parties in the ordinary course of business. These transactions principally include deposits, advances, investment in shares, interest paid, interest received, income from services rendered, receivables, directors sitting fee, remuneration paid, dividend paid, divided received, share capital received on exercise of Employee Stock Option Scheme ("**ESOS**"), number of options granted under ESOS and number of options outstanding under ESOS. For further information relating to our related party transactions, see "*Financial Information*" beginning on page 95.

Qualitative Disclosure about Risks and Risk Management

We are exposed to various risks that are an inherent part of any banking business, with the major risks being credit risk, market risk, liquidity risk and operational risk. We have various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios.

For further information about the types of risks and our risk management policies, see "*Our Business – Risk Management*" on page 690.

Unusual or infrequent events or transactions

There have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

Known trends or uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in " - *Factors Affecting our Financial Conditions and Results of Operations*" above and the uncertainties described in "*Risk Factors*" on page 37. Except as disclosed in this Preliminary Placement Document, there are no known factors which we expect to have a material impact on our income or revenue.

New Products or Business Segments

Other than as disclosed in "Our Business" on page 664, and products that we announce in the ordinary course of business, we have not announced and do not expect to announce in the near future any new products or business segments.

Competitive conditions

We operate in a competitive environment. Please refer to "*Risk Factors*", "*Industry Overview*" and "*Our Business*" on pages 37, 648 and 664, respectively, for further information on our industry and competition.

Significant developments after March 31, 2023

On July 13, 2023, we disclosed our quarterly condensed standalone and consolidated unaudited results, accompanied by limited review reports issued by the Statutory Auditors, for the quarter ended June 30, 2023, to the Stock Exchanges. For further details, see *"Recent Developments"* on page 633.

Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations. For further details, see *"Risk Factors 15 – Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations."* on page 44.

Except as discussed above and as otherwise stated in this Preliminary Placement Document, to our knowledge, no circumstances have arisen since March 31, 2023, which may materially and adversely affect or is likely to affect, our profitability, or the value of our assets or our ability to pay our liabilities.

RECENT DEVELOPMENTS

The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. You should read the "Forward Looking Statements" on page 13 for a discussion of the risks and uncertainties related to those statements and also "Risk Factors" on page 37 for a discussion of certain factors that may affect our business, financial condition and results of operations. Our actual results may differ materially from those anticipated in these forward-looking statements.

The manner in which some of the operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculations, may vary from those used by other banks in India and other jurisdictions. Our fiscal year ends on March 31 of every year, so all references to a particular fiscal are to the twelve-month period ended March 31 of that year. The following information is qualified in its entirety by, and show be read together with, the more detailed financial and other information included in this Preliminary Placement Document, including the information contained in "Our Business" "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Financial Information" on pages 664, 37, 648, 607 and 95, respectively.

Certain non-GAAP measures are presented in this section are a supplemental measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP or IFRS. In addition, these non-GAAP measures are not standardized terms, and hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting their usefulness as a comparative measure.

*Certain key quarterly data for Fiscal 2023 is summarized in this section. The sum of these quarterly results may differ from the annual results presented in our financial statements for Fiscal 2023. The quarterly data summarized in this section have been prepared by our management and are unaudited. References to quarter-on-quarter ("**Q-o-Q**") growth are to growth between March 31, 2023 and June 30, 2023. References to year-on-year ("**Y-o-Y**") growth are to growth between June 30, 2022 and June 30, 2023. In addition, certain financial data presented in the tables below have been presented on an annualized basis in the following manner: reported figure multiplied by number of days in a Fiscal divided by number of days in a quarter. Such presentation has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our historic, audited, operating results discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" commencing on page 607. Our unaudited standalone and consolidated financial statements as of and for three months ended June 30, 2023 are not necessarily indicative of the results to be expected for the full year.*

Unless stated otherwise, references to "the Bank" or "our Bank" are to The Federal Bank Limited, on a standalone basis. References herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis.

I. BUSINESS

Financial performance

The following table sets forth key highlights of our Bank's historical financial performance on a quarterly basis:

Particular	For the three months ending,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
	(in ₹ million, except percentages)				
Return on Assets ("**RoA**")[1]	0.27% {1.10%}*	0.30% {1.21%}*	0.33% {1.33%}*	0.36% {1.45%}*	0.32% {1.30%}*
Return on equity ("**RoE**")[2]	3.17% {12.70%}*	3.62% {14.36%}*	4.01% {15.91%}*	4.31% {17.48%}*	3.91% {15.73%}*
Return on risk weighted assets ("**RoRWA**")[3]	0.52% {2.10%}*	0.57% {2.27%}*	0.62% {2.47%}*	0.65% {2.66%}*	0.59% {2.36%}*
NIM[4]	0.80% {3.22%}*	0.83% {3.30%}*	0.88% {3.49%}*	0.82% {3.31%}*	0.78% {3.15%}*
Risk adjusted NIM[5]	0.73% {2.92%}*	0.74% {2.92%}*	0.81% {3.21%}*	0.78% {3.17%}*	0.71% {2.85%}*
Cost to income ratio[6]	52.68%	48.88%	48.84%	49.51%	50.87%
Gross NPA[7]	2.69%	2.46%	2.43%	2.36%	2.38%
Net NPA[8]	0.94%	0.78%	0.73%	0.69%	0.69%
Net interest income[9]	16,045.10	17,618.29	19.565.31	19,092.92	19,185.87
Interest income	36,288.57	40,207.76	44,332.49	47,207.43	50,245.28

Particular	For the three months ending,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
	(in ₹ million, except percentages)				
Interest expenses	20,243.48	22,589.47	24,767.18	28,114.52	31,059.41
Fee income[10]	4,414.30	5,401.79	5,426.94	5,419.52	5,354.10
Loan processing fee	1,033.79	1,249.72	1,285.52	1,317.96	1,583.40
Cards[11]	961.70	1,164.24	1,279.80	1,371.12	1,529.20
Para banking[12]	207.47	368.40	406.40	452.72	265.90
Banking commissions and exchanges[13]	589.29	668.75	554.76	920.53	655.13
General service charges[14]	987.89	1,007.40	1,097.22	1,096.80	1,020.26
Net profit on foreign exchange transactions	634.15	943.28	803.25	260.38	300.21
Net profit on the sale of investments	78.06	225.57	73.57	398.14	328.59
Recovery from written off assets, profit/loss on revaluation of investment and other receipts	33.91	467.81	(160.56)	1,520.97	1,641.42
Other income	4,526.25	6,095.23	5,339.98	7,338.61	7,324.12
Operating expense	10,837.62	11,591.13	12,163.24	13,085.76	13,486.50
Total income	40,814.82	46,302.99	49,672.47	54,546.04	57,569.40
Total expense	31,081.10	34,180.60	36,930.42	41,200.27	44,545.91
Operating profit[15]	9,733.72	12,122.39	12,742.05	13,345.75	13,023.49
Total provisions including tax	3,727.12	5,085.32	4,705.95	4,319.63	4,486.05
Net profit[16]	6,006.61	7,037.07	8,036.10	9,026.12	8,537.43
Provision coverage ratio (“**PCR**”)[17]	65.03%	67.41%	69.19%	70.02%	70.02%
Fresh slippages[18]					
Retail banking	2,045.20	1,226.60	1,810.42	1,425.68	2,535.84
Agricultural banking	888.10	982.53	663.34	1,395.11	998.41
Business banking	1,070.88	769.57	546.87	910.21	1,013.95
CV/CE	17.69	75.18	89.88	47.66	42.06
CoB	417.12	699.05	805.92	581.89	364.89
CIB	0	0	59.16	0	0
Total fresh slippages	4,438.99	3,752.93	3,975.59	4,360.55	4,955.15
Slippage rate[19]					
Retail	*1.99%*	*1.44%*	*1.39%*	*1.67%*	*1.92%*
Wholesale	*0.25%*	*0.39%*	*0.46%*	*0.30%*	*0.18%*
Overall	*1.20%*	*0.96%*	*0.96%*	*1.04%*	*1.12%*
Credit costs[20]	0.10% {0.41%}*	0.13% {0.53%}*	0.10% {0.38%}*	0.05% {0.19%}*	0.10% {0.41%}*
CASA plus deposits less than or equal to ₹ 20.00 million (as % of total deposits)	92.08%	91.95%	88.00%	84.03%	82.28%

** Certain financial data, including RoA, RoE, RoRWA, NIM, risk adjusted NIM and credit costs, presented in this Preliminary Placement Document have been presented on an annualized basis {in brackets}. This financial data has been calculated on an annualized basis in the following manner: reported figure multiplied by number of days in a Fiscal divided by number of days in a quarter. The calculation does not take into account seasonality factors or any other factors which could impact period-on-period variations and may not reflect our actual performance for Fiscals 2023 and 2024. The presentation of annualized financial data has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our operating results. Annualized financial data are not standard measures under the Indian GAAP and should not be considered in isolation or construed as alternatives to net income/loss, cash flow or any other measure of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Annualized financial data presented herein may not be comparable to similarly titled measures presented by other companies.*

1 RoA is calculated as the ratio of the net profit after tax to the monthly average of total assets.

2 RoE is calculated as the ratio of the net profit after tax to the average net worth (capital plus reserves created out of profit plus securities premium minus intangibles).

3 RoRWA is calculated as the ratio of the net profit after tax to the average market and credit risk weighted assets.

4 NIM is calculated as the difference between interest earned and interest expended divided by the daily average interest-earning assets.

5 Risk adjusted NIM is calculated as the ratio of post loan loss provision net interest income to the average earnings assets.

6 Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).
7 Gross NPA is calculated by dividing non-performing assets by the total loans.
8 Net NPA is calculated as Gross NPA minus the provisions.
9 Net interest income is calculated as interest earned minus interest expended.
10 Fee income is calculated as income earned on services provided.
11Fee income from cards and payment services includes all interchange / commissions and fees received from card and payments.
12 Para banking includes our Bank's income from bancassurance, wealth management and depository participant services.
13 Includes bancassurance and wealth management.
14 General service charges constitute administrative and other charges.
15 Operating profit is calculated as total income minus total expenditure.
16 Net profit is calculated as total income minus expenditure.
17 PCR is calculated as the ratio of total loan loss provision held as a percentage of Gross NPA.
18 Fresh slippages are the amount of assets classified as standard which have been classified into NPAs in the given period.
19 Slippage rate is calculated as Fresh NPAs/Standard Advances at the beginning of the period.
20 Credit costs is calculated as a ratio of loan provision as a percentage of corresponding previous quarters gross advance.

The following table sets forth Q-o-Q and Y-o-Y growth for our Bank's historical financial performance:

	Q-o-Q	**Y-o-Y**
Net interest income	0.49%	19.57%
Interest income	6.44%	38.46%
Interest expenses	10.47%	53.43%
Other income	(0.20)%	61.81%
Operating expenses	3.06%	24.44%
Total income	5.54%	41.05%
Total expense	8.12%	43.32%
Total provisions including tax	3.85%	20.36%
Fee income	(1.21)%	21.29%
Loan processing fee	*20.14%*	*53.16%*
Cards[1]	*11.53%*	*59.01%*
Para banking[2]	*(41.27)%*	*28.16%*
Banking commissions and exchanges[3]	*(28.83)%*	*11.17%*
General service charges[4]	*(6.98)%*	*3.28%*
Net profit on foreign exchange transactions	*15.30%*	*(52.66)%*
Net profit on the sale of investments	(17.47)%	320.96%
Recovery from written off assets, profit/loss on revaluation of investment and other receipts	7.92%	4,741.22%
Net profit[5]	(5.41)%	42.13%
Gross NPA[6]	2bps	(31)bps
Net NPA[7]	-	(25)bps
PCR[8]	-	499bps
Operating profit[9]	(2.41)%	33.80%
Cost to income ratio[10]	136bps	(181)bps
Deposits	4.27%	21.35%
CASA plus deposits less than or equal to ₹ 20.00 million	2.10%	8.48%
Other deposits	15.69%	171.40%

1. *Fee income from cards and payment services includes all interchange / commissions and fees received from card and payments.*
2. *Para banking includes our Bank's income from bancassurance, wealth management and depository participant services.*
3. *Includes bancassurance and wealth management*
4. *General service charges constitute administrative and other charges.*
5. *Net profit is calculated as total income minus expenditure.*
6. *Gross NPA is calculated by dividing non-performing assets by the total loans.*
7. *Net NPA is calculated as Gross NPA minus the provisions.*
8. *PCR is calculated as the ratio of total loan loss provision held as a percentage of Gross NPA.*
9. *Operating profit is calculated as total income minus total expenditure.*
10. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*

The following table sets forth the breakdown of our Bank's other income as a percentage of our Bank's total other income on a vertical basis, on a quarterly basis for the periods indicated:

Other income	**For the three months ending,**									
	June 30, 2022		**September 30, 2022**		**December 31, 2022**		**March 31, 2023**		**June 30, 2023**	
	Amount (in ₹ million)	***as percentage of total other income***	***Amount (in ₹ million)***	***as percentage of total other income***	***Amount (in ₹ million)***	***as percentage of total other income***	***Amount (in ₹ million)***	***as percentage of total other income***	***Amount (in₹ million)***	***as percentage of total other income***
Retail	3,274.98	72.36%	4,103.62	67.33%	4,083.94	76.48%	4,847.06	66.05%	4,852.65	66.26%
Wholesale	1,001.51	22.13%	1,169.72	19.19%	1,181.23	22.12%	1,659.33	22.61%	1,608.24	21.96%
Treasury	245.51	5.42%	803.94	13.19%	63.22	1.18%	817.28	11.14%	849.00	11.59%
Others	4.25	0.09%	17.95	0.29%	11.71	0.22%	14.94	0.20%	14.23	0.19%

Other income	For the three months ending,									
	June 30, 2022		September 30, 2022		December 31, 2022		March 31, 2023		June 30, 2023	
	Amount (in ₹ million)	*as percentage of total other income*	*Amount (in ₹ million)*	*as percentage of total other income*	*Amount (in ₹ million)*	*as percentage of total other income*	*Amount (in ₹ million)*	*as percentage of total other income*	*Amount (in₹ million)*	*as percentage of total other income*
Total other income	**4,526.25**	**100.00%**	**6,095.23**	**100.00%**	**5,339.98**	**100.00%**	**7,338.61**	**100.00%**	**7,324.12**	**100.00%**

The following table sets forth the breakdown of our Bank's other income as a percentage of our Bank's total other income on an item-basis, on a quarterly basis for the periods indicated:

Other income	For the three months ending,									
	June 30, 2022		September 30, 2022		December 31, 2022		March 31, 2023		June 30, 2023	
	Amount (in ₹ million)	*as percentage of total other income*	*Amount (in ₹ million)*	*as percentage of total other income*	*Amount (in ₹ million)*	*as percentage of total other income*	*Amount (in ₹ million)*	*as percentage of total other income*	*Amount (in ₹ million)*	*as percentage of total other income*
Cards	961.70	21.25%	1,164.24	19.10%	1,279.80	23.97%	1,371.12	18.68%	1,529.20	20.88%
Para banking	207.47	4.58%	368.4	6.04%	406.40	7.61%	452.72	6.17%	265.90	3.63%
Banking, commissions & exchanges	589.29	13.02%	668.75	10.97%	554.76	10.39%	920.53	12.54%	655.13	8.94%
Processing fee & charges on loans	1,033.79	22.84%	1,249.72	20.50%	1,285.52	24.07%	1,317.96	17.96%	1,583.40	21.62%
General service charges[1]	987.89	21.83%	1,007.40	16.53%	1,097.22	20.55%	1,096.80	14.95%	1,020.26	13.93%
Profit on forex	634.15	14.01%	943.28	15.48%	803.25	15.04%	260.38	3.55%	300.21	4.10%
Net profit on sale of investments	78.06	1.72%	225.57	3.70%	73.57	1.38%	398.14	5.43%	328.59	4.49%
Recovery from written off assets, P/L on revaluation of investment & other receipts	33.91	0.75%	467.81	7.68%	(160.56)	(3.01)%	1,520.97	20.73%	1,641.42	22.41%
Total other income	**4,526.25**	**100.00%**	**6,095.23**	**100.00%**	**5,339.98**	**100.00%**	**7,338.61**	**100.00%**	**7,324.12**	**100.00%**

1. *General service charges constitute administrative and other charges.*

Capital position

The following table sets forth a breakdown of our Bank's capital position as of June 30, 2023. For a detailed explanation of our Bank's capital position and capital requirements, see "*Statistical Information – Capital adequacy*" and "*Statistical Information – Capital position*" on pages 710 and 711, respectively.

	June 30, 2023
	(₹ in millions, except percentages)
Risk weighted assets	1,627,420.65
Credit risk	1,421,308.20
Market risk	56,192.28
Operational risk	149,920.18
Capital funds	232,420.62
Tier 1 capital funds	204,092.93
Tier 2 capital funds	28,327.69
CRAR	14.28%
Tier 1	12.54%
Tier 2	1.74%

Asset quality

The following table sets forth the movement in our Bank's gross NPA as of March 31, 2023 to its gross NPA as of June 30, 2023:

	₹ in million
Gross NPA as of March 31, 2023	41,837.69
Add fresh slippage[1]	4,955.15
Add increase in balances in existing NPA	63.76
Deduct recoveries / upgrades/ reduction in existing NPA / sale to ARC (₹)	2,453.94
Deduct written off	54.92
Gross NPA as of June 30, 2023	44,347.74

[1] *Fresh slippages are the amount of assets classified as standard which have been classified into NPAs in the given period.*

The following table sets forth the composition of our Bank's NPAs for three months ended March 31, 2023 and June 30, 2023:

Gross NPA	For three months ending,	
	March 31, 2023	June 30, 2023
Retail	11,809.92	13,655.90*
Agricultural	9,771.44	9,766.36
Business banking	9,356.33	9,884.23
CV/CE	304.44	339.29
CoB	6,660.87	6,791.24
CIB	3,934.69	3,910.71
Total	**41,837.69**	**44,347.74**

**This increase was primarily due to the expiry of the moratorium provided pursuant to the RBI Resolution Framework for COVID-19 related stress, thereby leading to an increase in slippages.*

Our Bank had net NPAs of ₹14,202.50 million and ₹12,745.86 million as of June 30, 2022, and June 30, 2023, respectively.

The amount of our Bank's standard restructured advances decreased from ₹33,656.85 million as of June 30, 2022, to ₹25,681.63 million as of June 30, 2023 due to closure of restructured accounts and slippage to NPA. Our Bank's net security receipts decreased from ₹655.62 million as of June 30, 2022, to nil as of June 30, 2023 as a result of provisions made by us and redemptions from security receipts book.

As of June 30, 2023, our Bank's total restructured book had a balance of ₹34,053.61 million (of which ₹1,381.41 million was made up of bonds), comprised of a standard balance of ₹25,681.63 million (of which ₹598.88 million was made up of bonds) and a net NPA balance of ₹8,371.98 million (of which ₹782.53 million was made up of bonds). The book value of our Bank's security receipts was ₹4,072.37 million as of March 31, 2023, and ₹4,064.06 million as of June 30, 2023.

Provisions and contingencies

The following tables set forth details of our Bank's provisions and contingencies for three months ended June 30, 2023:

	Three months ended June 30, 2023
	(₹ in million)
Total recoveries and upgradations[1]	2453.94
Total provisions	1,555.75
loss from loans	1,815.00
loss from investments	15.75
other purposes	10.00
less standard accounts	285.00

1Upgradations is improvement in credit from NPA to non-NPA status by collecting the entire arrears outstanding from the borrower.

Advances

The following table sets forth our Bank's gross advances, total net advances and yield on advances as of the dates indicated:

	June 30, 2022	June 30, 2023	Y-o-Y growth	Q-o-Q growth
Gross advances	15,43,914.99	18,65,927.45	20.86%	5.20%
Net advances	15,16,894.93	18,34,874.12	20.96%	5.18%
Yield on advances	7.94%	9.21%	15.99%	0.88%

As of June 30, 2023, our Bank's retail banking and wholesale banking advances constituted 54.18% and 45.82% of our Bank's gross advances, respectively.

The following table sets forth the breakdown of our Bank's retail banking advances portfolio and our Bank's wholesale banking advances portfolio, as a percentage of our total gross advances as of June 30, 2023:

	As a percentage of total gross advances
Total retail banking advances	**54.18%**
Retail	*31.31%*
Agricultural	*13.46%*
Business banking[1]	*8.09%*
CV/CE	1.32%
Total wholesale banking advances	**45.82%**
CoB[2]	*9.84%*
CIB	*35.98%*
Total gross advances	**100.00%**

[1]*Advances from "Business banking" are included in our advances from MSME.*
[2]*Advances from "CoB" are included in our advances from MSME.*

Retail banking advances

The following table sets forth a breakdown of our Bank's advances from its retail banking business unit as of the dates indicated:

Retail banking	As of June 30,					
	2022		2023			
	Amount (in ₹ million)	(% of Gross Advances)	Amount (in ₹ million)	(% of Gross Advances)	Y-o-Y growth (%)	Q-o-Q growth (in%)
Retail	498,568.82	32.29%	584,214.94	31.31%	17.18%	4.27%
i. Housing loans and top-ups	221,084.20	14.32%	255,284.50	13.68%	15.47%	1.72%
ii. LAP	87,618.56	5.68%	103,894.08	5.57%	18.58%	4.06%
iii. Automobile loans	44,472.08	2.88%	57,699.18	3.09%	29.74%	5.91%
iv. Personal loans	17,265.76	1.12%	28,024.20	1.50%	62.31%	17.11%
v. Others[1]	128,128.22	8.30%	139,312.98	7.47%	8.73%	6.29%
Agriculture	199,880.78	12.95%	251,121.28	13.46%	25.64%	7.52%
Business banking[2]	128,136.92	8.30%	150,975.41	8.09%	17.82%	6.17%
CV/CE	14,246.16	0.92%	24,565.35	1.32%	72.43%	12.35%
Total retail banking advances	**840,832.68**	**54.46%**	**1,010,876.97**	**54.18%**	**20.22%**	**5.53%**

1. *Includes retail gold loans, cards and payment services, advances received from advances against deposits, advances against shares, education loans, retail assignments, staff loans, credit cards and retail gold.*
2. *Advances from "Business banking" are included in our advances from MSME.*

The following table sets forth the breakdown of our Bank's retail banking advances portfolio as of June 30, 2023:

Retail banking advances	As a percentage of total retail banking advances
Retail	57.79%
Agricultural	24.84%
Business banking[1]	14.94%
CV/CE	2.43%
Total retail banking advances	**100.00%**

1. *Advances from "Business banking" are included in our advances from MSME.*

Wholesale banking advances

CoB and CIB constituted 21.48% and 78.52% of our Bank's wholesale banking advances portfolio as on June 30, 2023. The following table sets forth a breakdown of our Bank's advances from its wholesale banking business unit as of the dates indicated:

Wholesale banking	As of June 30,					
	2022		2023			
	Amount (in ₹ million)	(% of Gross Advances)	Amount (in ₹ million)	(% of Gross Advances)	Y-o-Y growth (%)	Q-o-Q growth (%)
CoB[1]	153,494.94	9.94%	183,653.10	9.84%	19.65%	6.30%
CIB	549,587.23	35.60%	671,397.17	35.98%	22.16%	4.40%

Wholesale banking	As of June 30,					
	2022		2023			
	Amount (in ₹ million)	(% of Gross Advances)	Amount (in ₹ million)	(% of Gross Advances)	Y-o-Y growth (%)	Q-o-Q growth (%)
Total wholesale banking advances	703,082.17	45.54%	855,050.27	45.82%	21.61%	4.80%

1. *Advances from "CoB" are included in our advances from MSME.*

Deposits

Our Bank's resident savings account deposits increased by 6.76% between three months ended June 30, 2022, and June 30, 2023.

Our Bank's non-resident term deposits increased by 10.76% between three months ended June 30, 2022, and June 30, 2023.

As of June 30, 2023, our Bank's core deposits, i.e., total deposits excluding interbank deposits, constituted 97.95% of our Bank's deposits, as compared to 98.79% as of March 31, 2023. The decrease in core deposits was largely due to an increase in interbank deposits.

The number of our Bank's deposit accounts offered through its fintech collaborations with Fi and Jupiter increased by 1.0, 1.2, 1.3, 1.3 and 1.4 times, as of June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023.

Our Bank's CASA balance for accounts offered through these fintech collaborations increased by 1.0, 1.3, 1.6, 1.7 and 2.3 times as of June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023.

The following table sets forth key metrics in relation to our Bank's deposits as of the dates indicated:

Particulars	As of June 30, 2022	As of June 30, 2023	Q-o-Q growth	Y-o-Y growth
	(in ₹ million, except percentages)			
Deposits	1,833,552.92	2,224,955.01	4.27%	21.35%
CASA deposits	675,395.55	708,545.23	1.60%	4.91%
Current account	112,974.02	141,821.58	(0.75)%	25.53%
Savings account	522,419.53	566,723.65	2.20%	0.77%
CASA ratio	36.84%	31.85%	(83)bps	(499)bps
Non-resident deposits	677,530.48	708,025.61	0.33%	4.50%
Cost of deposits	{4.20%}*	{5.32%}*	20bps	112bps

** Certain financial data, including cost of deposits, presented in this Preliminary Placement Document have been presented on an annualized basis {in brackets}. This financial data has been calculated on an annualized basis in the following manner: reported figure multiplied by number of days in a Fiscal divided by number of days in a quarter.*

The calculation does not take into account seasonality factors or any other factors which could impact period-on-period variations and may not reflect our actual performance for Fiscals 2023 and 2024. The presentation of annualized financial data has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our operating results. Annualized financial data are not standard measures under the Indian GAAP and should not be considered in isolation or construed as alternatives to net income/loss, cash flow or any other measure of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Annualized financial data presented herein may not be comparable to similarly titled measures presented by other companies.

High margin lending product portfolio

Our Bank's share of gross advances from its high margin yielding products increased by 126bps from 32.66% in June 30, 2022 to 33.92% June 30, 2023. Our Bank's share of revenue. i.e., the total of interest income plus non-interest income, from its high margin yielding products decreased by 54bps from 30.44% to 29.90% over the same period primarily due to the slowdown in growth rate of total gold loans as compared to our Bank's total advances on a year-on-year basis combined with a reduction in the yield of gold loans on a year-on-year basis.

Credit cards

Our Bank's gross advances from its credit card portfolio increased by 272.04%, from ₹5,362.56 million as of June 30, 2022, to ₹19,951.11 million as of June 30, 2023. The number of our Bank's co-branded credit cards issued through its fintech collaborations increased by 1.0, 2.0, 3.1, 4.0 and 4.9 times as of June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023, with spends on these cards increasing by 1.0, 2.7, 5.2, 8.2 and 11.7 times over the same period.

The total spends on our Bank's credit cards were ₹870.53 million, ₹1,194.31 million, ₹1,636.08 million, ₹1,882.41 million and ₹2,023.13 million as of June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023. This represented a higher Y-o-Y growth compared to the total spends on our Bank's debit cards, which were ₹13,368.09 million,

₹14,881.25 million, ₹14,735.92 million, ₹14,890.00 million and ₹14,688.30 million as of June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023.

Personal loans

The number of personal loan accounts that our Bank's customers held through its fintech collaborations with Paisabaazar and Fi increased by 1.00, 9.44, 42.70 and 73.86 times in the three months ending September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023. The balances held by our Bank's customers under personal loans also increased by 1.00, 8.30, 32.65 and 56.60 times over the same period. As of June 30, 2023, our Bank disbursed 714 personal loans through our fintech collaborations with Paisabazaar and Fi.

MSME

Our Bank's advances from its MSME portfolio increased by 18.82%, from ₹281,631.90 million as of June 30, 2022 to ₹334,628.46 million as of June 30, 2023. As of June 30, 2023, our Bank provided products to more than 26,000 MSME customers.

CV/CE

As on June 30, 2023, our Bank had more than 14,000 outstanding accounts for its CV/CE portfolio, and 69.29% of its CV/CE loans were to the priority lending sector. Our Bank disbursed CV/CE loans aggregating to ₹4,456.32 million in the three months ending June 30, 2023. Our Bank's CV/CE loans had an average size of less than ₹2.70 million as of June 30, 2023.

Gold loans

Our Bank's advances from its gold loans, i.e., the total of advances from its retail gold loans, agri gold loans, MSME gold loans and gold loans to employees, increased by 13.25% from ₹184,783.59 million as of June 30, 2022 to ₹209,207.56 million as of June 30, 2023. Our Bank's advances from its gold loans increased by 6.00% on a Q-o-Q basis. As of June 30, 2023, our Bank had 1.35 million accounts for its gold loans, and its gold loan book constituted 55,376 kilograms of gold. As of June 30, 2023, its LTV was 70.96% and the yield was 10.03%. Our Bank's advances from its retail gold loans were ₹43,824.73 million as of June 30, 2023.

MFI

Our Bank's advances from its MFI portfolio increased by 245.53% from ₹5,282.55 million as of June 30, 2022, to ₹18,252.99 million as of June 30, 2023. Our Bank's advances from its MFI portfolio increased by 27.34% on a Q-o-Q basis. As of June 30, 2023, our Bank 494,000 outstanding accounts for its MFI portfolio, and accessed its MFI customers in 11 states and 1 union territory, through a network of 11 BC partners and 380 BC branches. As of June 30, 2023, over 99% of its microfinance customers are women.

Multi-pronged distribution approach

The following table sets forth the number of our Bank's branches, ATMs (including cash recyclers and mobile ATMs) and relationship managers as of June 30, 2022, and June 30, 2023:

	June 30, 2022	June 30, 2023
Bank branches	1,291	1,366
ATMs (including cash recyclers and mobile ATMs)	1,860	1,920
Relationship managers	946	1,604

The following table sets forth a geographical breakdown of our Bank's branch network as of June 30, 2023:

State/ Union Territory	Number of branches
East India	**94**
West Bengal	33
Orissa	25
Bihar	8
Jharkhand	9
Assam	13
Meghalaya	2
Tripura	1
Mizoram	1
Nagaland	2

State/ Union Territory	Number of branches
North India	**135**
Delhi	26
Punjab	29
Uttar Pradesh	25
Rajasthan	10
Haryana	23
Madhya Pradesh	13
Chhattisgarh	3
Uttarakhand	1
Jammu & Kashmir	1
Chandigarh	3
Himachal Pradesh	1
South India	**973**
Karnataka	111
Andhra Pradesh	32
Telangana	28
Tamil Nadu	202
Kerala	**597**
Puducherry	3
West India	164
Maharashtra	102
Gujarat	54
Goa	6
Dadra & Nagar Haveli	1
Daman & Diu	1
Total Bank Branches*	**1,366**

** Total bank branches does not include extension counters and the Gift City branch.*

The table below sets forth a percentage breakdown of our Bank's branches by metro, urban, semi-urban, rural areas and overseas as of June 30, 2023:

	As of June 30, 2023
Metro	16.55%
Urban	18.74%
Semi-urban	51.83%
Rural	12.88%
Overseas	NA*
Total	100.00%

**Does not include Gift City branch, which is separately reported as an overseas branch*

Digital channels

As of June 30, 2023, 91.82% of our Bank's total retail and wholesale transactions were serviced digitally, with 83.59% of its wholesale transactions serviced digitally. Our Bank received ₹334,422.29 million of corporate digital applications (applications received in our Bank's corporate digital products) from its customers (other than retail customers) per month, during the month of June, 2023. Our Bank's digital assistant, Feddy answered 0.18 million queries in June 30, 2023. As of June 30, 2023, our Bank had 290 RPA processes running and 484 APIs have been made available to its customers. Our Bank's digital transactions have increased by 38.90% between June 30, 2022, and June 30, 2023.

Our Bank's mobile banking transaction count increased by 36.64% from 7.64 million as on June 30, 2022, to 10.45 million as on June 30, 2023. The volume of our Bank's retail banking business through mobile banking applications was approximately ₹170,911.40 million for the month ending June 30, 2023, with approximately 1.29 million active FedMobile users as of June 30, 2023. As of June 30, 2023, our Bank onboarded 275 educational institutions to its fee collection solution Careerbook, which allows these institutions to digitally manage fee payments for admissions, exams or any other student management activity.

The following table sets forth a breakdown of our Bank's digital lending as of June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023.

	As of,				
	June 30, 2022	**September 30, 2022**	**December 31, 2022**	**March 31, 2023**	**June 30, 2023**
	(in million, unless indicated otherwise)				
Volume of transactions through branches (₹)	1.28	1.23	1.28	1.40	1.13
Volume of transactions through digital channels (₹)	9.16	9.74	10.87	12.60	12.73
Volume of transactions through digital channels (%)	87.73%	88.80%	89.48%	90.00%	91.80%
Volume of mobile banking (in value)	136,130	133,680	136,320	180,180	170,910
Mobile banking transaction count	7.65	7.99	8.85	8.98	10.45
Number of non-retail customers transacting using digital products					
FedCorp	*25,821*	*26,097*	*15,413*	*32,189*	*33,178*
Corporate FedNet	*690*	*664*	*639*	*626*	*572*
Paylite	*737*	*728*	*715*	*730*	*711*
Fed-e-Biz	*3,058*	*3,794*	*4,096*	*4,505*	*4,744*
Corporate transaction volume					
FedCorp	*35,060.00*	*24,960.00*	*16,350.00*	*42,740.00*	*38,690.00*
Corporate FedNet	*26,720.00*	*22,490.00*	*22,190.00*	*25,030.00*	*21,890.00*
Paylite	*18,950.00*	*13,120.00*	*15,790.00*	*17,870.00*	*12,770.00*
Fed-e-Biz	*381,960.00*	*226,490.00*	*241,320.00*	*287,580.00*	*261,070.00*
BYOM digital personal loans					
Number of loans	*90,761.00*	*95,044.00*	*80,557.00*	*87,922.00*	*91,790.00*
Balance (₹)	*14,800.00*	*25,860.00*	*23,650.00*	*26,190.00*	*27,830.00*

The share of fintech (based on value) in the disbursement of our Bank's personal loans, issuance of its credit cards and incremental growth of its savings accounts increased by 52.81%, 77.39% and 61.00% between June 30, 2022 and June 30, 2023, respectively.

Customers and employees

As of June 30, 2023, our Bank had 16.72 million customers and 13,357 employees (of which 41% were women).

ESG

The following table sets forth our Bank's ESG performance as of June 30, 2023

	As of June 30, 2023
"Coal-related sub-project exposures" (as defined in our ESMS policy).	1.74% of our gross advances

Green loan financing book	₹35.84 billion, with a 11% Q-o-Q growth
Solar power capacity at our branches and offices	310 KW
Water conservation capacity	84,000 liters
Women entrepreneurs financed[1]	473,000
Women representation	42%

1Out of 473,000 women entrepreneurs, 123,000 were financed through our BC channel during the three months ending June 30, 2023.

Rating distribution

The external rating of our advances from our Bank's CIB unit as of June 30, 2023 is set forth in the table below.

Rating	June 30, 2023
A & Above	74.49%
BBB	8.51%
< BBB	2.24%
Others	14.76%

Our internal rating for our externally unrated advances from our Bank's CIB unit (i.e., the rating marked "Others" in the table above) as of June 30, 2023 is set forth in the table below.

Rating	June 30, 2023
FBR1	6.70%
FBR2/FBR3	11.55%
FBR4	11.97%
Below FBR4 and unrated advances (including inter-banking participating certificates and exempted category advances, such as loans against liquid security)	69.78%

Our internal rating for our advances excluding our Bank's CIB unit as of June 30, 2023 is set forth in the table below.

Rating	June 30, 2023
FBR1	4.92%
FBR2/FBR3	17.67%
FBR4	17.03%
FBR5/FBR6	29.89%
Others	30.49%

Capital position

The following table sets forth a breakdown of our capital position as of June 30, 2023.

	June 30, 2023
	(₹ in millions, except percentages)
Risk weighted assets	1,666,302.28
Credit risk	1,460,189.83
Market risk	56,192.28
Operational risk	149,920.18
Capital funds	245,309.83
Tier 1 capital funds	213,993.29
Tier 2 capital funds	31,316.54
CRAR	14.72%
Tier 1	12.84%
Tier 2	1.88%

Shareholder value

The following table sets forth a breakdown of our shareholder value (i.e., our book value and our earnings per share) on a quarterly basis for the three months ending June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023.

Shareholder value	For the three months ending,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
	(in ₹)				
Book value (per share)	91.59	93.00	96.74	101.22	105.04
Earnings per share	2.86 {11.46}*	3.34 {13.26}*	3.80 {15.09}*	4.27 {17.30}*	4.03 {16.22}*

** Certain financial data, including earnings per share, presented in this Preliminary Placement Document have been presented on an annualized basis {in brackets}. This financial data has been calculated on an annualized basis in the following manner: reported figure multiplied by number of days in a Fiscal divided by number of days in a quarter. The calculation does not take into account seasonality factors or any other factors which could impact period-on-period variations and may not reflect our actual performance for Fiscals 2023 and 2024. The presentation of annualized financial data has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our operating results. Annualized financial data are not standard measures under the Indian GAAP and should not be considered in isolation or construed as alternatives to net income/loss, cash flow or any other measure of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Annualized financial data presented herein may not be comparable to similarly titled measures presented by other companies.*

II. MANAGEMENT'S DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All financial figures presented in this sub-section are based on our consolidated unaudited financial statements for June 30, 2022 and June 30, 2023 unless otherwise specified.

Three months ended June 30, 2023, compared to three months June 30, 2022

Summary of performance

Particulars	For three months ended June 30,		
	2023	2022	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Income			
Interest earned	53,497.69	38,430.89	39.20%
Other income	7,413.09	4,750.80	56.04%
Total	**60,910.78**	**43,181.69**	**41.06%**
Expenditure			
Interest expended	32,545.10	21,037.56	54.70%
Operating expenses	14,694.35	11,758.04	24.97%
Provisions and contingencies	4,753.93	3,956.11	20.17%
Total	**51,993.37**	**36,751.71**	**41.47%**
Net profit for the year	**8,917.41**	**6,429.98**	**38.68%**
Less: minority interest	137.77	110.39	24.81%
Add: share in profit of Associates	21.59	22.57	(4.32)%
Consolidated net profit for the year	**8,801.23**	**6,342.16**	**38.77%**

Total income

Our total income increased by 41.06% from ₹43,181.69 million in three months ended June 30, 2022, to ₹60,910.78 million in three months ended June 30, 2023. The increase in total income was primarily due to an increase in interest earned and other income.

<u>*Interest earned*</u>

Our interest earned increased by 39.20% from ₹38,430.89 million in three months ended June 30, 2022, to ₹53,497.89 million in three months ended June 30, 2023. The increase in interest earned was primarily due to an increase in interest and discounts on advances and bills by 40.55% from ₹31,042.02 million in three months ended June 30, 2022, to ₹43,629.34 million in three months ended June 30, 2023. This increase was primarily attributable to an increase in our average advances and our overall yield on advances.

<u>*Other income*</u>

Our other income increased by 56.04% from ₹4,750.80 million in three months ended June 30, 2022, to ₹7,413.09 million in three months ended June 30, 2023. The increase in other income was primarily due to an increase in commission, exchange and brokerage by 32.80% from ₹3,903.62 million in three months ended June 30, 2022, to ₹5,184.01 million in three months ended June 30, 2023. This increase was primarily attributable to an increase in processing fees from loans and advances, general service charge income, channel transaction related income from card networks and commission income from bancassurance services.

Total expenditure

Our total expenditure increased by 41.47% from ₹36,751.71 million in three months ended June 30, 2022, to ₹51,993.37 million in three months ended June 30, 2023. The increase in total expenditure was primarily due to an increase in interest expended, operating expenses and provisions and contingencies.

Interest expended

Our interest expended increased by 54.70% from ₹21,037.56 million in three months ended June 30, 2022, to ₹32,545.10 million in three months ended June 30, 2023. The increase in interest expended was primarily due to an increase in interest on deposits by 50.20% from ₹18,667.47 million in three months ended June 30, 2022, to ₹28,038.68 million in three months ended June 30, 2023. The increase in interest on deposits was primarily attributable to an increase in average deposits and cost of deposits.

Operating expenses

Our operating expenses increased by 24.97% from ₹11,758.04 million in three months ended June 30, 2022 to ₹14,694.35 million in three months ended June 30, 2023. The increase in operating expenses was primarily due to an increase in payments to and provisions for employees by 24.16% from ₹5,583.74 million in three months ended June 30, 2022, to ₹6,932.56 million in three months ended June 30, 2023. The increase in payments to and provisions for employees was primarily attributable to an increase in the number of employees, actuarial related costs and increments given to our employees.

Provisions and contingencies

Our provisions and contingencies increased by 20.17% from ₹3,956.11 million in three months ended June 30, 2022 to ₹4,753.93 million in three months ended June 30, 2023. The increase in provisions and contingencies was primarily due to an increase in provision for taxation by 40.97% from ₹ 2,204.01 million in three months ended June 30, 2022 to ₹ 3,107.05 million in three months ended June 30, 2023.

Net profit

As a result of the above, our net profit for the period increased by 38.68% from ₹6,429.98 million in three months ended June 30, 2022 to ₹8,917.38 million in three months ended June 30, 2023.

Minority interest

Our minority interest increased by 24.81% from ₹110.39 million for three months ended June 30, 2022 to ₹137.77 million for three months ended June 30, 2023, primarily due to an increase in the reported profits of our subsidiaries.

Share in profit of Associates

Our share in profit of associates decreased by 4.34% from ₹22.57 million for three months ended June 30, 2022 to ₹21.59 million for three months ended June 30, 2023, primarily due to a decrease in the reported profits of our associates.

Consolidated net profit for the period

As a result of the above, our consolidated net profit increased by 38.77% from ₹6,342.16 million in three months ended June 30, 2022 to ₹8,801.23 million in three months ended June 30, 2023.

Financial Condition

Assets

The following table sets forth the principal components of our assets as of June 30, 2023 and 2022:

(in ₹ million)

	As of June 30,	
	2023	**2022**
Cash and balances with the RBI	136,084.34	131,781.19
Balances with banks and money at call and short notice	59,533.77	28,842.61
Investments	518,789.49	410,633.47
Advances	1,910,084.20	1,571,909.58
Fixed assets	9,772.23	7,042.44
Other assets	188,448.11	160,884.61
Total	**2,822,712.15**	**2,311,093.90**

Our total assets increased by 22.14% from ₹2,311,093.90 million as of June 30, 2022 to ₹2,822,712.15 million as of June 30, 2023. This increase was primarily due to:

- An increase in advances by 21.51% from ₹1,571,909.58 million as of June 30, 2022 to ₹1,910,084.20 million as of June 30, 2023. Our gross advances increased by 21.41% from ₹1,599,250.90 million as of June 30, 2022 to ₹1,941,600.30 million as of June 30, 2023. The increase was primarily due to an increase in our business operations;

- An increase in our investments by 26.34% from ₹410,633.47 million as of June 30, 2022 to ₹518,789.49 million as of June 30, 2023, primarily as a result of our normal business growth;
- An increase in other assets by 17.13% from ₹160,884.61 million as of June 30, 2022 to ₹188,448.11 million as of June 30, 2023, primarily as a result of interest accrued;
- An increase in cash and balances with the RBI by 3.27% from ₹131,781.19 million as of June 30, 2022 to ₹136,084.34 million as of June 30, 2023;
- An increase in balances with banks and money at call and short notice from ₹28,842.61 million as of June 30, 2022 to ₹59,533.77 million as of June 30, 2023; and
- An increase in fixed assets by 38.76% from ₹7,042.44 million as of June 30, 2022 to ₹9,772.23 million as of June 30, 2023.

Liabilities

The following table sets forth the principal components of our liabilities as of June 30, 2023, and June 30, 2022:

Particulars	**As of June 30,**	
	2023	**2022**
Deposits	2,224,698.69	1,833,155.60
Borrowings	279,323.16	205,479.47
Other liabilities and provisions	84,855.30	70,416.24
Total	**2,588,877.16**	**2,109,051.31**

Our liabilities increased by 22.75% from ₹2,109,051.31 million as of June 30, 2022, to ₹2,588,877.16 million as of June 30, 2023. The increase was primarily attributable to:

- An increase in deposits by 21.36% from ₹ 1,833,155.60 million as of June 30, 2022 to ₹ 2,224,698.69 million as of June 30, 2023, primarily due to normal business growth;
- An increase in borrowings by 35.94% from ₹205,479.47 million as of June 30, 2022, to ₹279,323.16 million as of June 30, 2023, primarily on account of borrowings in India to support lending activities, as well as borrowings outside India to support the functioning of our international banking unit in GIFT City; and
- An increase in other liabilities and provisions by 20.51% from ₹70,416.24 million as of June 30, 2022, to ₹84,855.30 million as of June 30, 2023, primarily on account of interest accrued.

Cash flows

The following table sets forth our cash flows for three months ended June 30, 2023, and June 30, 2022:

Particulars	**Three months ended June 30,**	
	2023	**2022**
	(₹ in million)	
Net cash flow from / (used) in operating activities	14,974.53	(27,814.92)
Net cash flow from / (used) in investing activities	(18,385.20)	(32,617.65)
Net cash flow from / (used in) financing activities	20,985.40	9,768.49
Effect of exchange fluctuation translation reserve	4.11	(73.17)
Net increase / (decrease) in cash and cash equivalents	17,578.83	(50,737.25)
Cash and cash equivalents at the beginning of the year	178,039.29	211,361.05
Cash and cash equivalents at the end of the year	195,618.12	160,623.80

Cash flows from / (used) in operating activities

Net cash flows from operating activities were ₹14,974.53 million in three months ended June 30, 2023. The adjustments were made to net profit before taxes in three months ended June 30, 2023, primarily for provision for non-performing advances, amortization of premium on held to maturity investments and depreciation on our property. The main working capital adjustments in three months ended June 30, 2023, included, increase in deposits and increase of advances.

Net cash flows used in operating activities were ₹27,814.92 million in three months ended June 30, 2022. The adjustments were made to net profit before taxes in three months ended June 30, 2022, primarily for provision for non-performing advances, amortization of premium on held to maturity investments and depreciation on our property. The main working capital adjustments in three months ended June 30, 2022, included, increase in advances.

Cash flows from / (used) in investing activities

Net cash flow used in investing activities was ₹18,385.20 million in three months ended June 30, 2023, primarily due to increase in held to maturity investments and purchase of fixed assets.

Net cash flow used in investing activities was ₹32,617.65 million in three months ended June 30, 2022, primarily due to increase in held to maturity investments and purchase of fixed assets.

Cash flows from / (used) in financing activities

Net cash flow from financing activities was ₹20,985.40 million in three months ended June 30, 2023, primarily on account of increase in borrowings (excluding subordinate debt) and proceeds from issue of subordinate debt.

Net cash flow from financing activities was ₹9,768.49 million in three months ended June 30, 2022, primarily on account of increase in borrowings (excluding subordinate debt) and increase in minority interest.

Interest coverage ratio

The following tables set forth our interest coverage ratio for three months ended June 30, 2023, and June 30, 2022:

For the quarter ended June 30, 2023:

(₹ in millions)

Particulars	**For the quarter ended June 30, 2023**
(A) Net Profit for the period	8,801.23
Add:	
(B) Provision for tax	3,107.05
(C) Depreciation	541.23
(D) Finance costs *	4,506.42
(E) Earnings before Interest, Tax and Depreciation (A+B+C+D)	16,955.93
(F) Interest Coverage Ratio (E/D)	3.76

**Finance Cost excludes a) interest expense on deposits accepted and b) premium amortized upon acquisition of investments*

For the quarter ended June 30, 2022:

(₹ in millions)

Particulars	**For the quarter ended June 30, 2022**
(A) Net Profit for the period	6,342.16
Add:	
(B) Provision for tax	2,204.01
(C) Depreciation	390.97
(D) Finance costs *	2,370.09
(E) Earnings before Interest, Tax and Depreciation (A+B+C+D)	11,307.23
(F) Interest Coverage Ratio (E/D)	4.77

**Finance Cost excludes a) interest expense on deposits accepted and b) premium amortized upon acquisition of investments*

INDUSTRY OVERVIEW

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the RBI and the Indian Banks' Association, and has not been prepared or independently verified by us, any of the Book Running Lead Managers or any of their affiliates or advisors. Wherever we have relied on figures published by the World Bank, the Reserve Bank of India ("**RBI**"), International Monetary Fund ("**IMF**"), and Ministry of Finance, Government of India ("**MoF**"), unless stated otherwise, we have relied on the World Bank Database, RBI's Annual Reports, Bi-monthly Monetary Policy Statements, Reports on Trend and Progress of Banking in India, Financial Stability Reports, the IMF's World Economic Outlook, April 2023 ("**IMF WEO**"), Fiscal Monitor, the MoF's Economic Survey 2022-2023 ("**Economic Survey**") and MoF's Macro Economic Framework Statement 2023 ("**Framework Statement**"), as applicable. The accuracy, completeness of the industry sources and publications referred to by us and the underlying assumptions on which such sources and publications are based, are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information.*

Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties, and certain factors could cause actual results or outcomes to differ materially.

1. Economic Overview:

1.1. Global Setting

As per IMF, the global economy is facing cumulative effects of the past three years of adverse shocks – most notably, the COVID-19 pandemic and Russia's invasion of Ukraine. *(Source: IMF WEO)* The rapid rise in interest rates and the anticipated slow-down of economic activity to put inflation as a downward path, together with supervisory and regulatory gaps and the materialization of the bank-specific risks, contributed to stress in parts of the financial system, raising financial stability concerns. *(Source: IMF WEO)* According to IMF, banks' generally strong liquidity and capital positions suggested that they would be able to absorb the effects of monetary policy tightening and adapt smoothly. *(Source: IMF WEO)* However, the unexpected failures of two specialized regional banks in the United States in mid-March 2023 and the collapse of confidence in Credit Suisse – a globally significant bank, have roiled the financial markets. *(Source: IMF WEO)*

According to IMF, the United States of America, Japan, Germany, the United Kingdom, France, China, India, and Brazil represent eight major global economies. These five largest advanced economies, along with the three largest emerging market and developing economies approximately cover 70% of the global GDP. *(Source: IMF WEO)* The National Statistical Office ("**NSO**"), Ministry of Statistics and Programme Implementation ("**MoSPI**") in May 2023 estimated India's real gross domestic product ("**GDP**") at constant prices to have grown by 7.2% in Fiscal 2023 as compared to 9.1% in Fiscal 2022. *(Source: NSO, MoSPI, Provisional Estimates May 2023 ("**NSO Provisional Estimates**"))*

The resilience that global economic activity exhibited earlier this year is expected to fade. *(Source: World Bank, Global Economic Prospects, June 2023)* Growth in several major economies was stronger than envisaged at the beginning of the year, with faster-than-expected economic reopening in China and resilient consumption in the United States. *(Source: World Bank, Global Economic Prospects, June 2023)* However, for 2023 as a whole, global activity is projected to slow down, with a pronounced deceleration in advanced economies. *(Source: World Bank, Global Economic Prospects, June 2023)* Asia and the Pacific is a relative bright spot amid the more somber context of the global economy's rocky recovery. *(Source: IMF, "Asia Poised to Drive Global Economic Growth, Boosted by China's Reopening", May 2023)* China and India together are forecast to generate about half of global growth this year. *(Source: IMF, "Asia Poised to Drive Global Economic Growth, Boosted by China's Reopening", May 2023)* Inflation pressures persist, and the drag on growth from the ongoing monetary tightening to restore price stability is expected to peak in 2023 in many major economies. *(Source: World Bank, Global Economic Prospects, June 2023)* Core inflation in many countries remains elevated, and inflation is expected to continue to be above its pre-pandemic level beyond 2024. *(Source: World Bank, Global Economic Prospects, June 2023)*

1.2. Indian economy

The Indian economy is one of the largest economies in the world with GDP at current prices estimated at ₹305 trillion for Fiscal 2023. *(Source: IMF, World Economic Outlook Database, April 2023)* The IMF projects India's real GDP in Fiscal 2023 to have grown at 6.8% *(Source: IMF, World Economic Outlook, April 2023)*. The IMF projects India's real GDP to grow by 5.9% and 6.3% in Fiscals 2024 and 2025 respectively. As per Government of India's ("**GoI**") estimates, India's GDP grew by 7.2% in Fiscal 2023. *(Source: MoSPI, GoI, Press Note dated May 31, 2023)*

India attracted foreign direct investment ("**FDI**") of USD 70.97 billion in the Fiscal 2023. *(Source: Fact Sheet on FDI Inflow from April 2000 to March 2023, Ministry of Commerce and Industry, GoI ("**Fact Sheet**"))* According to the Fact Sheet, the services sector, including financial and banking, computer software and hardware trading, accounted for a major share of FDI equity in India during Fiscal 2023.

The last eight years have seen further liberalization of policy towards foreign investors, with most sectors now open for

100% FDI under the automatic route and this has resulted in a visible structural shift in the gross FDI flows to India. *(Source: Economic Survey)*

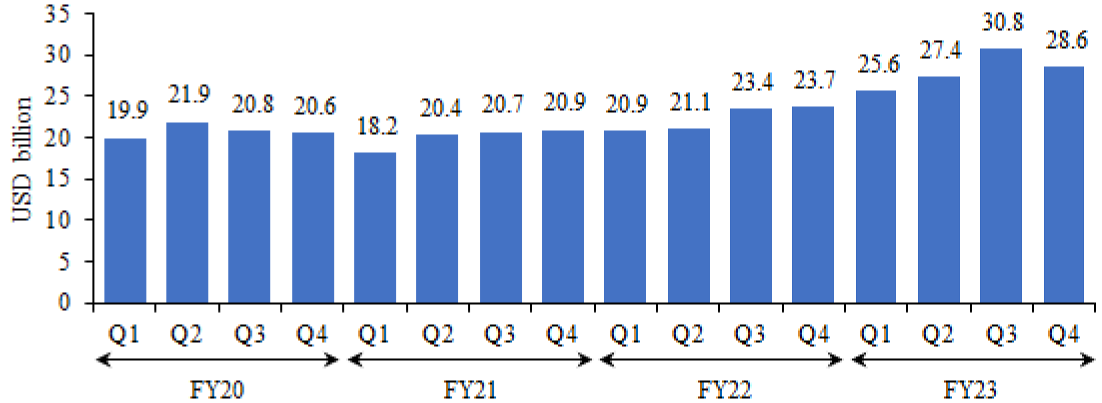
Trend of FDI Inflow in India

Years	Total FDI (USD billion)
Fiscal 2018	60.97
Fiscal 2019	62.00
Fiscal 2020	74.39
Fiscal 2021	81.97
Fiscal 2022	84.84
Fiscal 2023	70.97

Source: Fact Sheet

After recovering fully to pre-pandemic levels by the first half of Fiscal 2022, inward remittances to India recorded a sequential rise and stood at USD 83.8 billion during April to December 2022 and USD 30.8 billion during the third quarter of Fiscal 2024 (*Source: RBI, Annual Report 2022-2023 ("**RBI AR 2023**")*) The rise in India's remittances was driven by a host of factors, including elevated crude oil prices, fiscal stimulus packages benefitting Indian migrants in the advanced economies and post-pandemic wage hikes. *(Source: RBI AR 2023)* Moreover, the rollover of vaccinations and easing of travel restrictions helped Indian migrants in the Middle East to return to their workplaces and resume work in 2022, which also positively impacted remittance flows to India. *(Source: RBI AR 2023)* Federal Bank's market share of all foreign inward remittances was 18.20%, 21.10% and 19.30% for Fiscals 2021, 2022 and 2023, respectively[3].

Increasing trend of private transfer receipts (mainly representing remittances by Indians employed overseas) to India

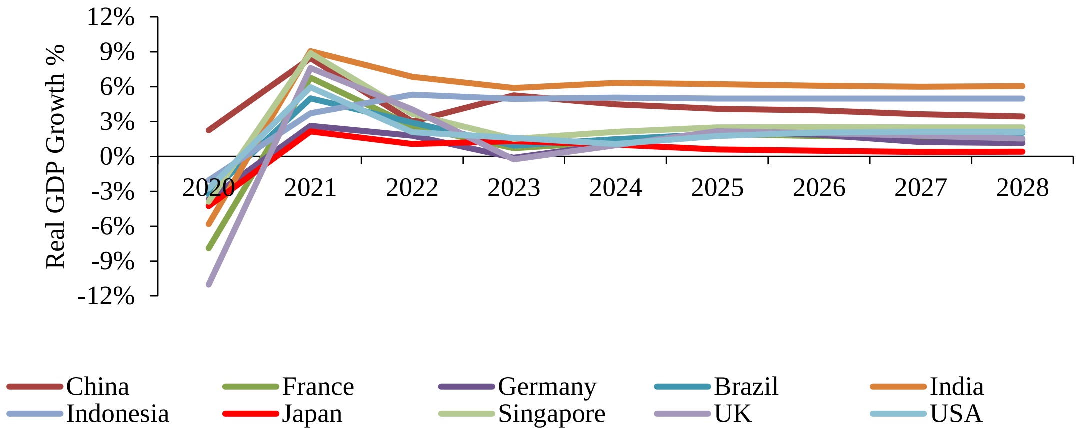


Source: RBI, Quarterly Balance of Payments, 2020-2023

Economic developments in Fiscal 2023 increased volatility in the capital markets around the world. *(Source: Framework Statement)* However, domestic capital markets displayed some encouraging trends. *(Source: Framework Statement)* The primary equity markets witnessed participation from all segments, especially with increased Small and Medium Enterprises contributions, while primary debt markets saw a growth in placements and resource mobilization. *(Source: Framework Statement)* In Fiscal 2023, India witnessed the largest IPO in its history as the Life Insurance Corporation ("**LIC**") of India listed on the stock exchanges, making the IPO the sixth largest globally of 2022. *(Source: Framework Statement)* While secondary capital market indices of the Nifty50 and the S&P BSE Sensex were not immune to the volatility of the Foreign Portfolio Investment flows, they performed better between April 2022 and December 2022 than their peers did. *(Source: Framework Statement)* The indices have displayed a decreasing trend in volatility as measured by the India Volatility Index over this period. *(Source: Framework Statement)*

Real GDP growth for India and peer countries

[3] *The market share has been calculated based on data for Fiscals 2021, 2022 and 2023 of (i) the remittance routed through Bank's data; and (ii) RBI Quarterly Balance of Payments.*



*Source: Real GDP year-on-year ("**y-o-y**") % calculated based on Real GDP data from IMF, World Economic Outlook Database, April 2023*

2. **Favorable Macroeconomic and Demographic Trends:**

2.1. Growing GDP per Capita

According to the NSO, India's real GDP was estimated to grow from ₹136.87 trillion in Fiscal 2021 to ₹149.26 trillion in Fiscal 2022 and to ₹160.06 trillion in Fiscal 2023. *(Source: NSO Provisional Estimates)* This translates to a growth in real GDP on a per capita basis from ₹100,981 in Fiscal 2021 to ₹109,060 in Fiscal 2022 and ₹115,746 in Fiscal 2023. *(Source: NSO Provisional Estimates, CAGR calculated based on data in the NSO Provisional Estimates)*

2.2. Rising Urbanization

As per the United Nations, India's population was expected to exceed that of China in April 2023, making India the most populous country. *(Source: UN, Department of Economic and Social Affairs, Policy Brief No. 153)* Indian cities contribute to about 60% of the country's GDP despite occupying just 3% of India's land. *(Source: NITI Aayog, Cities as Engines of Growth, May 2022)* By 2036, 600 million people are expected to be living in cities in India. *(Source: World Bank, "Financing India's Urban Infrastructure Needs")* According to World Bank, India is estimated to need over USD 840 billion in investments in urban projects over the next 15 years or an average of USD 55 billion per annum to effectively meet the needs of the fast-growing population. *(Source: World Bank, "Financing India's Urban Infrastructure Needs")*

2.3. Changing Demographics

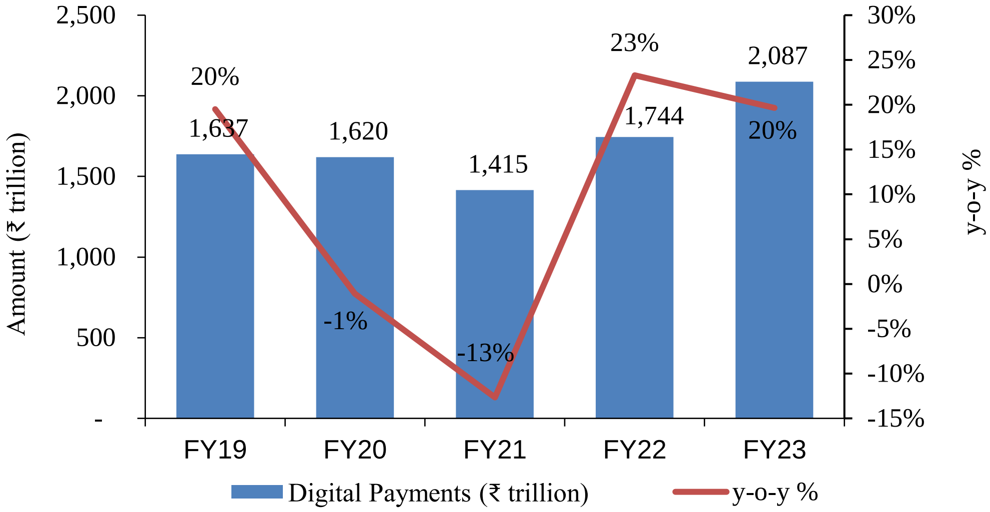
India has a median age of 27.6 years as of July 1, 2021. *(Source: United Nations, World Population Prospects, 2022)* With a total population of 1,402 million, of which more than 50% is below the age of 35, India has one of the largest bases of younger population in the world. *(Source: United Nations, World Population Prospects, 2022, % of population below the age of 35 calculated based on population distribution by age group data)*

2.4. Growing Digital Adoption

The volume of digital payment transactions increased significantly from 14.59 billion in Fiscal 2018 to 113.95 billion in Fiscal 2023 at a CAGR of 50.8%. *(Source: RBI AR 2023 and RBI Annual Report 2019-2020, CAGR calculated based on data in the NSO Provisional Estimates)*. During the last five years, various easy and convenient modes of digital payments such as Bharat Interface for Money-Unified Payments Interface, Immediate Payment Service ("**IMPS**"), and National Electronic Toll Collection ("**NETC**") have registered substantial growth and have transformed the digital payment ecosystem by increasing person-to-person and person-to-merchant payments. *(Source: Ministry of Electronics & IT, Digital Transactions in India, February 2023 ("**MEIT Digital Transactions**"))*

Digital payments across India are secure as multiple levels of authentication are required for making transactions in contrast to recipients of cash payments, who often need to travel considerable distances and are vulnerable to theft. *(Source: MEIT Digital Transactions)* India emerged stronger and more resilient from the COVID-19 pandemic, partly due to the wave of digital transformation. *(Source: RBI AR 2023)*

Change in value of Digital Payments over the years



Source: RBI AR 2023; Digital Payments y-o-y % calculated based on Digital Payments data

Digital Payments

Payment Systems	Volume (billion)		Value (₹ trillion)	
	FY 2022-23	Y-o-Y %	FY 2022-23	Y-o-Y %
I Financial Market Infrastructures (FMIs)				
1 Credit Transfers - RTGS	**0.24**	**16.7%**	**1,499.46**	**16.5%**
II Retail				
2 Credit Transfers - Retail	**98.37**	**70.3%**	**550.12**	**28.8%**
2.1 AePS (Fund Transfers)	0.00	-39.5%	0.00	-38.0%
2.2 APBS	1.79	45.5%	2.48	86.1%
2.3 IMPS	5.65	21.2%	55.85	33.9%
2.4 NACH Cr	1.93	2.9%	15.44	21.0%
2.5 NEFT	5.28	30.8%	337.20	17.4%
2.6 UPI	83.71	82.2%	139.15	65.3%
3 Debit Transfers and Direct Debits	**1.53**	**25.5%**	**12.89**	**24.2%**
3.1 BHIM Aadhaar Pay	0.02	-5.9%	0.07	11.1%
3.2 NACH Dr	1.35	25.2%	12.80	24.2%
3.3 NETC (linked to bank account)	0.16	34.7%	0.03	53.9%
4 Card Payments	**6.33**	**2.5%**	**21.52**	**26.5%**
4.1 Credit Cards	**2.91**	**30.1%**	**14.32**	**47.4%**
4.2 Debit Cards	**3.42**	**-13.2%**	**7.20**	**-1.4%**
5 Prepaid Payment Instruments	**7.47**	**13.5%**	**2.87**	**-2.2%**
5.1 Wallets	5.91	12.2%	2.22	-2.1%
5.2 Cards	**1.56**	**18.5%**	**0.65**	**-2.7%**
6 Paper-based Instruments	**0.71**	**1.3%**	**71.63**	**7.7%**
Total - Retail Payments (2+3+4+5+6)	**114.41**	**57.9%**	**659.04**	**25.8%**
Total Payments (1+2+3+4+5+6)	**114.66**	**57.8%**	**2,158.50**	**19.2%**
Total Digital Payments (1+2+3+4+5)	**113.95**	**58.4%**	**2,086.87**	**19.7%**

Source: RBI, Monthly Payment System Indicators, March 2022 & March 2023; Y-o-Y % calculated based on volume and value data

2.5. Rising Financial Inclusion

With the pillars of Aadhar, linking bank accounts with PM-Jan Dhan Yojana, and the penetration of mobile phones (JAM Trinity), India has witnessed significant progress in financial inclusion in recent years. *(Source: Economic Survey)* The population covered with bank accounts increased from 53% in Fiscal 2016 to 78% between Fiscal 2019 and Fiscal 2021. *(Source: Economic Survey)*

Numerous digital public goods such as digital verification (e-KYC), digital signature, digital repositories (Digilocker), and digital payments (UPI) have supported financial inclusion by improving access to formal financial services and reducing transaction costs. *(Source: Economic Survey)* Greater financial inclusion and access to credit incentivize higher consumption and investment, leading to higher economic growth. *(Source: Economic Survey)*

3. Notable institutions enabling credit in India

3.1. Reserve Bank of India

India's central bank, the RBI was established on April 1, 1935, in accordance with the provisions of the Reserve Bank of India Act, 1934. *(Source: RBI website)* The RBI is fully owned by the GoI. *(Source: RBI website)* The preamble of the RBI describes its basic functions as: "to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth". *(Source: RBI website)* The central office, i.e., where the Governor sits and where policies are formulated, was initially established in Kolkata but was permanently moved to Mumbai in 1937. *(Source: RBI website)*

3.2. Scheduled Commercial Banks

The Indian Banking system is divided into scheduled commercial banks and non-scheduled Banks. Scheduled commercial banks ("**SCB**") are those that are listed in the second schedule to the Reserve Bank of India Act, 1934 and are further categorized into private sector banks ("**PVB**"), public sector banks ("**PSB**"), small finance banks ("**SFB**"), foreign banks ("**FB**"), regional rural banks ("**RRB**") and payment banks ("**PB**"). *(Source: RBI, List of Scheduled Commercial Banks)*

The RBI and the GoI have made dedicated efforts in terms of calibrated policy measures like strengthening the regulatory and supervisory framework, implementation of 4R's approach of Recognition, Resolution, Recapitalization and Reforms to clean and strengthen the balance sheet of the banking system. *(Source: Economic Survey)* These continuous efforts over the years have culminated in the enhancement of risk absorption capacity and a healthier banking system balance sheet both in terms of asset quantity and quality over the years. *(Source: Economic Survey)*

3.3. Public Sector Banks

PSBs are SCBs with a significant Government shareholding. PSBs and make up the largest category in the Indian banking system (excluding RRBs) by deposits. *(Source: RBI, Statistical Tables Relating to Banks in India: Liabilities and Assets of SCBs, 2021-2022)* There are 12 scheduled PSBs in India. *(Source: RBI, List of Scheduled Commercial Banks)*

3.4. Regional Rural Banks

RRBs were set up as regional based and rural oriented institutions with capital contributed by the GoI, State Government and Sponsor Bank under the Regional Rural Banks Act, 1976. *(Source: Department of Financial Services, "Review of Performance of RRBs during FY 2020-21")* The basic objective of RRBs was to function as professionally managed alternative channel for credit dispensation to small and marginal farmers, agricultural labourers, socioeconomically weaker section of population for development of agriculture, trade, commerce, small scale industry and other productive activities in rural areas. *(Source: Department of Financial Services, "Review of Performance of RRBs during FY 2020-21")* There are 43 scheduled RRBs in India. *(Source: RBI, List of Scheduled Commercial Banks)*

3.5. Private Sector Banks

In 1969, the Indian government nationalised most large banks in India, resulting in public sector banks making up the largest portion of Indian banking. The GoI maintained focus on public sector banks through the 1970s and 1980s. In 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted the private sector to enter the banking system, which resulted in the introduction of PVBs. *(Source: RBI, "Guidelines on Entry of New Private Sector Banks", January 1993)* There are 21 scheduled PVBs in India. *(Source: RBI, List of Scheduled Commercial Banks)*

3.6. Foreign Banks

In 2009, as part of the liberalization process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting FBs to operate more freely, subject to requirements largely similar to those imposed on domestic banks. *(Source: RBI, "Road map for presence of foreign banks in India")* There are 44 scheduled FBs in India. *(Source: RBI, List of Scheduled Commercial Banks)*

3.7. Payments Bank

PBs were set up as niche entities to facilitate small savings and to provide payments and remittance services to migrant labor, low-income households, small businesses, and other unorganized sector entities. *(Source: RBI, Report on Trend and Progress of Banking in India 2021-2022 ("**RBI Report on Trend**"))* At the end of March 2022, 6 PBs were operational, of which only 3 managed to become profitable in their operations. *(Source: RBI Report on Trend)*

3.8. Small Finance Banks

The SFBs were set up in 2016 was to further financial inclusion through tailored deposit products and for providing credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities through technology led low-cost operations. *(Source: RBI, Report on Trend)* At the end of March 2022, 12 SFBs with 5,677 domestic branches across the country were operational. *(Source: RBI, Report on Trend)*

3.9. Co-operative Banks

Currently, the Urban Banks Department of the RBI is responsible for the supervision and regulation of primary urban cooperative banks. *(Source: RBI website, "Urban Banks Department")* The National Bank for Agriculture and Rural Development is empowered to conduct inspection of state co-operative banks, district central cooperative banks and regional rural banks. *(Source: NABARD website, "Department of Supervision")*

3.10. Non-Banking Financial Companies

A non-banking financial company ("**NBFC**") is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/ stocks/ bonds/ debentures/ securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire purchase, insurance business, chit business. *(Source: RBI website, "Frequently Asked Questions")* It does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property. *(Source: RBI website, "Frequently Asked Questions")*

3.11. Micro Finance Institutions

Micro Finance Institutions ("**MFIs**") form a distinct sub-group of NBFCs. *(Source: RBI website, "Frequently Asked Questions")* They seek to cater to the financing needs of rural households and small businesses. *(Source: Economic Survey)*

3.12. Housing Finance Company

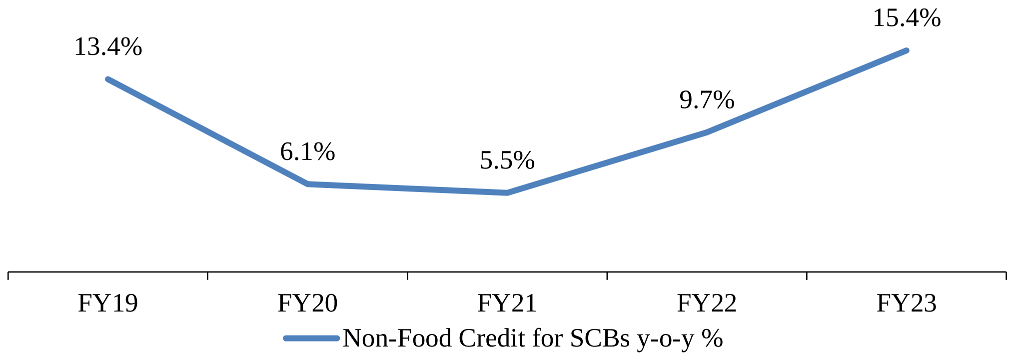
Housing Finance Companies ("**HFCs**") form a distinct sub-group of non-banking financial companies. *(Source: RBI, Press Release "Transfer of Regulation of Housing Finance Companies (HFCs) to Reserve Bank of India", August 2019)* The various policy interventions by the GoI, including "Housing for All", Aatmanirbhar Bharat, etc. have provided an impetus to the Housing Finance sector. *(Source: Economic Survey)* The National Housing Bank was set up in 1988 to supervise the activities of HFCs. (*Source: National Housing Bank website, "About Us")* The Finance (No. 2) Act, 2019 (23 of 2019) conferred certain powers for regulation of Housing Finance Companies with the RBI. *(Source: RBI, Press Release "Transfer of Regulation of Housing Finance Companies (HFCs) to Reserve Bank of India", August 2019)* The RBI now treats HFCs as a category of NBFCs for regulatory purposes by RBI. *(Source: RBI, Press Release "Transfer of Regulation of Housing Finance Companies (HFCs) to Reserve Bank of India", August 2019)*

4. Banking Credit in India

4.1. Overview

Credit growth has been broad-based across all sectors, with retail credit driving the growth primarily owing to the rising demand for home loans. *(Source: Economic Survey)* An increase in demand for housing induces greater investment, which consequently sets off a virtuous cycle of growth, and investment. *(Source: Economic Survey)* Industrial credit growth has been buoyed by a pick-up in credit to micro, small and medium enterprises ("**MSMEs**"). *(Source: Economic Survey)* In addition, the incremental credit – deposit ratio rose sharply at 122% y-o-y in Fiscal 2023. *(Source: Economic Survey)* Credit to MSMEs has seen a significant increase in part, assisted by the introduction of the Emergency Credit Line Guarantee Scheme. *(Source: Economic Survey)* Significant growth in non-food credit for SCBs in the past few years is evident from the chart below.

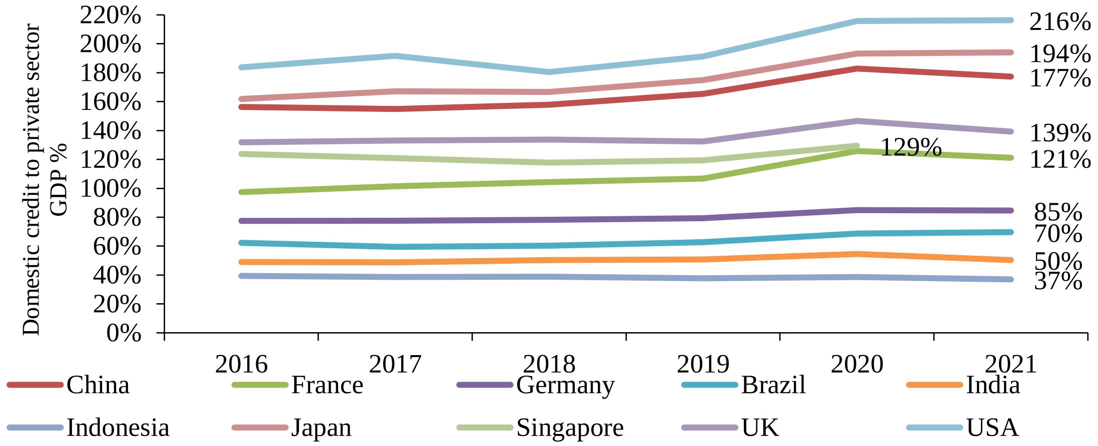
Change in non-food bank credit over the years



Source: RBI AR 2023

The World Bank Database chart below shows the extent of under-penetration of credit in India due to the relatively lower domestic credit to private sector as a percentage of GDP.

Domestic credit to private sector (percentage of GDP)

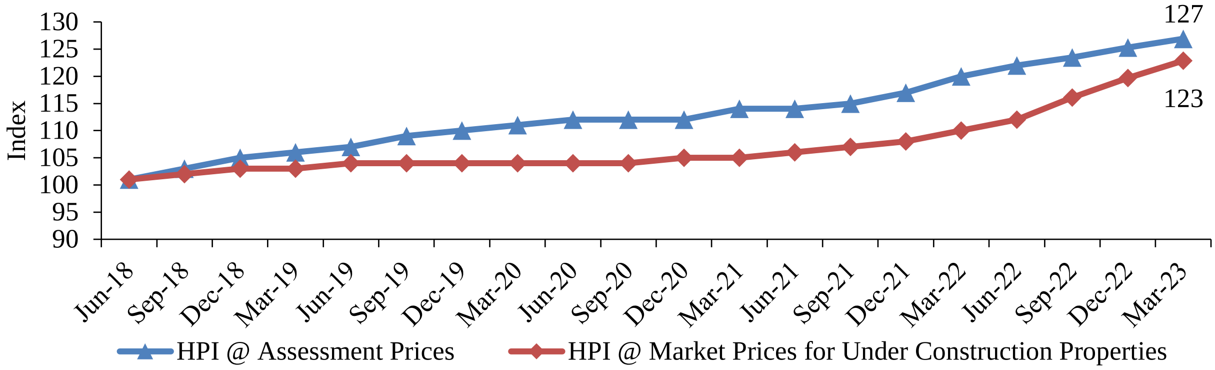


Source: World Bank Database

4.2. Housing Sector

Housing is one of the basic necessities, along with food and clothing. *(Source: Economic Survey)* Housing prices provide helpful information on the state of the economy through booms and busts in asset markets, which give rise to economic imbalances. *(Source: Economic Survey)* Monitoring house prices is essential for achieving the objectives of price stability, financial stability, and growth. *(Source: Economic Survey)* Movement in housing prices affect consumption spending through its effects on household wealth and consumer confidence. *(Source: Economic Survey)*. The National Housing Bank publishes two Housing Price Indices ("**HPI**"), namely the "HPI assessment price" and "HPI market price quarterly", with Fiscal 2018 as the base year. *(Source: Economic Survey)* The overall increase in composite HPI assessment and HPI market prices indicates a revival in the housing finance sector. *(Source: Economic Survey)* The outstanding credit to the housing sector by SCBs grew by 15.0% y-o-y, with bank credit outstanding to the housing sector (including priority sector housing) ₹19.36 trillion as of March 24, 2023. *(Source: RBI, Monthly Data on Sectoral Deployment of Bank Credit, March 2023, Statement 1)*

Recovering Housing Market in India



Source: NHB RESIDEX

4.3. Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has established criteria for the classification of "manufacturing and enterprises rendering services" as MSMEs based on their investment in plant and machinery and annual turnover. *(Source: Ministry of MSMEs, GoI)* As per revisions announced in the same in June 2020, the government now classifies MSMEs as follows:

Revised MSME Classification			
Composite Criteria: Investment in Plant and Machinery or Equipment and Annual Turnover			
Classification	**Micro**	**Small**	**Medium**
Manufacturing and Services	Investment < ₹10.0 million & Turnover < ₹50.0 million	Investment < ₹100.0 million & Turnover < ₹500.0 million	Investment < ₹500.0 million & Turnover < ₹2.5 billion

Source: Ministry of MSMEs, GoI

With 99.8% of MSMEs being unregistered, they account for a sizeable share of the unorganised sector output and employment, with the MSME sector contributing about 29% of India's GDP and employing over 110 million workers. *(Source: RBI AR 2023)* The RBI expects the MSME sector's revenue to have exceeded the pre-COVID level in Fiscal 2023 by 25%. *(Source: RBI AR 2023)* The outstanding credit to the MSMEs by SCBs grew by 14.2% (December 2022 compared to December 2021), with bank credit to MSMEs outstanding of ₹21.51 trillion as of December 2022. *(Source: RBI AR 2023)*

Bank Credit to MSMEs

(Number in million, Amount in ₹ trillion)

Financial Year	**Micro Enterprises**		**Small Enterprises**		**Medium Enterprises**		**MSMEs**	
	No. of Accounts	**Amount Outstanding**	**No. of Accounts**	**Amount Outstanding**	**No. of Accounts**	**Amount Outstanding**	**No. of Accounts**	**Amount Outstanding**
2020-21	38.79	8.21	2.78	6.63	0.44	3.00	42.02	17.84
2021-22	23.96	8.83	2.19	7.22	0.32	4.06	26.47	20.11
2021-22 (end-December 2021)	22.11	8.23	2.29	6.88	0.33	3.72	24.73	18.84
2022-23* (end-December 2022)	19.36	9.79	1.68	7.34	0.32	4.38	21.37	21.51

*Note: *Data are provisional*
Source: RBI AR 2023

4.4. Agricultural Loans

Agriculture as a sector continues to remain important as 44% of total employment in India is in agriculture, as of 2021. *(Source: World Bank Database)* The credit to the agriculture and allied activities by SCBs grew by 15.4% y-o-y from Fiscal 2022 to Fiscal 2023 *(Source: RBI AR 2023; RBI, Monthly Data on Sectoral Deployment of Bank Credit, March 2023)*, with non-food credit outstanding ₹136.55 trillion as of March 24, 2023. *(Source: RBI, Monthly Data on Sectoral Deployment of Bank Credit, March 2023, Statement 1)* The Kisan Credit Card provides adequate and timely bank credit to farmers under a single window for cultivation, animal husbandry and fisheries, including for consumption, investment, and insurance purposes. *(Source: RBI AR 2023)*

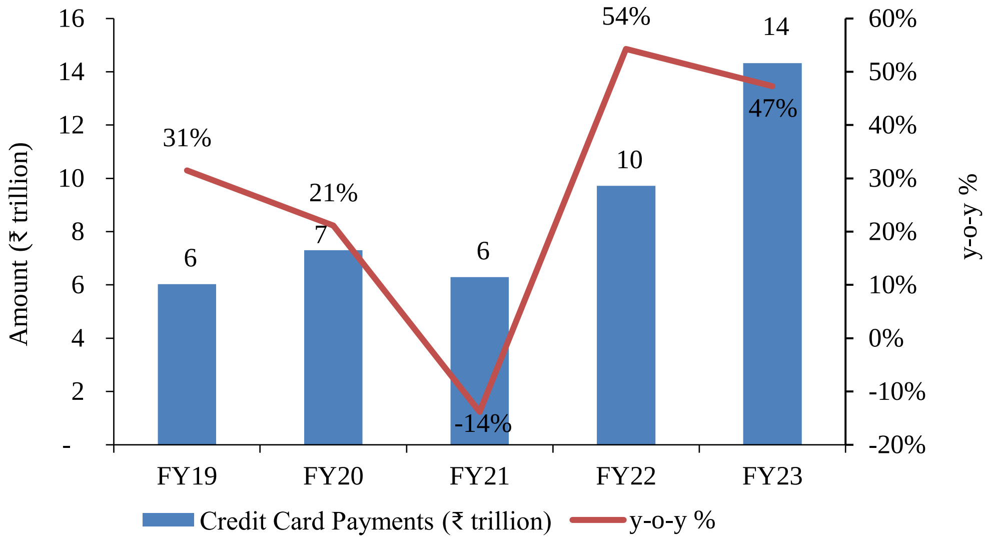
4.5. Retail Loans

In recent years, Indian banks have displayed "herding behavior" in diverting lending away from the industrial sector towards retail loans. *(Source: RBI Report on Trend)* Personal loans grew by 20.6% y-o-y from Fiscal 2022 to Fiscal 2023, with personal loans outstanding ₹40.85 trillion as of March 24, 2023. *(Source: RBI, Monthly Data on Sectoral Deployment of Bank Credit, March 2023)* Retail loans include loans towards housing, vehicles, consumer durables, education loans, among others. *(Source: RBI Report on Trend)*

4.6. Credit Cards

During Fiscal 2023, the volume of credit card payments in Fiscal 2023 increased by 30.1% to 2,915 million as compared to 2,240 million payments in the previous year. *(Source: RBI AR 2023)* Similarly, the value of credit card payments in Fiscal 2023 was ₹14.32 trillion as compared to ₹9.72 trillion in the previous year, a 47.3% increase y-o-y. *(Source: RBI AR 2023)*

Value of credit card payments



*Source: RBI AR 2023 and RBI Annual Report 2020-2021 ("**RBI AR 2021**"); y-o-y % calculated based on Credit Card Payments data*

4.7. Debit Cards

During Fiscal 2023, the volume and value of debit card payments in Fiscal 2023 was 3,420 million and ₹7.2 trillion respectively. *(Source: RBI AR 2023)*

PVBs in India ranked by their debit card spends for Fiscal 2023 in the table below.

Rank	**PVBs**	**Debit Card Spends (₹ billion)**	**Market Share (% of Total PVBs)**
1	HDFC Bank	1,200	36.1%
2	ICICI Bank	730	22.0%
3	Axis Bank	494	14.9%
4	Kotak Mahindra Bank	196	5.9%
5	Federal Bank	163	4.9%
6	IndusInd Bank	77	2.3%
7	IDBI Bank	74	2.2%
8	Karur Vysya Bank	61	1.8%
9	South Indian Bank	51	1.5%
10	Jammu And Kashmir Bank	50	1.5%
11	Yes Bank	47	1.4%
12	IDFC First Bank	47	1.4%
13	Karnataka Bank	38	1.1%
14	City Union Bank	24	0.7%
15	Bandhan Bank	24	0.7%

Rank	PVBs	Debit Card Spends (₹ billion)	Market Share (% of Total PVBs)
16	Tamilnad Mercantile Bank	14	0.4%
17	RBL Bank	13	0.4%
18	DCB Bank	8	0.2%
19	CSB Bank	6	0.2%
20	Dhanalakshmi Bank	6	0.2%
21	Nainital Bank	1	0.0%

Source: Debit Card Spends and Market Share calculated based on sum of twelve months' data in Fiscal 2023 from RBI's monthly provisional data on ATM, Acceptance Infrastructure and Card Statistics

5. Performance of SCBs

5.1. Loan Growth

A fresh lending cycle underway since the first half of Fiscal 2022 gained momentum during Fiscal 2023, resulting in credit growth reached double digits encompassing all sectors. *(Source: RBI AR 2023)* SCBs' total credit outstanding stood at ₹136.75 trillion as of March 24, 2023 compared to ₹118.91 trillion as of March 25, 2022, representing a y-o-y growth of 15.0%. *(Source: RBI, Fortnightly data for Scheduled Bank's Statement of Position in India, March 2022 and March 2023)* PVBs continued to record much higher credit growth than PSBs, 17.3% compared to 14.7% y-o-y as of March 2023. *(Source: RBI, Financial Stability Report, June 2023)* Federal Bank's market share of gross advances increased from 1.17% as of March 26, 2021, to 1.25% as of March 24, 2023[4].

Top 10 PVBs in India ranked by their standalone net advances as on March 31, 2023 in the table below.

Rank	PVBs	Net Advances (₹ billion)		
		March 31, 2021	March 31, 2022	March 31, 2023
1	HDFC Bank	11,328	13,688	16,006
2	ICICI Bank	7,337	8,590	10,196
3	Axis Bank	6,144	7,077	8,453
4	Kotak Mahindra Bank	2,237	2,713	3,199
5	IndusInd Bank	2,126	2,391	2,899
6	Yes Bank	1,669	1,811	2,033
7	Federal Bank	1,319	1,449	1,744
8	IDBI Bank	1,281	1,458	1,626
9	IDFC First Bank	1,006	1,179	1,518
10	Bandhan Bank	816	940	1,048

Source: RBI, Statistical Tables Relating to Banks in India: Liabilities and Assets of SCBs, 2021-2022; Company filings for Fiscal 2023

5.2. Asset Quality

During Fiscal 2023, the banking system continued the efforts to augment capital and improve asset quality. *(Source: RBI AR 2023)* The asset quality of SCBs continued to improve, with gross non-performing assets ("**GNPA**") ratio and net non-performing assets ("**NNPA**") ratio declining and the quarterly slippage ratio cooling off. *(Source: RBI AR 2023)* The provision coverage ratio also steadily increased. *(Source: RBI AR 2023)*

The movement of key asset quality parameters points to improved resilience in the banking system across the bank groups. *(Source: RBI AR 2023)* The asset quality of SCBs improved during Fiscal 2023, with the GNPA ratio declining to 3.9% in March 2023 from 5.9% in March 2022. *(Source: RBI, Financial Stability Report, June 2023)* As of March 2023, asset quality of PVBs was superior to that of the PSBs as per the GNPA ratios of 2.2% and 5.2% for PVBs and PSBs respectively. *(Source: RBI, Financial Stability Report, June 2023)*

Movement in Asset Quality over the years

Bank Group	March 2020	March 2021	March 2022	March 2023
PSBs				
GNPA ratio	10.8%	9.5%	7.6%	5.2%

[4] *The market share has been calculated based on March 26, 2021 and March 24, 2023, data of (i) the Bank's gross advances; and (ii) RBI fortnightly data for scheduled commercial banks total advances.*

NNPA ratio	4.0%	3.1%	2.3%	1.3%
PVBs				
GNPA ratio	5.1%	4.8%	3.7%	2.2%
NNPA ratio	1.4%	1.5%	1.0%	0.6%
SCBs				
GNPA ratio	8.4%	7.5%	5.9%	3.9%
NNPA ratio	2.9%	2.4%	1.7%	1.0%

Source: RBI, Financial Stability Report, June 2023, June 2022, July 2021

5.3. Deposit Growth

Aggregate deposits growth, which had undergone a slight moderation in Fiscal 2022 and in the first half of Fiscal 2023, picked up pace to reach 11.8% as of June 2, 2023. *(Source: RBI, Financial Stability Report, June 2023)* This growth was mainly driven by PVBs. *(Source: RBI, Financial Stability Report, June 2023)* In the rising interest rate cycle, term deposits have garnered healthy accretions at the cost of current account and savings account deposits. *(Source: RBI, Financial Stability Report, June 2023)* Total deposits (other than from banks) held by SCBs stood at ₹180.43 trillion as of March 24, 2023 compared to ₹164.65 trillion as of March 25, 2022 representing a y-o-y growth of 9.6%. *(Source: RBI, Fortnightly data for Scheduled Bank's Statement of Position in India, March 2022 and March 2023)* PVBs continued to record much higher deposit growth than PSBs, 14.8% compared to 8.1% y-o-y as of March 2023. *(Source: RBI, Financial Stability Report, June 2023)* Non-resident deposits stood at USD 137.88 billion as of March 31, 2023, of which, Federal Bank had a market share of 6.70%[5].

Top 10 PVBs in India ranked by their deposits in the table below.

Rank	PVBs	Deposits (₹ billion)		
		March 31, 2021	**March 31, 2022**	**March 31, 2023**
1	HDFC Bank	13,351	15,592	18,834
2	ICICI Bank	9,325	10,646	11,808
3	Axis Bank	6,980	8,217	9,469
4	Kotak Mahindra Bank	2,801	3,117	3,631
5	IndusInd Bank	2,562	2,937	3,364
6	IDBI Bank	2,309	2,331	2,555
7	Yes Bank	1,629	1,972	2,175
8	Federal Bank	1,726	1,817	2,134
9	IDFC First Bank	887	1,056	1,446
10	Jammu And Kashmir Bank	1,081	1,147	1,220

Source: RBI, Statistical Tables Relating to Banks in India: Liabilities and Assets of SCBs, 2021-2022; Company filings for Fiscal 2023

5.4. Income and Profitability

The net interest margin for SCBs witnessed an improvement of 30 bps during Fiscal 2023 as transmission of monetary policy tightening to deposit rates lagged the pass-through to lending rates. *(Source: RBI, Financial Stability Report, June 2023)* Profit after tax for SCBs grew 38.4% y-o-y during Fiscal 2023, led by strong increase in net interest income and lowering of provisions. *(Source: RBI, Financial Stability Report, June 2023)* In addition, annualised yield on assets for Fiscal 2023 stood at 7.7% for SCBs, wherein it was 8.4% for PVBs compared to 7.4% for PSBs. *(Source: RBI, Financial Stability Report, June 2023)*

5.5. Mergers and Consolidations

The GoI has been facilitating consolidation of PSBs through mergers over the last few years. *(Source: RBI, Report on Trend)* The State Bank of India ("**SBI**") was amalgamated with its five associate banks (State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala and State Bank of Hyderabad) and the Bharatiya Mahila Bank. *(Source: Department of Financial Services, "Banking")* The mergers came into effect from April 1, 2017. *(Source: Department of Financial Services, "Banking")* Further, the Bank of Baroda was merged with Vijaya Bank and Dena Bank, with effect from April 1, 2019. *(Source: Department of Financial Services, "Banking")*

As per the preliminary information memorandum for expression of interest issued in October 2022, the GoI proposed a strategic disinvestment of IDBI Bank Limited ("**IDBI Bank**") through sale of its own and LIC's equity stakes. *(Source: GoI, Preliminary information memorandum for expression of interest for Strategic Disinvestment of IDBI Bank, October*

[5] *The market share has been calculated based on March 31, 2023, data of (i) the Bank's non-resident Indian deposits; and (ii) RBI data for total non-resident deposits.*

2022) The GoI and LIC together hold 94.72% of IDBI Bank's equity stake as of March 2023 and are looking to sell a combined stake of 60.72%. *(Source: GoI, Preliminary information memorandum for expression of interest for Strategic Disinvestment of IDBI Bank, October 2022)* Bank of Baroda is also looking for a strategic partner in Nainital Bank Limited, wherein it currently holds 98.57% as of March 2023. *(Source: GoI, Preliminary information memorandum for expression of interest, The Nainital Bank Limited, A Subsidiary of Bank of Baroda, December 2022)*

5.6. Capital Adequacy

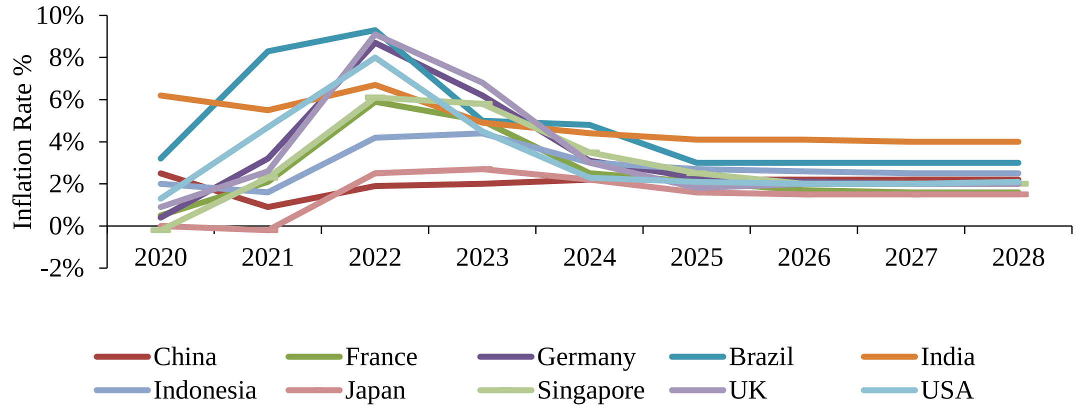
In Fiscal 2023, the capital to risk-weighted assets ratio ("**CRAR**") and Tier I leverage ratio of SCBs improved across bank groups as they bolstered their capital base through capitalization of reserves due to increased profits as well as by raising fresh capital. *(Source: RBI, Financial Stability Report, June 2023)* The capital adequacy of SCBs improved during Fiscal 2023, with the CRAR ratio increasing to 17.1% in March 2023 from 16.7% in March 2022. *(Source: RBI, Financial Stability Report, June 2023 and June 2022)* As of March 2023, capital adequacy of PVBs was superior to that of the PSBs as per the CRAR ratios of 18.6% and 15.5% for PVBs and PSBs respectively. *(Source: RBI, Financial Stability Report, June 2023)*

6. Notable Events witnessed by the Banking Industry in India

6.1. Rising Inflation and Tightening Monetary Policy:

Food and energy insecurity, financial stability concerns and risks of debt distress pose downside risks to the outlook for emerging market and developing economies. *(Source: RBI, Monetary Policy Report, April 2023)* The persistence of inflation at elevated levels across economies, continuing geopolitical uncertainties and tightening financial conditions are affecting global economic activity. *(Source: RBI, Monetary Policy Report, April 2023)* Expectations of further monetary tightening by the US Federal Reserve has also led to an outflow of portfolio investments from India. (*Source: RBI, Monetary Policy Report, April 2023)* In Fiscal 2023, the Indian rupee depreciated *vis-a-vis* the US dollar. *(Source: RBI, Monetary Policy Report, April 2023)* India's current account deficit widened in Fiscal 2023 due to higher global prices for crude oil, edible oils and fertilizer. *(Source: Framework Statement)*

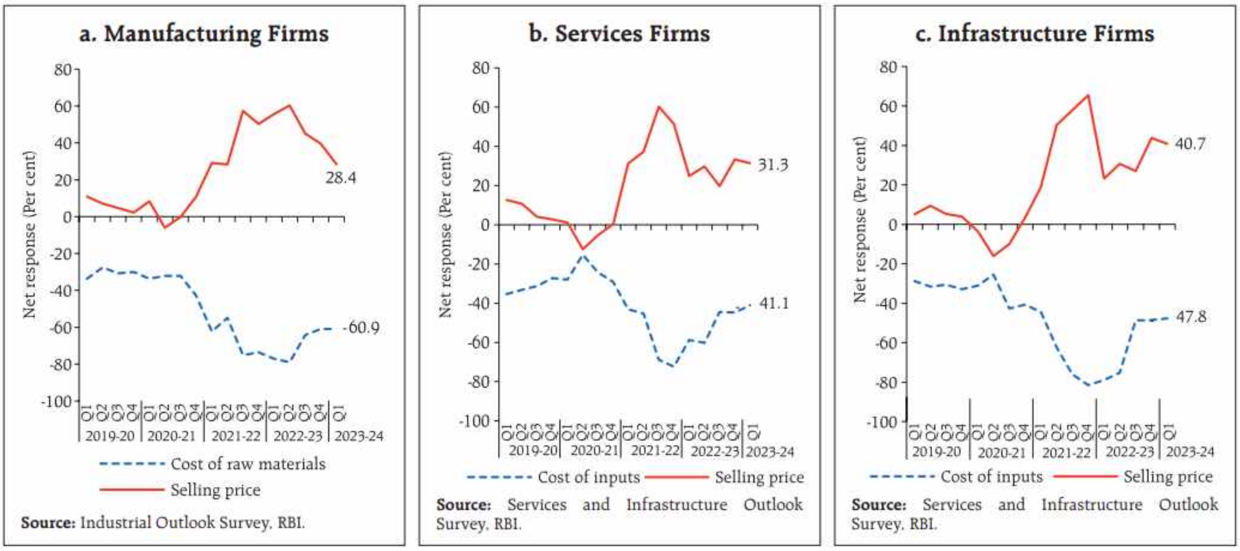
Inflation rate through the years



Source: IMF, World Economic Outlook Database, April 2023

Adverse supply shocks and the pass-through of inputs costs to output prices imparted sustained upward pressures on the CPI inflation in the second half of Fiscal 2023. *(Source: RBI, Monetary Policy Report, April 2023)* Services sector and infrastructure firms expected modest softening in the growth of input cost and selling prices in the first quarter of Fiscal 2024, based on surveys conducted by the RBI between January to March 2023. *(Source: RBI, Monetary Policy Report, April 2023)*

Expectations for Cost of Raw Materials/ Inputs and Selling Prices

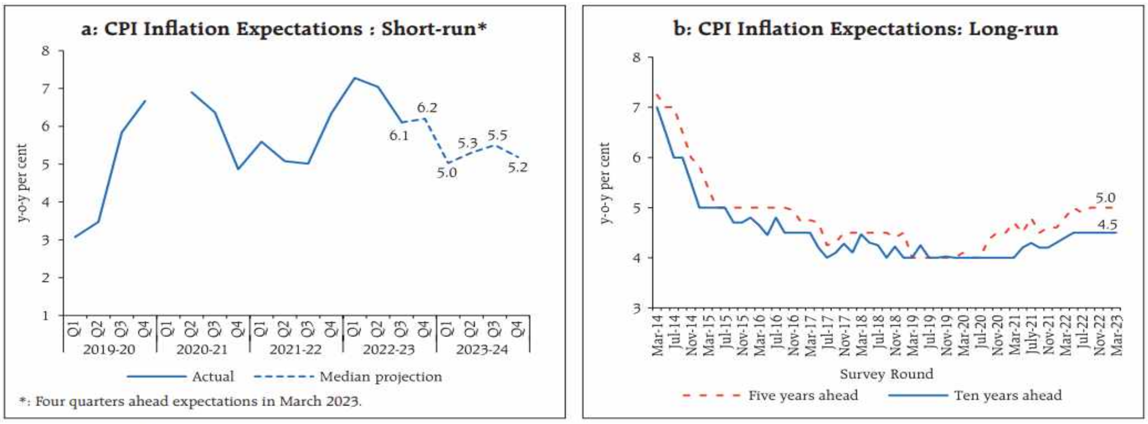


Note: Net response is the difference between the share of respondents reporting optimism and those reporting pessimism. The range is -100 to 100. A positive/ negative value of net response is considered as optimistic/pessimistic from the view point of respondent firms. Therefore, higher positive values of selling prices indicate increase in output prices while lower values for the cost of raw materials/cost of inputs indicate higher input price pressures and *vice versa*.

Source: RBI, Monetary Policy Report, April 2023

As per survey conducted by RBI in March 2023, professional forecasters expected CPI inflation to moderate from 6.2% in the fourth quarter of Fiscal 2023 to 5.0% in the first quarter of Fiscal 2024, 5.3% in the second quarter, 5.5% in the third quarter and 5.2% in the fourth quarter of Fiscal 2024. *(Source: RBI, Monetary Policy Report, April 2023)* Long-run inflation expectations, over five years and ten years ahead, however remain unchanged at 5.0% and 4.5% respectively. *(Source: RBI, Monetary Policy Report, April 2023)*

Inflation Expectations of Professional Forecasters



Sources: Survey of Professional Forecasters, RBI; and NSO.

Source: RBI, Monetary Policy Report, April 2023

When the RBI's Monetary Policy Committee ("**MPC**") met in September 2022, CPI inflation was at 7.0% in August and was projected to remain above the upper tolerance level of 6.0% through the first three quarters of Fiscal 2023. *(Source: RBI, Monetary Policy Report, April 2023)* The MPC felt further calibrated monetary policy action necessary to keep inflation expectations anchored. *(Source: RBI, Monetary Policy Report, April 2023)* Accordingly, the MPC raised the policy repo rate by 50 bps to 5.9%. *(Source: RBI, Monetary Policy Report, April 2023)*

Similarly, in the December 2022 meeting of the MPC, it observed that the CPI inflation print in October 2022 was persisting above the tolerance band. *(Source: RBI, Monetary Policy Report, April 2023)* Against the backdrop, the MPC increased the policy repo rate by 35 bps to 6.25%. *(Source: RBI, Monetary Policy Report, April 2023)* In the run-up to the February 2023 meeting, CPI inflation had eased to 5.7% in December 2022, driven by strong deflation in vegetable prices even as inflationary pressures became accentuated across other food items in the core category. *(Source: RBI, Monetary Policy Report, April 2023)* Therefore, to keep inflation expectations anchored, break core inflation persistence, and thereby strengthen medium-term growth prospects, the MPC increased the policy repo rate by 25 bps to 6.5% in the meeting in February 2023. *(Source: RBI, Monetary Policy Report, April 2023)* As per the meeting held in June 2023, the policy repo rate is unchanged at 6.5% with a unanimous vote. *(Source: RBI, Monetary Policy Report, April 2023; RBI, Monetary Policy Statement, June 2023)*

6.2. System-Wide NBFCs' liquidity issues

As per the Financial Stability Report, June 2023 published by the RBI, credit and liquidity risk stress tests for NBFCs have been performed under baseline, medium and high-risk scenarios. (*Source: RBI, Financial Stability Report, June 2023)*

Credit risk*:* The methodology for assessing the resilience of the NBFC sector to shocks in credit risk had been revised in June 2022 in order to enhance the model's accuracy in predicting CRAR under baseline and two stress scenarios. (*Source: RBI, Financial Stability Report, June 2023)* Based on the revised model – assets, advances to total assets ratio, Earning before Provisioning and Taxes ("**EBPT**") to total assets ratio, risk weight density and slippage ratio were projected over next one-year period. (*Source: RBI, Financial Stability Report, June 2023)* Thereafter, new slippages, provisions, EBPT, risk weighted assets and capital were calculated for the baseline scenario. (*Source: RBI, Financial Stability Report, June 2023)*

Liquidity risk*:* Stressed cash flows and mismatch in liquidity position were calculated by assigning pre-defined stress percentage to the overall cash inflows and outflows in different time buckets over the next one year. (*Source: RBI, Financial Stability Report, June 2023)* Projected outflows and inflows as of March 2023 over the next one year were considered for calculating the liquidity mismatch under baseline scenario. (*Source: RBI, Financial Stability Report, June 2023)* Cumulative liquidity mismatch due to such shocks were calculated as percent of cumulative outflows and NBFCs presenting negative cumulative mismatch were identified. (*Source: RBI, Financial Stability Report, June 2023)*

6.3. COVID-19 Pandemic

The COVID-19 pandemic induced unprecedented economic and fiscal crisis across the globe, including in India. *(Source: Framework Statement)* Addressing the external debt problems of many countries after the pandemic requires cooperation among stakeholders, without which both creditor and borrower countries may suffer significant losses. (*Source: IMF, Global Financial Stability Report, April 2023)*

The COVID-19 pandemic produced a fusion of a broad-based aggregate demand shock and a lockdown-induced supply shock. *(Source: RBI AR 2021)* Trade contracted precipitously, reflecting weak demand, the collapse in cross-border tourism, supply dislocations and trade restrictions. *(Source: RBI AR 2021)* The response to the economic crisis unleashed by the pandemic was rapid and extensive. *(Source: Framework Statement)* The fiscal package announced by the GoI initially focused on protecting lives and livelihoods of vulnerable sections of the population, and then on providing stimulus measures to provide liquidity support to MSMEs, NBFCs, MFIs, HFCs and power distribution companies to keep them afloat. *(Source: Framework Statement)* The GoI raised the level of fiscal deficit to 9.2% of GDP in Fiscal 2021 as against 3.5% of GDP estimated for budgeted estimates 2020-2021. *(Source: Framework Statement)* Fiscal deficit fell to 6.7% of GDP in Fiscal 2022, and is budgeted to decline to 6.4% of GDP in revised estimates 2022-2023. *(Source: Framework Statement)*

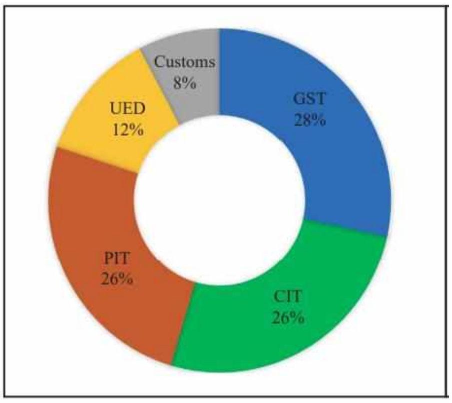
The Indian banking sector remained resilient in 2021-22 and 2022-23 so far, as banks witnessed healthy balance sheet growth on broad-based acceleration in credit. *(Source: RBI Report on Trend)* Deposit growth moderated from the COVID-19 induced precautionary surge. *(Source: RBI Report on Trend)* Augmented capital buffers, better asset quality and enhanced profitability indicators reflected their robustness. *(Source: RBI, Report on Trend)*

6.4. Demonetisation and Goods and Services Tax Implementation

In late 2016, India enacted the demonetisation policy, where large currency notes were invalidated. (*Source: IMF, Stacking up the Benefits: Lessons from India's Digital Journey, April 2023)* While it was disruptive, demonetisation led to greater use of other forms of payment, including the Unified Payments Interface. (*Source: IMF, Stacking up the Benefits: Lessons from India's Digital Journey, April 2023)*

Given India's demographic advantage and annual nominal GDP growth potential to be around 10% to 12% on average in the coming years fiscal parameters will continue to improve. (*Source: Economic Survey)* The gross tax revenue registered a y-o-y growth of 15.5% from April – November 2022, driven by robust growth in the direct taxes and Goods and Services Tax ("**GST**"). (*Source: Economic Survey)* The GST has stabilised as a vital revenue source for central and state governments, with the gross GST collections at 24.8% on y-o-y basis during April – December 2022. (*Source: Economic Survey)*

Composition of tax profile of Union Government (FY23 budgeted estimates)



Source: Union Budget FY23, O/o CGA

(Note: GST – Goods & services tax, CIT – Corporation income tax, PIT – Taxes on income other than corporation income tax, UED – Union excise duties)
Source: Economic Survey

7. Developments and Reforms in the Banking Sector

7.1. Implementation of Basel III Capital Regulations

Basel III reforms are the response of Basel Committee on Banking Supervision ("**BCBS**") to improve the banking industry's capacity to absorb shocks resulting from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy. *(Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* During the Pittsburgh summit in September 2009, the G20 leaders made a commitment to improve the over-the-counter derivatives market, strengthen the regulatory framework for banks and other financial firms, raise capital standards, implement strict international compensation standards aimed at ending practises that encourage excessive risk-taking, and to create more powerful tools to hold large global firms accountable for the risks they take. *(Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* For all these reforms, the leaders established for themselves strict and precise timetables. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* "Basel III: A global regulatory framework for more resilient banks and banking systems", frequently referred to as Basel III capital regulations, was consequently announced by the BCBS in December 2010. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* In India, the Basel III capital standards went into effect on April 1, 2013, and as of October 1, 2021, they had been fully implemented. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* Banks are required to adhere consistently to the Basel III capital standards' regulatory limits and minima, on an ongoing basis. *(Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)*

7.2. Leverage Ratio Framework

The rise of excessive on- and off-balance sheet leverage in the banking system served as one of the underlying causes of the global financial crisis. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* Banks built up excessive leverage while apparently maintaining strong risk-based capital ratios. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* The market drove the banking industry to lower its leverage during the most severe part of the crisis, which increased downward pressure on asset values. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* This deleveraging process worsened the feedback loop between losses, declining bank capital, and a contraction in credit availability. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* As a result, Basel III has adopted a simple, transparent, non-risk-based leverage ratio. (*Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)* The leverage ratio is calibrated to act as a credible supplementary measure to the risk-based capital requirements, and is intended to achieve the following objectives:

a) Constrain the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy; and
b) Reinforce the risk-based requirements with a simple, non-risk based "backstop" measure. *(Source: RBI, Master Circular on Basel III Capital Regulations, May 2023)*

7.3. Expected Credit Loss Framework

The exposures taken by banks are inherently susceptible to various risks, of which credit risk is of primary importance. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* Credit risk represents the risk that the loans given by a bank will not be paid in full i.e., the bank is likely to suffer some level of losses on its exposures. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* Standard approaches of regulating credit risk classify the losses that banks may face on their credit portfolio broadly into two categories – expected losses and unexpected losses. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* While maintaining capital is to mitigate unexpected losses, pricing policies and loan loss provisions are to mitigate expected losses. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* In India, presently, banks are required to make loan loss provisions based on an "incurred loss" approach, which used to be the standard globally till recently. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* The gist of this approach is that banks need to provide for losses that have occurred / incurred. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* An example in the Indian context is the requirement for banks to make provisions at the rate of 15% in case of secured loans and 25% for unsecured loans when a loan exposure is classified as non-performing asset (NPA). *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)*

The incurred loss approach for loan loss provisions is inconsistent with the fundamental principles of financial valuation in which the value of an asset is arrived at as the summation of the stream of present value of cash flows expected over the lifetime of the asset. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* The approach is also inconsistent with the prudential separation of credit risk mitigation responsibilities assigned to capital and to provisions. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)* Thus, the expected credit loss approach to loan loss provisioning attempts to address the above shortcomings. *(Source: RBI, Introduction of Expected Credit Loss Framework for Provisioning by Banks, January 2023)*

8. Indian Life Insurance Industry

Insurance Regulatory and Development Authority of India ("**IRDAI**"), is a statutory body formed under an Act of Parliament, i.e., Insurance Regulatory and Development Authority Act, 1999 for overall supervision and development of the Insurance sector in India. *(Source: IRDAI website, "What we do")* The key objectives of the IRDAI include promotion of competition to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market. *(Source: IRDAI website, "Evolution of insurance in India")* IRDAI is the regulator for both public sector and private sector life insurers. *(Source: Department of Financial Services, "Insurance Regulatory & Development Authority")* There are 23 life insurers registered with the IRDAI. LIC, the largest life insurer, went public in May 2022 in what was the largest IPO in India's history and 6th biggest IPO globally of 2022. *(Source: Framework Statement)*

The Indian life insurance industry recorded a premium income of ₹6.93 trillion during Fiscal 2022. *(Source: IRDAI, Handbook on Indian Insurance Statistics 2021-2022; IRDAI, Annual Report 2021-2022)* The total premium underwritten in the Indian life insurance sector grew by 10.16% in Fiscal 2022. *(Source: IRDAI, Handbook on Indian Insurance Statistics 2021-2022; IRDAI, Annual Report 2021-2022)* Despite this, India continues to be an underpenetrated market in life insurance, with a penetration of 3.2% in Fiscal 2022, slightly above the global average. *(Source: IRDAI, Handbook on Indian Insurance Statistics 2021-2022; IRDAI, Annual Report 2021-2022)* The insurance density in India was low compared to other developed and emerging market economies in 2021. *(Source: IRDAI, Handbook on Indian Insurance Statistics 2021-2022; IRDAI, Annual Report 2021-2022)*

Top 20 Life insurers in India ranked by their New Business Premium for the Fiscal 2023 in the table below.

Rank	Insurer	New Business Premiums (₹ billions)	y-o-y %
1	LIC of India	2,319	16.7%
2	SBI Life	296	16.2%
3	HDFC Life	289	18.8%
4	ICICI Prudential Life	169	12.5%
5	Bajaj Allianz Life	107	17.5%
6	Max Life	90	13.3%
7	Tata AIA Life	85	59.4%
8	Aditya Birla Sun Life	77	35.4%
9	Kotak Mahindra Life	77	24.8%
10	Canara HSBC OBC Life	37	31.6%
11	PNB MetLife	32	30.4%
12	Star Union Dai-Ichi Life	31	61.9%
13	IndiaFirst Life	27	2.9%
14	Shriram Life	12	7.7%
15	Reliance Nippon Life	11	(12.2)%
16	Bharti AXA Life	10	8.8%
17	Ageas Federal Life	9	11.6%
18	Future Generali Life	7	52.9%
19	Pramerica Life	7	129.1%
20	Edelweiss Tokio Life	5	13.1%

Source: Life Insurance Council; y-o-y% calculated based on data for March 2023 available on Life Insurance Council website

OUR BUSINESS

The discussion below may contain forward-looking statements and reflects our current views with respect to future events and financial performance. You should read the "Forward Looking Statements" on page 13 for a discussion of the risks and uncertainties related to those statements and also "Risk Factors" on page 37 for a discussion of certain factors that may affect our business, financial condition and results of operations. Our actual results may differ materially from those anticipated in these forward-looking statements.

The manner in which some of the operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculations, may vary from those used by other banks in India and other jurisdictions. Our fiscal year ends on March 31 of every year, so all references to a particular fiscal are to the twelve-month period ended March 31 of that year. The following information is qualified in its entirety by, and should be read together with, the more detailed financial and other information included in this Preliminary Placement Document, including the information contained in "Risk Factors", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Financial Information" on pages 37, 648, 607 and 95, respectively.

*Certain information from this section includes extracts from publicly available information, data and statistics, and has been derived from various publications and industry sources, including the Reserve Bank of India ("**RBI**"). Neither the Bank, nor the Book Running Lead Managers, nor any other person connected with the Issue has independently verified such information. Certain non-GAAP measures are presented in this section are a supplemental and useful measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, or IFRS. In addition, these non-GAAP measures are not standardised terms, hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting its usefulness as a comparative measure.*

Unless stated otherwise, references to "the Bank" or "our Bank" are to The Federal Bank Limited, on a standalone basis. References herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis.

Overview

Our Bank is a leading private sector bank in India in Fiscal 2023, based on its net advances as of March 31, 2023 *(Source: RBI, Statistical Tables Relating to Banks in India: Liabilities and Assets of SCBs, 2021-2022; Company filings for Fiscal 2023)*. Our Bank was originally incorporated in 1931 as the "Travancore Federal Bank Limited Nedumpram" under the Travancore Companies Regulation. On December 2, 1949, its name was changed to The Federal Bank Limited. In 1959, our Bank was licensed under the Banking Regulation Act, 1949, and thereafter our Bank became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

Our Bank offers a wide range of products and services, mainly through its retail banking and wholesale banking business units. Our Bank offers several products and services to its retail customers, such as deposits (including term deposits, savings accounts and current accounts), banking services for non-resident Indians ("**NRIs**"), housing loans and top-ups, loans against property ("**LAP**"), automobile loans, retail gold loans, personal loans, cards and payment services, agricultural loans, business banking loans and commercial vehicles / construction equipment ("**CV/CE**") loans. These products are offered with certain variations as customized products to certain target groups such as senior citizens, students and salaried employees. Our Bank's wholesale banking business unit provides several commercial banking ("**CoB**") and corporate institutional banking ("**CIB**") products and services such as working capital, term loans, documentary letters of credit, bank guarantees, supply chain finance and foreign exchange services. In addition, our Bank markets wealth management products and services in collaboration with its associate, Equirus Capital, such as mutual funds. Our Bank has also entered into bancassurance partnerships with various insurance companies to offer different types of insurance products, such as life insurance, general insurance and health insurance. For further details of our Bank's retail and wholesale banking offerings, see *"Description of our Bank's Banking Operations"* on page 672.

As of March 31, 2023, our Bank had 1,355 bank branches, 1,916 ATMs (including cash recyclers and mobile automated teller machines ("**ATMs**")), 941 relationship managers and 11 business correspondents ("**BCs**"). In addition, our Bank distributes its products and services through direct sales agents ("**DSAs**") and connectors, i.e., individuals or entities who identify potential customers for our Bank. Our Bank's multi-pronged distribution approach involves a 'lite branch heavy distribution' model that is complemented by alternate distribution channels. Our Bank adopted the 'lite branch heavy distribution' model in Fiscal 2022 and under this model, our Bank's branches have a lean employee structure with a strong focus on fintech collaborations, and our Bank's branches have been integrated with our Bank's relationship manager network. Our Bank's robust presence across India is complemented by its international footprint. Our Bank is developing its international presence by building a network outside India to cater to the NRI market, with representative offices in Dubai and Abu Dhabi. Our Bank has also opened an international banking unit in the Gujarat International Finance Tec-City ("**GIFT City**"). Our Bank's physical distribution network is complemented by its digital initiatives that enable our Bank to provide its customers with access to on-demand banking services. Our Bank has also invested in innovative solutions such as "BankOnTheGo", using bus vehicles as a distribution platform ("**BaaP**"), wherein our Bank uses buses to boost its footprint where our Bank does not have a significant branch presence, and these buses have, among other things, cash recyclers and multi-functional kiosks to help the public to carry out several routine banking transactions. Our Bank's other digital offerings include "SoftPOS", a mobile application-based solution available on android platforms and a form of "Mobile as POS" that enables merchants to accept cash, card, QR or UPI transactions on their mobile phones without the need of additional hardware and "FedMi", a technology platform for microlending. For further details in relation to our Bank's other digital offerings, see "*Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Digital initiatives*" on page 684.

In addition, due to its digital readiness and robust information technology infrastructure that supports an open banking ecosystem, our Bank has been able to onboard multiple fintech collaborators including Paisabazaar Marketing and Consulting Private Limited ("**Paisabazaar**"), OneConsumer Services Private Limited ("**OneConsumer**") (for its "OneCard" application), Digivriddhi Technologies Private Limited ("**DGV**"), Mashreqbank PSC ("**Mashreq**"), Epifi Technologies Private Limited ("**Epifi**") (for its "Fi" platform) and Amica Financial Technologies Private Limited (for its "**Jupiter**" application) as of March 31, 2023. Our Bank's fintech collaborators are served through a dedicated vertical that has specialized skills and capabilities for risk management, and our Bank has an API gateway to support its fintech partners. Our Bank's fintech collaborations generate cross-selling opportunities, enable access to customers that are new to banking, including customers with an existing credit history and digitally native customers. Our Bank generates higher return on assets ("**RoA**") through customers accessing high margin lending products, such as credit cards, through the Bank's fintech collaborations, as the cost of acquisition of these customers is relatively lower compared to branch customers. Our Bank's fintech collaborations further help it to establish its presence in markets at a faster pace and expand its distribution footprint in India without requiring a physical presence. For further details in relation to our Bank's fintech collaborations, see "*Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Fintech collaborations*" on page 686.

Our Bank has had a sustained business growth in the last three Fiscals. Our Bank's total deposits have grown from ₹1,726,444.80 million as of March 31, 2021, to ₹1,817,005.86 million as of March 31, 2022, and to ₹2,133,860.39 million as of March 31, 2023, at a compound annual growth rate ("**CAGR**") of 11.17%. Our Bank's total net advances, i.e., gross advances minus the provision held for non-performing assets, have grown from ₹1,318,786.01 million as of March 31, 2021, to ₹1,449,283.25 million as of March 31, 2022, and to ₹1,744,468.85 million as of March 31, 2023, at a CAGR of 15.01%. As of March 31, 2023, our Bank's gross retail advances accounted for 54.00% of total gross advances, i.e., our Bank's total advances, and its gross wholesale advances accounted for the remaining 46.00% of those total gross advances.

Our Bank's diversified product and services portfolio, digital capabilities and a relationship-driven approach has enabled it to ensure consistency in key financial performance metrics over the last three Fiscals.

The following table sets forth key highlights of our Bank's historical financial performance:

Key Highlights	**As of and for the year ended March 31,**				
	2021	**2022**		**2023**	
	(in ₹ million)	***(in ₹ million)***	***Y-o-Y growth (%)***	***(in ₹ million)***	***Y-o-Y growth (%)***
	Standalone				
Total assets	2,013,673.88	2,209,463.09	9.72%	2,603,418.29	17.83%
Profit after tax	15,902.97	18,898.22	18.83%	30,105.94	59.31%
Net interest margin[1]	3.16%	3.20%	1.27%	3.31%	3.44%
Credit costs[2]	1.22%	0.45%	(63.11)%	0.40%	(11.11)%
Cost to income ratio[3]	49.27%	53.32%	8.22%	49.86%	(6.49)%
Return on equity ("**RoE**")[4]	10.38%	10.87%	4.72%	15.02%	38.18%
Return on risk weighted assets ("**RoRWA**")[5]	1.60%	1.78%	11.25%	2.37%	33.15%
RoA[6]	0.85%	0.94%	10.59%	1.28%	36.17%
Net Non-Performing Assets ("**NPA**")[7]	1.19%	0.96%	(19.33)%	0.69%	(28.13)%
Net interest income[8]	55,337.06	59,619.51	7.74%	72,321.61	21.31%
Operating profit[9]	38,006.90	37,578.51	(1.13)%	47,943.95	27.58%
Net profit[10]	15,902.97	18,898.22	18.83%	30,105.94	59.31%
Gross NPA/ gross advances	3.41%	2.80%	(17.89)%	2.36%	(15.71)%
Tier 1 capital ratio	13.85%	14.43%	4.19%	13.02%	(9.77)%
Tier 2 capital ratio	0.78%	1.34%	74.03%	1.79%	33.58%
Capital to Risk Weighted Assets Ratio ("**CRAR**")	14.62%	15.77%	7.87%	14.81%	(6.09)%
	Consolidated				
Total assets	2,049,665.27	2,262,410.44	10.38%	2,680,040.57	18.46%
Profit after tax	16,643.34	19,697.85	18.35%	31,647.19	60.66%
Net interest margin[1]	3.30%	3.37%	2.12%	3.49%	3.56%
Credit costs[2]	1.22%	0.48%	(60.66)%	0.43%	(10.42)%
Cost to income ratio[3]	49.66%	53.75%	8.24%	50.73%	(5.62)%
RoE[4]	10.64%	11.14%	4.70%	15.49%	39.05%

Key Highlights	As of and for the year ended March 31,				
	2021	2022		2023	
	(in ₹ million)	*(in ₹ million)*	*Y-o-Y growth (%)*	*(in ₹ million)*	*Y-o-Y growth (%)*
	Standalone				
RoRWA[5]	1.65%	1.51%	(8.48)%	2.57%	70.20%
RoA[6]	0.86%	0.91%	5.81%	1.28%	40.66%
Net NPA[7]	16,047.10	14,797.70	(7.79)%	13,234.40	(10.56)%
Net interest income[8]	58,791.17	64,221.52	9.24%	78,365.39	22.02%
Operating profit[9]	39,521.07	39,509.40	(0.03)%	50,615.70	28.11%
Net profit[10]	16,472.06	19,653.96	19.32%	31,757.63	61.58%
Gross NPA/ gross advances	3.35%	2.78%	17.01%	2.35%	(15.47)%
Tier 1 capital ratio	14.20%	14.77%	4.01%	13.31%	(9.88)%
Tier 2 capital ratio	0.99%	1.56%	57.58%	1.94%	24.36%
CRAR	15.19%	16.33%	7.50%	15.24%	(6.67)%

1 Net interest margin is the difference between interest earned and interest expended divided by the daily average of interest-earning assets.
2 Credit costs is calculated as loan loss provision as a percentage of gross advances as on previous year.
3 Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).
4 RoE is calculated as the ratio of the net profit after tax to the average net worth (capital plus reserves created out of profit plus securities premium minus intangibles).
5 RoRWA is calculated as the ratio of the net profit after tax to the average market and credit risk weighted assets.
6 RoA is calculated as the ratio of the net profit after tax to the average total assets.
7 Net NPA is calculated as Gross NPA minus the provisions. Gross NPA is calculated by dividing non-performing assets by the total loans.
8 Net interest income is calculated as interest earned minus interest expended.
9 Operating profit is calculated as total income minus total expenditure.
10 Net profit is calculated as total income minus expenditure.

Our Bank's profit after tax grew at a CAGR of 37.59% between Fiscals 2021 and 2023 and crossed ₹30,000 million in Fiscal 2023. Our Bank's net interest margin has consistently grown over the last three Fiscals, largely due to its focus on high margin lending products such as credit cards, personal loans, loans to medium, small and micro enterprise ("**MSMEs**"), CV/CE loans, gold loans and microfinance products, and backed by its strong liability profile. A decline in slippages, i.e., the rate at which a good loan becomes stressed, along with an increase in collection efficiencies and recoveries enabled our Bank to reduce its credit costs between Fiscals 2021 and 2023. Our Bank has improved its cost to income ratio from Fiscal 2022 to Fiscal 2023, which is primarily driven by reduced costs due to digitization initiatives and operating leverage, and increased income due to expansion in net income margin and increase in fee income. Our Bank's RoA improved over the last three Fiscals, largely by growing its advances and deposits, increasing its net interest margin, increasing its fee income and cross-selling by leveraging data, maintaining asset quality with a prudent risk management framework, improving efficiency with a lite branch heavy distribution model, and enhancing its yields with a focus on high margin lending products. For further details, see " – *Strengths*" on page 667.

As of the date of this Preliminary Placement Document, our Bank has two subsidiaries and two associates. Our Bank's wholly owned subsidiary, Federal Operations and Services Limited ("**FedServ**"), provides operational and technology-oriented services to our Bank. Our Bank's subsidiary, Fedbank Financial Services Limited ("**FedFina**"), has a suite of products including housing loans and top-ups, small ticket retail LAP, medium ticket LAP, unsecured business loans and gold loans. Our Bank's associate, Ageas Federal Life Insurance Company, provides life insurance policies. Our Bank's associate, Equirus Capital, provides investment banking, financial institutional, insurance broking, institutional equities, portfolio and wealth management services.

Over the years, our Bank has received several awards and recognitions such as the BYOM Top up Home Loans by Finnoviti Awards (2023) and Top 50 (Large) of India's Best Workplaces™ for Building a Culture of Innovation by All by Great Place to Work® (2023) and our Bank was the only Indian Bank to feature in "70 Best Large Workplaces in Asia – 2022" by Great Place to Work. Further, its Chief Marketing Officer ("**CMO**") won the title "Futuristic CMO: Retention First Thinker Award" at the Pitch CMO Awards in March 2023. For further details, see "*Description of our Bank's Banking Operations – Awards*" on page 690.

The following table sets forth, as of the date of this Preliminary Placement Document, the details of our Bank's credit ratings by the indicated rating agencies:

Rating Agency	Rating	Outlook
CRISIL	A1+	Fixed deposit (short term)
	AA+	₹1,00,000 Fixed deposit
	A1+	₹15,000 Certificate of deposit
India Ratings & Research Pvt Ltd	IND AA	Tier 2 (capital) bonds
CARE	CARE AA	Tier 2 (capital) bonds

Our Bank's fixed deposits (short term) and certificate of deposits holds the highest rating in their respective classes, as of the date of this Preliminary Placement Document.

Strengths

Our Bank's key strengths are as follows:

Retail oriented with a strong liability profile

Our Bank has built a strong client deposit base, which has provided it with a low cost of funding and has been a source of strength for its liability portfolio. Our Bank's total deposits have increased by 5.25% from ₹1,726,444.80 million in Fiscal 2021 to ₹1,817,005.87 million in Fiscal 2022 and by 17.44% from Fiscal 2022 to ₹2,133,860.39 million in Fiscal 2023. Our Bank's market share[6] of all scheduled commercial bank deposits increased from 1.09% as of March 26, 2021, to 1.13% as of March 24, 2023. A large part of our Bank's deposit base is retail, and the lack of bulk deposits provides it with a deposit base having a lower concentration risk, thereby increasing the spread of its liability portfolio. For instance, our Bank's top 20 depositors contributed towards 5.19% of its deposits in Fiscal 2023. The ratio of our Bank's current accounts and savings accounts ("**CASA**") plus deposits less than or equal to ₹20.00 million to total deposits in Fiscals 2021, 2022 and 2023 was 87.97%, 91.89% and 84.03%, respectively, thereby, making its deposits granular. The decrease in this ratio in Fiscal 2023 was primarily due to an increase in term deposit rates due to higher interest rates for term deposits, thereby resulting in several retail investors placing a portion of CASA funds in term deposits. Our Bank believes it has been able to build a strong liability profile due to its distribution network, its innovative products, its digital capabilities, its relationship approach and its customer stickiness to deposits, largely driven by multiple product propositions.

In addition, our Bank has a strong NRI franchise. Our Bank's NRI franchise has contributed to its development in its deposits. The deposits from NRIs were ₹680,832.05 million, ₹726,369.80 million and ₹763,935.01 million in Fiscals 2021, 2022 and 2023, respectively, constituting 39.44%, 39.98% and 35.80% of its total deposits in the corresponding periods of Fiscals 2021, 2022 and 2023, respectively. Non-resident deposits stood at USD 137.88 billion as of March 31, 2023, of which, our Bank had a market share of 6.70%[7]. For further details, see *"Industry Overview*" on page 648. The contribution towards the savings accounts from NRIs was 44.12%, 42.43% and 39.56% in Fiscals 2021, 2022 and 2023, respectively. As of March 31, 2023, our Bank had arrangements with 90 remittance partners across several jurisdictions. Our Bank's market share of all foreign inward remittances in India[8] was 18.20%, 21.10% and 19.30% for Fiscals 2021, 2022 and 2023, respectively. For further details, see *"Industry Overview"* on page 648. For further details in relation to our Bank's NRI franchise, see "*Description of our Bank's Banking Operations – Retail Banking – Non-resident banking*" on page 673.

Our Bank also has several debit card offerings, primarily targeted towards digitally native customers, through its fintech collaborations (such as through its collaboration with Jupiter), which have enabled our Bank to attract a new set of customers. For further details in relation to our Bank's debit card offerings, see "*Description of our Bank's Banking Operations – Retail Banking – Retail – Cards and payment services*" on page 675. As a result, in Fiscal 2023, our Bank was the fifth largest private sector bank based on debit card spends, with a 4.9% market share of total debit card spends among private sector banks in India[9]. For further details in relation to our Bank's ranking and market share, see *"Industry Overview–"* on page 648.

Diversified advances portfolio with a focus towards expanding our Bank's high margin lending products

Our Bank's advances portfolio consists of a wide spectrum of retail and wholesale finance products to cater to the needs of its customers such as housing loans and top-ups, LAP, automobile loans, retail gold loans, personal loans, cards and payment services, agricultural loans, business banking loans, CV/CE loans, CoB and CIB. For further details in relation to these products, see *"Description of our Bank's Banking Operations"* on page 672.

Our Bank's total net advances increased at a CAGR of 15.01% and were ₹1,318,786.01 million, ₹1,449,283.25million and ₹1,744,468.85 million, in Fiscals 2021, 2022 and 2023, respectively. Our Bank's market share of gross advances increased from 1.17% as of March 26, 2021, to 1.25% as of March 24, 2023[10].

As of March 31, 2023, our Bank's retail banking and wholesale banking products aggregating to ₹957,914.35 million and ₹815,853.41 million, respectively, constituted 54.00% and 46.00% of its total gross advances, respectively. Further, our Bank witnessed a year-on-year ("**Y-o-Y**") growth (based on growth in asset value) of 18.50% and 22.13% between Fiscals 2022 and 2023 of its retail banking and wholesale banking products, respectively. The following table sets forth the percentage contributed by each retail product to the total gross retail advances as of March 31, 2023, and the corresponding Y-o-Y growth (based on growth in asset value):

[6] *The market share has been calculated based on March 26, 2021, and March 24, 2023, data of (i) our standalone deposits (excluding interbank deposits), and (ii) RBI fortnightly data for scheduled commercial banks outstanding deposits.*

[7] *The market share has been calculated based on March 31, 2023, data of (i) the Bank's NRI deposits; and (ii) RBI data for total non-resident deposits*

[8] *The market share has been calculated based on Fiscals 2021, 2022 and 2023, data of (i) the remittance routed through Bank's data; and (ii) RBI Quarterly Balance of Payments.*

[9] *The ranking and market share calculated based on sum of 12 months data in the Fiscal from RBI's monthly provisional data on ATM, Acceptance Infrastructure and Card statistics for (i) our Bank; and (ii) private sector banks.*

[10] *The market share has been calculated based on March 26, 2021, and March 24, 2023, data of (i) the Bank's gross advances; and (ii) RBI fortnightly data for scheduled commercial banks total advances.*

Retail product	As a percentage of total gross retail advances as of March 31, 2023	Amount in Fiscal 2022	Amount in Fiscal 2023	Y-o-Y growth between Fiscals 2022 and 2023
	(in ₹ million, except percentages)			
Housing loans and top-ups	26.20%	214,433.65	250,971.65	17.04%
LAP	10.42%	84,532.15	99,839.57	18.11%
Automobile loans	5.69%	42,289.36	54,478.42	28.82%
Personal loans	2.50%	17,503.34	23,929.07	36.71%
Agricultural loans (including microfinance institutions ("**MFI**"))	24.38%	192,379.67	233,562.76	21.41%
Business banking loans	14.84%	124,778.10	142,200.18	13.96%
CV/CE loans	2.28%	12,746.01	21,864.47	71.54%
Other retail[1]	13.68%	119,683.97	131,068.23	9.51%
Total gross retail advances	100.00%	808,346.25	957,914.35	18.50%

[1] *Other retail includes advances against deposits, advances against shares, education loans, credit cards and retail gold.*

The following table sets forth the percentage contributed by each wholesale product to the total gross wholesale advances as of March 31, 2023, and the corresponding Y-o-Y growth (based on growth in asset value):

Wholesale product	As a percentage of total gross wholesale advances as of March 31, 2023	Amount in Fiscal 2022	Amount in Fiscal 2023	Y-o-Y growth between Fiscals 2022 and 2023
	(in ₹ million, except percentages)			
CoB	21.18%	147,135.08	172,763.17	17.42%
CIB	78.82%	520,912.13	643,090.25	23.45%
Total	**100.00%**	**668,047.22**	**815,853.41**	**-**

Our Bank has built a granular loan book with a focus on increasing its high margin lending products, i.e., products that yield higher interest income as compared to other products, such as credit cards, personal loans, MSME loans (includes business banking loans and commercial banking loans), CV/CE loans, gold loans and microfinance. Our Bank's share of gross advances from these high margin lending products has increased from 31.94% in Fiscal 2021 to 32.67% in Fiscal 2022 and 33.14% in Fiscal 2023. In addition, our Bank increased its share of revenue from high margin lending products from 24.54% in Fiscal 2021 to 29.65% in Fiscal 2022 to 30.38% in Fiscal 2023. For further details in relation to these products, see "*Description of our Bank's Banking Operations"* on page 672. Our Bank witnessed a Y-o-Y growth (based on growth in asset value) of 450.50%, 36.66%, 15.70%, 71.45%, 14.58% and 222.52% between Fiscals 2022 and 2023 of its credit cards, personal loans, MSME (includes business banking loans and commercial banking loans), CV/CE, gold loans and microfinance products, respectively.

Data driven decision making and robust risk control framework leading to improvement in asset quality

Our Bank is focused on maintaining a high level of asset quality. As of March 31, 2023, 77.46% of its wholesale advances book was rated 'A' and above (which represents 26.75% of its total advances). Our Bank's gross NPAs as a percentage of gross advances stood at 3.41%, 2.80% and 2.36% as of March 31, 2021, March 31, 2022, and March 31, 2023, respectively. Our Bank had net NPAs of ₹15,692.80 million, ₹13,926.20 million, and ₹12,050.10 million as of March 31, 2021, March 31, 2022, and March 31, 2023, respectively, and our net NPAs as a percentage of net advances stood at 1.19%, 0.96% and 0.69% for the same period. Our Bank's net security receipts decreased from ₹1,600.62 million as of March 31, 2021, to ₹694.07 million as of March 31, 2022, and to nil as of March 31, 2023, as a result of 100% provision created for security receipts. Although the number of our Bank's standard restructured advances increased from ₹16,180.07 million as of March 31, 2021, to ₹35,360.37 million as of March 31, 2022, pursuant to the RBI resolution framework for COVID-19 related stress, the number decreased to ₹28,301.92 million as of March 31, 2023. In addition, our Bank's provision coverage ratio increased from 65.14% as of March 31, 2021, to 65.54% as of March 31, 2022, and 70.02% as of March 31, 2023. Our Bank's slippage rate, i.e., the rate at which a good loan becomes stressed, has improved from 1.55% in Fiscal 2021 to 1.39% in Fiscal 2022 and to 1.16% in Fiscal 2023. Our Bank's risk adjusted net interest margin increased from 2.29% in Fiscal 2021 to 2.87% in Fiscal 2022, and to 3.04% in Fiscal 2023.

Our Bank revises its business architecture to endeavor to reduce risk and remain current and competitive. Our Bank relies on analytics to maintain a robust risk control framework. Our Bank utilizes analytics for customer engagement, relationship management, asset underwriting, delinquency management, detecting fraud risk and optimizing its processes.. As a result, analytics have empowered our Bank to make well-informed decisions across various levels and functions. Our Bank's sourcing process is independent of origination and underwriting functions. For underwriting, our Bank relies on multiple data points that have been captured through credit bureau data and its API stack. Our Bank uses several tools to predict the collection score of the borrowers and their propensity to default. Our Bank has a robust recovery and collection mechanism that is operated by a team of 158 employees as of March 31, 2023. Our Bank has increased its collection efficiency, with total recoveries and upgradations, i.e., improvement in credit from NPA to non-NPA status by collecting the entire arrears outstanding from the borrower, amounting to ₹12,970.74 million as of March 31, 2023, as compared to ₹4,528.30 million as of March 31, 2021.

Multi-pronged distribution approach

Our Bank's distribution model places the customer at its core. Our Bank's multi-pronged distribution approach involves a 'lite branch heavy distribution' model that is complemented by alternate channels. Our Bank adopted the 'lite branch heavy distribution' model in Fiscal 2022 and under this model, its branches have a lean employee structure with a strong focus on fintech collaborations, and its branches have been integrated with its relationship manager network. Under this model, our Bank has given emphasis to digital channels and widespread distribution, without significantly increasing its physical presence. Our Bank provides its products through various channels, such as its bank branches, digital channels, its Bank-owned sales and relationship channel, BC-led distribution and its DSAs and connectors. For further details in relation to our Bank's multi-pronged distribution approach, see "*Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach*" on page 640.

Our Bank has invested in expanding its network across channels and added lite branches across multiple markets, increased the total number of relationship managers and enhanced productivity through specialization and collaborated with BC partners for penetrating rural and urban locations. As a result, our Bank has expanded its distribution network from 1,272 bank branches, 1,957 ATMs (including cash recyclers and mobile ATMs), 854 relationship managers, and four BCs as of March 31, 2021, to 1,355 bank branches, 1,916 ATMs (including cash recyclers and mobile ATMs), 941 relationship managers and 11 BCs as of March 31, 2023. For further details in relation to our bank branches, ATMs (including cash recyclers and mobile ATMs), relationship managers, BCs and DSAs and connectors in Fiscals 2021, 2022 and 2023, see *"-Branch network"* on page 682. Our Bank has a pan-India presence, and its branches are distributed across metro, urban, semi urban, and rural locations. The co-existence of branches and BCs provides it with higher reach and visibility, garners low-cost deposits and higher yielding loans, and enables our Bank to adopt a scalable and variable cost model.

Our Bank's digitization strategy is 'digital at the fore and human at the core'. Our Bank has implemented its digitization strategy across the origination function, servicing function and operations thereby driving digital migration, digital transformation, and operational efficiencies. Our Bank upgraded its systems to ensure a smooth integration between its existing infrastructure and its new digital banking products. Our Bank's other digital offerings include, "SoftPOS", a mobile application-based solution available on android platforms and a form of "Mobile as POS" that enables merchants to accept cash, card, QR or UPI transactions on their mobile phones without the need of additional hardware, "Feddy", a digital assistant that resolves customer queries with efficiency and "Fed-e-Point", a platform that provides digital access to a range of non-financial account services. Our Bank believes that these digital initiatives have helped improve its customers' banking experience with us. Our Bank has also invested in innovative solutions such as such as "BankOnTheGo", using BaaP wherein our Bank uses buses to boost its footprint where our Bank does not have a significant branch presence, and these buses have, among other things, cash recyclers and multi-functional kiosks to help the public to carry out several routine banking transactions wherein our Bank uses buses to boost branch presence where our Bank does not have a significant presence, and these buses have, among other things, cash recyclers and multi-functional kiosks to help the public to carry out several banking functionalities. As of March 31, 2023, BaaP has been launched in Madurai and Lucknow. For further details in relation to our Bank's digital initiatives, see *"Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Digital initiatives*" on page 684.

Due to our Bank's digital readiness and robust information technology infrastructure that supports open banking ecosystem, our Bank has been able to onboard several fintech collaborators including Paisabazaar, OneConsumer, DGV, Mashreq, Epifi and Jupiter, as of March 31, 2023. Our Bank's fintech collaborators are served through a dedicated vertical that has specialized skills and capabilities for risk management, and our Bank has an API gateway to support its fintech collaborators. Our Bank also has a comprehensive and open banking ecosystem that provides its fintech collaborators a smooth onboarding experience. In Fiscal 2023, the share of fintech (based on value) in the disbursement of personal loans, issuance of credit cards and incremental growth of savings accounts was 23.06%, 81.05% and 33.05%, respectively. For further details in relation to our Bank's fintech collaborations, see "*Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Fintech collaborations*" on page686.

Our Bank has also magnified its reach through alternate channels such as co-lending through its fintech collaborations, digital marketing and tele-sales, which are outsourced through other entities, including FedServ. Our Bank also engages in digital marketing campaigns to target new to banking customers. These alternate channels enable our Bank to leverage the distribution capabilities of its collaborators, distribute and cross-sell multiple products, including its high margin lending products, diversify risk and optimize its cost of customer acquisition.

Highly granular fee income franchise

Our Bank's fee income has steadily grown over the last three Fiscals due to strong collaborations, its digital capabilities, multi-pronged distribution approach, analytics and customer relationship management ("**CRM**") solutions and cross-selling opportunities in its customer base. Our Bank's fee income, grew at a CAGR of 32.38% and was ₹11,790.36 million, ₹14,925.24 million and ₹20,662.55 million in Fiscals 2021, 2022 and 2023, respectively, constituting 7.51%, 9.48% and 10.80% of its total income, respectively.

The following table sets forth the breakdown of our Bank's fee income for the periods indicated:

Fee income	Fiscal					
	2021		2022		2023	
	Amount (in ₹ million)	*% of total fee income*	*Amount (in ₹ million)*	*% of total fee income*	*Amount (in ₹ million)*	*% of total fee income*
Loan processing fee	3,238.41	27.47%	3,585.87	24.03%	4,886.99	23.65%
Exchanges, commission, brokerage and other fee income[1]	7,148.44	60.63%	9,248.89	61.97%	13,134.50	63.57%
Net profit on forex transactions	1,403.51	11.90%	2,090.48	14.00%	2,641.05	12.78%
Total	11,790.36	100%	14,925.24	100%	20,662.55	100%

[1]*Includes bancassurance and wealth management*

For our Bank's wealth management services, in collaboration with its associate, Equirus Capital, our Bank markets products such as mutual funds and our Bank has focused on building a sizeable revenue through a combination of digital and physical models. Our Bank's fee income from wealth management services increased by 74.19% from ₹121.14 million in Fiscal 2022 to ₹211.01 million in Fiscal 2023.

Our Bank's insurance fee business is driven by bancassurance partnerships with various insurance companies. Our Bank has developed customized underwriting models in conjunction with its partners and automated underwriting rules. Our Bank has also introduced new distribution models through alternate channels, such as an 'insuretech' platform, tele-sales and digital marketing. For further details in relation to these alternate channels, see "*Description of our Bank's Banking Operations – Multi-Pronged Distribution Approach – Alternate channels*" on page 685. As a result of these initiatives, our Bank's fee income from bancassurance increased by 33.05% from ₹850.52 million in Fiscal 2022 to ₹1,131.59 million in Fiscal 2023.

Group entities driving further value creation

Our Bank has two subsidiaries and two associates as of the date of this Preliminary Placement Document. These entities have driven further value creation for us. Our Bank's wholly owned subsidiary, FedServ, provides operational and technology-oriented services to our Bank. FedServ focuses on automation, process re-engineering and application of artificial intelligence and machine learning. It has helped our Bank drive efficiency by re-engineering various operational activities and implementing various process improvements. As of March 31, 2023, over 127 of our Bank's back-end operational activities such as old record management, collateral release and document scanning have been migrated to FedServ. The migration of these activities to FedServ has enabled our Bank to reduce its costs and maintain the quality of its products and services. FedServ is present in Vizag, Cochin and Bengaluru. As of the date of this Preliminary Placement Document, FedServ has received approval from RBI for additionally providing collection management, sales management, project management and infrastructure technology support to branches. Our Bank intends to continue using FedServ to improve its governance and risk mitigation processes, centralize, standardize, and improve its existing operational activities and processes and be more cost effective. For further details in relation to our Bank's operational activities and processes, see "*Description of our Bank's Banking Operations – Operations*" on page 687.

Our Bank's subsidiary, FedFina, markets a suite of retail asset products including housing loans and top-ups, small ticket LAP, medium ticket LAP, unsecured business loans and gold loans, through its retail hubs established at major centers across India. Our Bank has established a separate mechanism for the dedicated processing of retail loans sourced through FedFina. Its net loan book grew at 41.72% Y-o-Y in Fiscal 2023 and aggregated to ₹79,997 million. Further, its profit after tax increased by 74.11% from ₹1,034.59 million in Fiscal 2022 to ₹1,801.26 million in Fiscal 2023. The board of directors of FedFina at its meeting held on July 17, 2023, proposed an initial public offering after receipt of consent from its shareholders, subject to market conditions, receipt of applicable approvals including SEBI and other considerations. Our Bank's associate, Ageas Federal Life Insurance Company, started selling life insurance products in March 2008 and currently distributes products such as life insurance policies, through a multi-channel network. Its new business premium aggregated to ₹9,114 million in Fiscal 2023 *(Source: Life Insurance Council)* and grew at 11.63% Y-o-Y *(Source: IRDAI disclosure of New Business Statement of Life Insurers for the Period ended March 31, 2023)* . Our Bank's associate, Equirus Capital, provides investment banking, financial institutional, insurance broking, institutional equities, portfolio and wealth management services. Our total consolidated revenue and consolidated profit after tax in Fiscal 2023 were ₹1,575.97 million and ₹218.59 million, respectively.

Experienced management team with strong corporate governance culture

Our Bank's Board of Directors consists of 10 experienced professionals with significant experience in their respective fields. Our Bank believes its experience is instrumental in driving its business successfully through periods of global financial crisis and economic downturn, as well as through periods of volatility in markets and interest rates. As of the date of the Preliminary Placement Document, 80% of its Directors are independent and 20% are women.

Our Bank has a committed senior management team driving its strategy and execution. Our Bank believes its team has helmed its growth and risk management strategies, through economic crises and slowdowns and volatile interest rate environments in India. Our Bank believes its team's focus on executing growth strategies while maintaining profitability, prudent use of capital, setting measurable targets benchmarked to market leaders and monitoring performance against such targets, anticipating customer demand and adding new products and services, investing in technology and building its brand have contributed to its growth in the last three Fiscals.

Our Bank has robust systems and practices which contribute to a high level of accountability and transparency. Our Bank has established an environmental and social management system ("**ESMS**") policy to help it in profiling its financing. Our Bank's ESMS activities are monitored by E&S Committee that is chaired by its Managing Director and CEO. Our Bank received green equity investment from the International Finance Corporation ("**IFC**") in Fiscal 2022. *(Source: International Finance Corporation website, Press Release, "IFC Equity Investment in Federal Bank to Promote Green Recovery, Improve Access to Finance for Smaller Businesses")* For further details in relation to our Bank's ESG initiatives, see "*Description of our Bank's Banking Operations – Environment, Social and Governance Initiatives*" on page 688.

<u>Strategy</u>

The key elements of our Bank's strategy are:

Focus on high margin lending products

Our Bank's share of gross advances from its high margin lending products has increased from 31.94% in Fiscal 2021 to 32.67% in Fiscal 2022 and 33.14% in Fiscal 2023. Our Bank intends to increase focus on high margin lending products such as credit cards, personal loans, MSME loans (includes business banking loans and commercial banking loans), CV/CE loans, gold loans and microfinance to enhance its yield. In addition, our Bank intends to increase its credit card offerings, through organic growth and entering into co-branded partnerships to target different customer segments.

Further enhance our Bank's fee income profile

Our Bank's fee income has steadily grown over the last three Fiscals. Our Bank's fee income, grew at a CAGR of 32.38% and was ₹11,790.36 million, ₹14,925.24 million, and ₹20,662.55 million in Fiscals 2021, 2022 and 2023, respectively, constituting 7.51%, 9.48% and 10.80% of its total income, respectively. Our Bank aims to grow its fee income by relying on its multi-pronged distribution approach, utilizing its digital capabilities, analytics and CRM solutions to analyze customer purchase patterns and to identify complimentary products and services that may be offered to its customers.

Continue to strengthen our Bank's liability profile

Retail deposits in India are an important source of low-cost funding for our Bank and it believes that the Indian retail financial services market will continue to experience growth. Our Bank aims to continue to expand its retail banking business by growing its customer base by providing a convenient banking experience to customers and offering differentiated products and solutions to meet the specific needs of particular customer demographics. Further, we have made the improvement of our net promoter score ("**NPS**"), a measure of customer experience, a key performance requirement for our management team. Our Bank aims to increase its NPS as it believes that this will aid it in increasing its customer base. Our Bank believes these initiatives will help it to continue to build a strong liability profile, which will expand its access to low-cost funding. In addition, our Bank seeks to leverage its position in the NRI segment by looking to expand its service offerings linked to remittances into India. Our Bank seeks to also maintain its market position and increase its number of NRI customers. Further, our Bank seeks to grow its CASA deposit base through potential branch expansions, including a dedicated CASA sourcing channel in selected branches, and expanding its relationship manager networks.

Expand our Bank's geographical reach using its multi-pronged distribution approach

Our Bank has a pan-India presence covering its target customers. Our Bank intends to continue developing its market share in India with the following multi-pronged strategy:

- Expand our Bank's network through a slew of measures including adding lite branches across select geographies in semi-urban and rural areas in India, increasing the total number of relationship managers, DSAs and connectors, enhancing its productivity through specialization and collaboration with BC partners;

- Onboard more fintech collaborators, thereby obtaining access to customers that are new to banking and customers with a credit history as well as digitally native customers. Our Bank believes that this approach will enable it to expand its footprint in India at a faster pace, without significantly increasing its physical presence;

- Provide our Bank's customers with a user-friendly digital experience that will allow it to increase its customer engagement; and

- Increase the usage and penetration of our Bank's various technology solutions such as "SoftPOS", "FedMi" and "BankOnTheGo".

Our Bank's digitization strategy is 'digital at the fore and human at the core'. Our Bank has implemented its digitization strategy across the origination function, servicing function and operations thereby driving digital migration, digital transformation, and operational efficiencies. For instance, our Bank has leveraged digital tools for sales planning, new business opportunities, partner management and incentives. Our Bank is continuously investing in technology as a means of improving its customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us. Our Bank believes additional investments in its technology infrastructure to further develop its digital strategy will allow it to cross-sell a wider range of products on its digital platform in response to its customers' needs and thereby expand its relationship with its customers across a range of customer segments. Our Bank believes a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us, access and operate their accounts online.

DESCRIPTION OF OUR BANK'S BANKING OPERATIONS

Overview

Our Bank's principal business activities are divided into the following business units: retail banking, wholesale banking and treasury operations. The presentation of our Bank's business units as set forth below corresponds to its own internal organization of its operations, with each business unit comprising a distinct group of assets and operations engaged in providing products and services that are subject to their own distinct set of risks and returns. This presentation of our Bank's business units differs from that of its segments as prepared in accordance with the segment reporting guidelines issued by the RBI and disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations"on page 607. The segment reporting guidelines issued by the RBI apply unilaterally across the financial sector in India for comparison purposes and are disclosed by our Bank for regulatory purposes. Accordingly, the term "business unit" refers to our Bank's own internal organization of its operations, while the term "segment" refers to our Bank's segment reporting for regulatory purposes.

The following table sets forth a breakdown of our Bank's total gross and net advances (comprising advances from its retail and wholesale banking business units) as of March 31, 2021, 2022 and 2023:

Retail Banking and Wholesale Banking	**As of March 31,**				
	2021	**2022**		**2023**	
	(in ₹ million)	***(in ₹ million)***	***Y-o-Y growth (%)***	***(in ₹ million)***	***Y-o-Y growth (%)***
Gross Advances	**1,348,767.10**	**1,476,394.50**	**9.46%**	**1,773,765.30**	**20.14%**
NPA provision	29,981.10	27,111.20	-9.57%	29,296.40	8.06%
Net Advances	**1,318,786.01**	**1,449,283.25**	**9.90%**	**1,744,468.85**	**20.37%**

The following table sets forth a breakdown of our total consolidated gross and net advances (comprising advances from its retail and wholesale banking business units) as of March 31, 2021, 2022 and 2023:

	As of March 31,				
	2021	**2022**		**2023**	
	(in ₹ million)	***(in ₹ million)***	***Y-o-Y growth (%)***	***(in ₹ million)***	***Y-o-Y growth (%)***
Total Gross Advances	**1,385,210.96**	**1,532,090.70**	10.60%	**1,849,277.20**	**20.70%**
NPA provision	30,066.84	27,437.63	-8.74%	29,709.71	8.28%
Net Advances	**1,355,144.12**	**1,499,514.62**	10.65%	**1,819,567.49**	**21.34%**

Our Bank's yield on advances for the three months ended March 31, 2023 was 9.13%.

The following table sets forth our Bank's total deposits as of March 31, 2021, March 31, 2022, and March 31, 2023:

Deposits	**As of March 31,**		
	2021	**2022**	**2023**
	(in ₹ million)		
Demand Deposit	118,602.83	143,883.33	157,834.56
Savings Account	468,522.89	530,826.74	543,369.91
Term Deposit	1,139,319.08	1,142,295.78	1,432,655.92

The following table sets forth our Bank's CASA Deposit and NRE Deposit as of March 31, 2021, March 31, 2022 and March 31, 2023:

Deposits	**As of March 31,**		
	2021	**2022**	**2023**
	(in ₹ million)		
CASA Deposit	583,704.80	671,212.21	697,409.86
NRE Deposit	639,588.44	674,162.50	705,707.61

Our Bank's CASA ratio decreased from 36.94% in Fiscal 2022 to 32.68% in Fiscal 2023, primarily due to an increase in the rate for term deposits, resulting in many retail investors placing a portion of their CASA funds in term deposits instead.

Demand deposits, savings deposits and term deposits increased by 21.32%, 13.30%, and 0.26%, respectively, from Fiscal 2021 to Fiscal 2022, mainly as a result of onboarding new to banking customers and an increase in the existing customers wallet share. As a result of the foregoing, our Bank's CASA ratio increased from 33.81% in Fiscal 2021 to 36.94% in Fiscal 2022.

Business units

Retail Banking

Our Bank's retail banking portfolio has grown significantly over the last three Fiscals. The target market identified for retail loans are resident salaried, resident self-employed and NRI salaried/ self-employed. Our Bank categorizes its business under this business unit based on the profile of its customers and the various products and services our Bank offers under retail, agriculture, business banking and CV/CE.

Liabilities portfolio

Our Bank's liability products and services include deposits from individuals, business enterprises, trusts, clubs and associations, large public sector corporations, other banks, and private sector companies. Our Bank takes Indian Rupee or foreign currency denominated deposits and offer fixed interest rates. Our Bank also offers banking products and services to non-residents, including portfolio investment scheme and remittance services. Our Bank also offers dematerialized ("**demat**") accounts to its customers to keep track of their shares. The interest rates on our deposits are fixed by our Bank's Asset Liability Management Committee ("**ALCO**").

Deposits

Our Bank's retail deposit products include the following:

- *Term deposits*: Our Bank accepts term deposits (also known as fixed deposits) giving a fixed return, for periods ranging from 7 days to 10 years. For example, our Bank offers the Deposit Plus non-callable term deposit for a minimum period of 12 months. Such deposits can be withdrawn before maturity in accordance with applicable rates by paying penalties. Term deposits include recurring deposits, which enable the customer to make deposits over a fixed term at regular intervals. Our Bank also offers an overdraft facility against the term deposits to its customers. Term deposits provide our Bank with a cost efficient and stable funding source and remain a key focus area for us.

- *Savings accounts*: Our Bank offers savings accounts (including salary accounts), which are interest bearing on-demand deposit accounts designed primarily for individuals, Hindu undivided families ("**HUF**"), associations, clubs, societies and trusts. Our Bank also offers products and services in relation to saving accounts, pursuant to its fintech collaborations.

- *Current accounts*: Our Bank offers current accounts, which are non-interest-bearing accounts, designed primarily for businesses. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements. Our Bank also offers personal current accounts, such as its Noor personal account, which is an interest-free account.

In addition to our Bank's conventional deposit products, our Bank offers a variety of special value-added products and services, such as higher rate deposit accounts for senior citizens and special non-resident deposits with higher return, known as Federal Rupee Plus. Our Bank also offers the Millionaire Federal Savings Fund, a recurring deposit scheme that allows the customer to choose a certain tenure and instalment amount. Our Bank also offers cumulative deposit products in the form of cash certificates and recurring deposits, such as the Federal Savings Fund. In addition, our Bank offers the tax savings deposit scheme for five years, which offers income tax benefits. As of March 31, 2023, our Bank's core deposits, i.e., total deposits excluding interbank deposits, constituted 98.79% of its total deposits.

Non-resident banking

As of March 31, 2023, our Bank had an NRI customer base of approximately 1.65 million. Our Bank's share of NRI deposits was 39.44%, 39.98% and 35.87% of our Bank's total deposits for Fiscals 2021, 2022 and 2023, respectively. Our Bank offers the following deposit programs to NRIs:

- *Foreign currency non-resident deposits*: Our Bank offers foreign currency deposits in ten currencies, including the U.S. dollar, the Pound Sterling, the Euro, and the Japanese yen. The principal as well as the interest on these deposits is fully repatriable outside of India and interest and principal are repaid in the currency of deposit. The terms of these deposits range from a minimum of one year to a maximum of five years.

- *Non-resident external fixed deposits*: These deposits are established in Indian Rupees and are maintained for periods from a minimum of one year to a maximum of ten years. The principal and interest from these accounts are fully repatriable outside of India. Loans can be granted against these deposits for up to 90% of the deposit amount.

- *Non-resident ordinary fixed deposits*: These products are offered primarily to NRIs who also derive income from India. These products are offered as savings deposits as well as fixed deposits, with varying interest rates applicable on deposits equal to or more than ₹20 million. While the principal is repatriable in *bona fide* situations, the interest paid is repatriable, net of payment of Indian taxes.

- *Non-resident external savings accounts*: These deposits are maintained in Indian Rupees. The balances in these accounts are fully repatriable outside of India. Our Bank also offers zero interest bearing current accounts for NRI customers.

Further, pursuant to our Bank's collaboration with Mashreq**,** Mashreq's customers in the UAE can open non-resident external CASA accounts with our Bank through Mashreq's mobile banking application. Our Bank also offers secured credit cards to non-resident customers. For further details in relation to these secured credit cards, see "– *Cards and payment services*" on page 675. In addition to our Bank's banking products and services, our Bank offers the following additional services to NRIs:

- *Portfolio investment schemes*: Our Bank offers NRI customers a portfolio investment service through which NRIs are allowed to open investment accounts at designated branches and the amounts deposited in these accounts are used by such NRIs to invest in Indian equities, where our Bank executes the investment instructions of such NRIs on a non-discretionary basis.

- *Remittance services*: Our Bank has established Nostro relationships with 20 banks and Vostro relationships with 90 banks and exchange houses across the world as of March 31, 2023, which allows it to provide remittance facilities to NRIs. Our Bank offers 73 Indian Rupee-drawing arrangements from member states of the Gulf Cooperation Council, five from the United States, three from the United Kingdom, two each from Canada, Malaysia and Singapore, and one each from Hong Kong, Japan and New Zealand, as of March 31, 2023. Our Bank has also partnered with third-party remittance service providers to enable remittance from other geographies and are in the process of expanding our Bank's remittance businesses into new geographies.

Demat accounts

Our Bank offers demat accounts for its customers to keep track of their shares and these provide for an immediate transfer of securities. Transmissions of securities are carried out by our Bank's distribution partners, eliminating the need for customers to correspond directly with companies.

Advances portfolio

Our Bank's advances portfolio is divided into advances received from retail, agriculture, business banking and CV/CE. Our Bank categorizes its advances portfolio based on factors such as the end-use of the product, the type of collateral taken and the constitution of the borrower. Our Bank has identified the retail customer segment as one of its core growth areas and have employed several marketing campaigns over the last three Fiscals to target this segment.

Retail

- *Housing loans and top-ups*

  Our Bank provides housing loans with a maximum tenor of 30 years for the acquisition, construction, and payment of residential properties. Our Bank offers variants of such loans to cater to the needs of different customers. The maximum loan-to-value ratio ("**LTV**") for such housing loans ranges from 75% to 90% as per guidelines from the RBI. Although the return on equity for these loans is lower as compared to some other products, the long tenure of these loans helps maintain a stable loan base and increases the opportunities to cross-sell other products and services. Our Bank offers these housing loans and top-ups at different stages, including at the time of the customer's initial acquisition of the house plot as well as at the subsequent stages of repair and renovation of the house, with low processing fees.

- *LAP*

  Our Bank extends loans against residential and commercial properties. For instance, our Bank's property power loans are offered against residential premises, plots of land or commercial properties. The maximum tenor of LAP is 15 years, and the LTV of such loans is 55%. These loans carry a higher interest rate in comparison to housing loans and top-ups.

- *Automobile loans*

  Our Bank offers loans for the purchase of new cars and two wheelers, which can be up to 100.00% of the vehicle's showroom price. Our Bank also offers loans for used cars up to 85.00% of the lower of depreciated or retail or market value. Our Bank has tie-ups with multiple original equipment manufacturers. Our Bank has also introduced a digital platform for processing auto loans in Fiscal 2021, which manages the end-to-end process, i.e., from loan origination to disbursal on the platform. If a customer is eligible, he or she may obtain such automobile loan directly at the dealer's premises.

- *Retail gold loans*

  Our Bank extends loans to its retail customers against gold. As of March 31, 2023, our Bank's retail gold loan book constituted 13,321.51 kilograms of gold, which was valued at ₹69,724.81 million. As of March 31, 2023, our Bank had 0.38

million outstanding loan accounts aggregating to ₹43,118.67 million. As of March 31, 2023, our Bank's LTV was 61.84% and the yield was 11.18%.

- *Personal loans*

  Our Bank offers unsecured personal loans, such as its FedPremia loans, at fixed rates to salaried and self-employed professionals, for maximum amounts of ₹2.50 million. Our Bank has customized group personal loan offers for employees of approved companies (including high end salaried customers as well as government and public sector undertaking ("**PSU**") employees), and pre-approved personal loans as part of continuous engagement of existing customers. Personal loans can be used for a wide variety of end-uses such as medical, marriage, special occasions, travel, and small asset purchases. Our Bank offers digital personal loans to customers through its BYOM (Be Your Own Master) digital platform. Our Bank obtains standardized credit bureau scores which help it conduct a more comprehensive risk assessment of its customers. Our Bank also offers personal loans targeting digitally native salaried customers, through its fintech collaborations, such as those with Paisabazaar and Epifi. These collaborations allow our Bank to reach out to a wider potential customer base for their personal loan requirements. Our Bank also introduced a digital personal loan platform to target 'new to banking' customers applying for personal loans for straight through processing. Our Bank has disbursed 17,021.00 million personal loans (in 210,797 accounts) as of March 31, 2023.

- *Cards and payment services*

  Our Bank offers both debit and credit cards to customers. Customers can either register a card on a merchant's app or website and set up a standing instrument or recurring payment under the RBI's e-mandate guideline.

  Debit cards: Our Bank offers international debit cards to its customers. These debit cards provide customers with 24-hour access to their funds through, among others, its ATMs across the world. Our Bank also has several debit card offerings through its fintech collaborations, and these offerings have provided access to customers that are 'new to banking', customers with a credit history and digitally native customers. Our Bank also offers contactless debit cards to its resident and non-resident customers, such as Celesta and Imperio, Crown and its Fed First Card.

  Credit cards: Our Bank offers credit cards to its customers such as Celesta, Imperio, and Signet credit cards. These credit cards are intended to target different segments of customers, such as the lifestyle-oriented entry professionals, family-oriented and high-net worth individuals. Celesta cardholders also receive access to Federal Bank Concierge, its on-call premium service dedicated to assisting customers in their travel, shopping, recreational engagements, or any other similar requirements. Our credit cards are provided alongside an equated monthly instalment ("**EMI**") facility, which allows its customers to convert their purchases into EMIs and allow them to spread payments over a flexible tenure ranging from three to 24 months. As of March 31, 2023, our Bank had more than 543,000 active credit cards issued and outstanding.

  Our Bank has launched the Federal One Card, a co-brand credit card for 'new to banking' customers. Our Bank's collaboration with OneConsumer to provide co-branded credit cards was designed to target 'new to banking' customers and to manage sourcing and issuing credit cards to customers and handling all aspects of marketing and promotion. Our Bank also offers its existing non-resident customers a virtual credit card.

- *Others*

  Our Bank offers other retail products, including advances against deposits such as Fed E-Credit, advances against demat shares, education loans such as special vidya loans and career solutions loans. Our Bank's Federal Easy Cash loans offer affordable interest rates and customers can apply for the loan by providing simple documentation. Our Bank offers FedRise, for any emergency funding requirements of existing deposit customers.

Agriculture

Our Bank provides financing solutions to the agricultural and priority sector. Our Bank's loans to the agricultural sector consist of loans to individual farmers, groups of farmers and corporates. Our Bank extends crop loans to farmers to meet their financial needs towards seasonal agricultural operations and also provides working capital loans for their allied activities such as animal husbandry. The amount of funding available is based on the land holding, the crops the farmer cultivates, cropping pattern and the area of operations.

Apart from providing a good interest yield, our Bank's agriculture portfolio helps it to meet its priority sector lending obligations, where our Bank is required to lend 40% of its adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, towards priority sectors and 18% of its adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, towards agriculture. In Fiscals 2021, 2022 and 2023, our Bank's ratio of agricultural credit to its net bank credit stood at 16.75%, 18.22% and 19.28%, respectively.

- *Agri gold*

  Our Bank extends loan to its retail customers having agricultural land against gold. The end-use for these loans is agricultural purpose.

- *MFI*

Our Bank offers microfinance loans at an average rate of 25.53% to joint lending groups for a maximum amount of ₹0.07 million. As of March 31, 2023, over 95% of our Bank's microfinance customers are women. As of March 31, 2023, our Bank offers its microfinance products in 11 states and one union territory, through a network of 11 BC partners and 335 branches. As of March 31, 2023, our Bank had over 350,000 microfinancing accounts with an outstanding amount of ₹14,346.58 million. Our Bank's advances from microfinance loans increased by 268.00%, from ₹4,353.50 million in Fiscal 2022 to ₹ 14,331.36 million in Fiscal 2023. Our Bank's profit from its microfinance products was ₹223.04 million as of March 31, 2023.

Our Bank recently entered into an MFI co-lending tie-ups with an NBFC, thereby expanding its microfinance portfolio.

- *Core agri*

  Our Bank extends term loans for land development, minor irrigation, farm mechanization, plantation sector, hi-tech farming, and allied activities. Our Bank's agriculture portfolio includes loans against warehouse receipts of agricultural commodities, agricultural land purchase loans, plantation development loans, animal husbandry loans, dairy loans and poultry loans. Our Bank has deployed relationship managers across India in potential agricultural clusters. Further, in Fiscal 2022, our Bank started offering cattle loans to customers in collaboration with DGV.

<u>*Business banking*</u>

All loans and advances of less than ₹100.00 million that are not otherwise classified and categorized as retail, agricultural or CV/CE loans constitute our Bank's business banking portfolio within its retail banking business unit. As of March 31, 2023, our Bank had 27,193 customers in its business banking portfolio. Our Bank has a separate sales team for its business banking unit to focus on increasing customer outreach for its business banking products and thereby, increasing its advances from its retail banking unit.

<u>*CV/CE*</u>

Our Bank finances single unit owners, fleet operators and clients for their purchase of new and used commercial vehicles and construction equipment. Our Bank's CV/CE unit has collaborations with multiple original equipment manufacturer. The average ticket size of CV/CE loans is ₹2.31 million as of March 31, 2023. As of March 31, 2023, our Bank has disbursed over 8,628 CV/CE loans aggregating to ₹21,138.84 million. Our Bank has utilized over 70.01% of its branch network for providing CV/CE loans. As of March 31, 2023, 61.66% of CV/CE products were offered to PSL, and the ratio of new to banking customers to existing to banking customers was 1:5.

The following table sets forth a breakdown of our Bank's advances from its retail banking business unit as of March 31, 2021, 2022 and 2023:

Retail banking	**As of March 31,**							
	2021		**2022**			**2023**		
	(in ₹ million)	***(% of Gross Advances)***	***(in ₹ million)***	***(% of Gross Advances)***	***Y-o-Y growth (%)***	***(in ₹ million)***	***(% of Gross Advances)***	***Y-o-Y growth (%)***
Retail	**448,030.70**	**33.22%**	**478,442.47**	**32.41%**	**6.79%**	**560,286.94**	**31.59%**	**17.11%**
Housing loans and top-ups	188,231.80	13.96%	214,433.65	14.52%	13.92%	250,971.65	14.15%	17.04%
LAP	78,523.10	5.82%	84,532.15	5.73%	7.65%	99,839.57	5.63%	18.11%
Automobile loans	36,027.26	2.67%	42,289.36	2.86%	17.38%	54,478.42	3.07%	28.82%
Retail gold loans	57,301.24	4.25%	45,732.07	3.10%	(20.19)%	43,661.7	2.46%	(4.53)%
Personal loans	18,085.76	1.34%	17,503.34	1.19%	(3.22)%	23,929.07	1.35%	36.71%
Others[1]	127,162.78[2]	9.43%	119,683.97	8.11%	(5.88)%	131,068.23	7.39%	9.51%
Agriculture[3]	**161,824.50**	**12.00%**	**192,379.67**	**13.03%**	**18.88%**	**233,562.76**	**13.17%**	**21.41%**
Business banking[3]	**118,913.64**	**8.82%**	**124,778.10**	**8.45%**	**4.93%**	**142,200.18**	**8.02%**	**13.96%**
CV/CE	**0**	**0.00%**	**12,746.01**	**0.86%**	**100.00%**	**21,864.47**	**1.23%**	**71.54%**
Total Retail Advances	**728,768.84**	**54.03%**	**808,346.25**	**54.75%**	**10.92%**	**957,914.35**	**54.00%**	**18.50%**
NPA provision	15,129.32	-	17,487.63	-	15.59%	19,450.97	-	11.23%

Retail banking	As of March 31,							
	2021		2022			2023		
	(in ₹ million)	*(% of Gross Advances)*	*(in ₹ million)*	*(% of Gross Advances)*	*Y-o-Y growth (%)*	*(in ₹ million)*	*(% of Gross Advances)*	*Y-o-Y growth (%)*
Net Retail Advances	**713,639.52**	-	**790,858.62**	-	-	**938,463.38**	-	-

[1] *Includes advances received from cards and payment services, advances against deposits, advances against shares, education loans, credit cards and retail gold.*
[2] *Includes advances from gold loans.*
[3]*Include MFI, core agri and agri gold*
[3] *Advances from "Business banking" are included in our Bank's advances from MSME.*

The following table sets forth a breakdown of our Bank's profit from its retail banking business unit:

Retail banking	As of March 31,				
	2021	2022		2023	
	(in ₹ million)	*(in ₹ million)*	*Y-o-Y growth (%)*	*(in ₹ million)*	*Y-o-Y growth (%)*
Retail	**2,909.60**	**2,820.77**	**(3.06)%**	**5,094.20**	**80.62%**
Housing loans and top-ups	441.11	342.06	(22.45)%	1,732.08	406.37%
LAP	462.65	1,110.89	140.11)%	1,550.72	39.59%
Automobile loans	(100.42)	(258.64)	(157.56)%	(202.96)	(21.53)%
Retail gold loans	1,352.89	1,539.02	13.76%	1,364.78	(11.32)%
Personal loans	312.02	(306.35)	(198.18)%	53.34	117.41%
Cards and payment services	(223.07)	(249.78)	(12.11)%	(446.48)	(78.53)%
Others[1]	664.42	643.57	(3.14)%	1,042.72	62.02%
Agriculture[2]	**1,123.81**	**947.16**	**(15.72)%**	**1,518.82**	**60.36%**
Business banking	**922.41**	**1,655.11**	**79.43%**	**4,320.11**	**161.02%**
CV/CE	-	**118.31**	-	**148.61**	**25.61%**
Total Retail Profit	**4 955.82**	**5 541.35**	**11.81%**	**11 081.74**	**99.99%**

[1] *Includes profits received from advances against deposits, advances against shares, education loans, credit cards and retail gold.*
[2] *Includes profits received from MFI, core agri and Agri gold.*

Wholesale Banking

Our Bank's wholesale banking business unit constitutes loans and advances of ₹50.00 million and above to a single borrower, which our Bank classifies as wholesale lending. All proposed loans and advances are subject to our Bank's internal credit rating procedures, and internal ratings for facilities of ₹50.00 million and above must be reviewed and approved by its risk management department before the loans are sanctioned.

Our Bank's relationship managers play a key role in developing its wholesale banking business. Our Bank's relationship managers are spread across key geographies to source and manage end-to-end relationships with its customers. These relationship managers are supervised by its unit heads at different geographical locations to oversee and address the needs of its customers. Our Bank ensures that its relationship managers have the required product knowledge and skill profile to service its customers and take care of their banking needs.

Our Bank's relationship managers identify new value propositions for its customers by recommending products that are relevant to its clients. The engagement between our Bank's relationship managers and its customers creates brand loyalty and helps ensure that its customers' needs are fulfilled. In order to continue developing this sector, our Bank intends to target high rated corporates, mid corporates, PSUs and capital and bond market clients by offering value-based pricing and services. Our Bank recently participated in a syndicated factoring program executed in India, pursuant to which our Bank has the right to purchase certain specified debt or monetary obligations incurred or due by the obligor to the seller under a supply agreement for the supply and installation of certain telecommunications equipment and / or related services in India.

Our Bank categorizes its business under this wholesale banking business unit based on the profile of its customers and the various products our Bank offers under its CoB and CIB portfolio.

CoB

Under CoB, our Bank provides financing solutions to mid-market and MSMEs. As of March 31, 2023, our Bank had 2,473 customers in CoB. In Fiscal 2023, the average ticket size of CoB loans was ₹45.41 million.

CIB

Under CIB, our Bank caters to large business houses and corporates, MNCs, capital market clients, PSUs, and financial institutions. Our Bank's products include PayLite, a comprehensive solution for its corporate clients to make multiple debit or credit transactions through a single file upload. As of March 31, 2023, our Bank had 1,413 customers in CIB. In Fiscal 2023, the average ticket size of CIB loans was ₹363.21 million. Our Bank's trade finance products are categorized under its CIB portfolio.

Our Bank offers a variety of wholesale banking products and services, which are set out in detail below:

- *Working capital and short-term advances*

  Our Bank extends working capital and short-term advances in the following forms:

  - *Cash credits and overdrafts*: These are the most common type of credit facilities available to businesses and self-employed borrowers. Loans under these facilities are usually secured by assets, such as inventory, receivables, deposits, and other approved securities. Drawdowns from these facilities are permitted based on the value of such assets. These facilities are normally granted for periods up to 12 months, subject to an annual review. Renewals and rollovers are permitted based on annual reviews.

  - *Pre-shipment finance facilities*: These facilities are granted to exporters for procuring, processing, storing, and *packing* products. These facilities are normally extended for a period of 180-360 days. Drawings from the facilities are allowed based on the value of the products offered as security.

  - *Bills finance / post shipment facilities:* These facilities cover either bills drawn under letters of credit or documentary bills, cheques and drafts arising from trade transactions. The credit extended is self-liquidating. Bills which are negotiable in India and abroad generally have a tenor of up to 365 days.

  As of March 31, 2023, our Bank's working capital and short-term advances totaled ₹818,762.88 million, or approximately 46.16% of its gross advances.

- *Term loans*

  Term loans and project finance facilities for infrastructure, industrial and commercial enterprises, are used to finance the acquisition or construction of long-term assets. These facilities are repayable in fixed periodic instalments based on the borrowers' cash flow projections.

  As of March 31, 2023, the total amount of our Bank's term loans was ₹955,002.41 million, or 53.84% of its gross advances.

- *Documentary letters of credit*

  Our Bank opens documentary letters of credits on behalf of its customers to facilitate the procurement of goods and equipment either on a "documents against payment" or on a "documents against acceptance" basis. Documentary letters of credit facilities are generally approved along with other fund-based facilities when a detailed working capital assessment or project evaluation is done.

  As of March 31, 2023, our Bank's contingent liability under its documentary letter of credit portfolio totaled ₹25,350.11 million, or approximately 1.43% of its gross advances.

- *Bank Guarantee*

  Our Bank normally issues three types of guarantees, namely performance guarantees, financial guarantees and deferred payment. Such guarantees are issued for, among other things, purposes such as bid bonds, performance of contractual obligations, fulfilment of financial obligations and the procurement of goods and services.

  Generally, the letters of guarantee are issued for periods of less than 36 months. In addition to a charge on the assets of the borrower, such as receivables and cash flows, other current assets, and fixed assets, our Bank also requires borrowers to provide additional collateral by way of a cash margin or other securities.

  As of March 31, 2023, our Bank's contingent liability under letters of guarantee totaled ₹107,735.58 million, or approximately 6.07% of its gross advances.

- *Supply chain finance*

  Our Bank's supply chain finance products consist of dealer finance, vendor finance, payable finance and factoring products for its MSME and large corporate customers. Each customer is assigned a dedicated product team and relationship contact. Our Bank has entered into arrangements with two large dealer financers recently for its supply chain program.

  As of March 31, 2023, our Bank's supply chain finance totaled ₹32,524.85 million, or approximately 1.83% of its gross advances.

- *Foreign exchange services*

  Our Bank undertakes foreign exchange transactions on behalf of its customers, including trade related transactions of corporate clients, placing, and accepting deposits and borrowing and lending in foreign currencies. Our Bank uses currency swaps, forward contracts, and futures for hedging as well as for trading purposes. Our Bank has treasury relationship managers tagged to its foreign exchange customers to increase its foreign exchange income.

- *Gold metal loan*

  Our Bank offers gold metal loans to jewelry manufacturers, wherein the manufacturer borrows gold metal (instead of Indian Rupees) and settles the loan with the sale proceeds obtained from the sale of the metal. Gold metal loans may be availed by domestic jewelry manufacturers for 180 days, and in the case of exports, for 270 days.

The following table sets forth a breakdown of our Bank's advances from its wholesale banking business unit as of March 31, 2021, 2022 and 2023:

Wholesale banking	**As of March 31,**							
	2021		**2022**			**2023**		
	(in ₹ million)	***(% of Gross Advances)***	***(in ₹ million)***	***(% of Gross Advances)***	***Y-o-Y growth (%)***	***(in ₹ million)***	***(% of Gross Advances)***	***Y-o-Y growth (%)***
CoB[1]	132,617.11	9.83%	147,135.08	9.97%	10.95%	172,763.17	9.74%	17.42%
CIB	487,381.09	36.14%	520,912.13	35.28%	6.88%	643,090.25	36.26%	23.45%
Total Wholesale Advances	619,998.20	45.97%	668,047.22	45.25%	7.75%	815,853.41	46.00%	22.13%
NPA provision	14,851.80	-	9,623.60	-	-35.20%	9,845.47	-	2.31%
Net Wholesale Advances	605,146.40	-	658,423.62	-	8.80%	806,007.94	-	18.31%

[1]Advances from "CoB" are included in our Bank's advances from MSME.

The following table sets forth a breakdown of our Bank's profit from its wholesale banking business unit as of March 31, 2021, 2022 and 2023:

Wholesale banking	**As of March 31,**				
	2021	**2022**		**2023**	
	(in ₹ million)	***(in ₹ million)***	***Y-o-Y growth (%)***	***(in ₹ million)***	***Y-o-Y growth (%)***
CoB	189.80	867.40	357.01%	3,129.20	260.76%
CIB	1,469.40	3,017.70	105.37%	4,116.40	36.41%
Total Wholesale Profit	**1,659.20**	**3,885.10**	**134.16%**	**7,245.60**	**86.50%**

Treasury

Our Bank's treasury operations include trading and investments in government securities and corporate debt instruments, equity and mutual funds, derivative trading, and foreign exchange operations on proprietary account and for customers. Our Bank offers products such as constituent state guaranteed loan accounts to customers who intend to invest in government securities and treasury bills. Our Bank recently launched "Non-Deliverable Options", its new derivative product as part of its expansion of treasury products. Our Bank's profit from its treasury operations business unit decreased by 11.07% from ₹5,373.97 million in Fiscal 2021 to ₹4,779.18 million in Fiscal 2022 and by 21.23% from Fiscal 2022 to ₹3,764.78 million for Fiscal 2023. There was a decrease in Fiscal 2023 as the Fiscal 2023 benchmark bond rose above 7.50% as compared to Fiscals 2021 and 2022, when the benchmark bond moved below 6.00%.

Customer focus

In our Bank's retail and wholesale banking business units, our Bank offers its range of products to a diverse set of customers.

In addition to our Bank's retail and wholesale customers, our Bank targets the following customer segments, and they may be categorized either as wholesale or retail depending on different factors such as the type of customers that our Bank is offering the products to and average ticket size:

<u>*Government business*</u>

Our Bank offers term deposits and current accounts, including its GBD Super S1 accounts to government departments and PSUs, with no stipulation regarding the minimum balance. Our Bank also provides account management services and provisions for cash management. For further details on these types of deposits, see "*Retail Banking – Deposits*" on page 673.

<u>*MSME*</u>

Our Bank's MSME portfolio consists primarily of loans and advances to manufacturing and food processing enterprises, educational institutions, healthcare providers, the services sector, traders, and professionals, to facilitate the establishment, expansion, and modernization of businesses, including acquiring fixed assets, plant and machinery and meeting working capital needs. As of March 31, 2023, our Bank had more than 29,214 customers.

Our Bank seeks to provide integrated offerings along the supply chain to create better value for its MSME customers. Our Bank's 873 branches out of 1,355 bank branches, as of March 31, 2023, are located in semi-urban and rural areas. This has allowed our Bank to expand its business banking portfolio and leverage its distribution network to offer credit solutions for its MSME customers. Loans and advances to MSMEs are generally secured by collateral. As of March 31, 2023, our Bank's MSME gross advances stood at ₹314,472.00 million, representing Y-o-Y growth of 16% compared to March 31, 2022.

Gold loans

Our Bank offers gold loans to its customers, which covers retail gold, agri gold, MSME gold and gold loans to employees and its gold loan portfolio amounted to ₹198,410 million as of March 31, 2023.

Fee income

For the purposes of categorization, any fee income generated by the retail banking or wholesale banking business units is considered under that respective banking unit. Our Bank's fee-based services include loan processing fee, exchanges, commission, brokerage and other fee income (including bancassurance and wealth management), and net profit on forex transactions. Our Bank's fee income has steadily grown over the last three Fiscals due to strong collaborations, its digital capabilities, multi-pronged distribution approach, analytics and CRM solutions and cross-selling opportunities in its customer base. Our Bank's fee income grew at a CAGR of 32.38% and was ₹11,790.36 million, ₹14,925.24 million, and ₹20,662.55 million in Fiscals 2021, 2022 and 2023, respectively, constituting 7.51%, 9.48% and 10.80% of its total income, respectively. For our Bank's wealth management services, in collaboration with its associate, Equirus Capital, our Bank has focused on building a sizeable revenue and offer products and services such as mutual funds, capital gain bonds, offshore products, life settlements, tax advisory, estate planning, portfolio management services, alternate investment funds, professional management of primary and secondary debts and unlisted securities. Our Bank's fee income from wealth management increased by 74.19% from ₹121.14 million in Fiscal 2022 to ₹211.01 million in Fiscal 2023.

Our Bank's insurance fee business is driven by bancassurance partnership with various insurance companies. Our Bank receives a fee for each insurance product sold. Our Bank's bancassurance services aim to integrate with partner systems for sales optimization and can make predictive product recommendations using analytics and propensity. Our Bank has entered into agreements with insurance companies for distribution of life insurance, non-life insurance, and health insurance products. In addition, our Bank distributes insurance products digitally. Our Bank has also introduced new distribution models such as an 'insuretech' platform, tele sales and digital channel. As a result of these initiatives, our Bank's fee income from bancassurance increased by 33.05% from ₹850.52 million in Fiscal 2022 to ₹1,131.59 million in Fiscal 2023.

Other

Our Bank also offers other products, which are categorized under either its retail or wholesale units, depending on their ticket size, such as the general credit card loan scheme, which provides credit to customers from rural and semi-urban centers based on their cash flow, and its loan against rent receivables, which provides loans against rent receivables for customers who own commercial property.

Rating Distribution

The external rating of our Bank's advances from its CIB unit as of March 31, 2023 is set forth in the table below.

Rating	March 31, 2023
A & Above	77.46%
BBB	9.11%
< BBB	2.45%
Others	10.98%

Our Bank's internal rating for its externally unrated advances from its CIB unit (i.e., the rating marked "Others" in the table above) as of March 31, 2023 is set forth in the table below.

Rating	March 31, 2023
FBR1	7.95%
FBR2/FBR3	6.83%
FBR4	8.03%
Below FBR4 and unrated advances (including inter-bank participation certificates and exempted category advances, such as loans against liquid security)	77.20%

Our Bank's internal rating for its advances excluding its CIB unit as of March 31, 2023 is set forth in the table below.

Rating	March 31, 2023
FBR1	4.97%

FBR2/FBR3	17.81%
FBR4	17.26%
FBR5/FBR6	29.79%
Others	30.17%

Restructured Book

As of March 31, 2023, our Bank's total restructured book had a balance of ₹34,724.54 million (of which ₹1,381.41 million was made up of bonds), comprised of a standard balance of ₹28,301.92 million and a net NPA balance of ₹6,422.63 million.

The book value of our Bank's security receipts was ₹4,072.37 million as of March 31, 2023.

Pricing Policy

Our Bank uses a risk adjusted return on capital framework for risk-based pricing of loans and advances. Our Bank prices its credit products based on an assessment of internal credit rating, tenor of the loan, availability of collateral security and market conditions.

Our Bank's criteria for the acceptability of a borrower include:

- for corporate borrowers, satisfactory quality of management measured in terms of past track record, reputation, competence, integrity, profitability and sustainability of the borrower's business model and its projected cash flows;
- an acceptable internal credit rating, with loans granted only to those borrowers falling within defined thresholds of risk levels;
- significant probability of credit rating enhancement in the medium term;
- scope of the industry in which the borrower is involved and its internal prudential norms for sectoral exposures;
- compliance with internal and regulatory requirements on single borrower and group exposure;
- maturity profile for the proposed facility;
- acceptable security and credit enhancement measures;
- compliance with its ESMS policy;
- not falling under its exclusion list, i.e., a list of industries and activities that its Bank does not extend financing to; and
- pricing.

For more information, see "*-Risk Management — Credit Risk*" on page 691.

Compliance with RBI Lending Requirements pertaining to lending to priority sectors

Lending to Priority Sectors

The Master Direction – Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016 (the "**Master Direction**"), set out the broad policy in relation to priority sector lending ("**PSL**"). In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) MSMEs; (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others. Under the Master Direction, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure ("**CEOBE**"), whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. It also prescribed sub-targets for agriculture, micro-enterprises, and weaker sections.

In the case of non-achievement of priority sector lending targets, including sub-targets, our Bank is required to invest in the Rural Infrastructure Development Fund ("**RIDF**") established with NABARD and other funds with NHB / SIDBI / MUDRA Limited. As decided by RBI from time to time. The amount to be deposited, interest rates on such deposits and periods of deposits, and other terms, are determined by the RBI from time to time. Our Bank reports priority sector loans to the RBI on a quarterly basis.

For further details on our Bank's priority sector lending, see "*Selected Statistical Information* " on page 697.

Multi-Pronged Distribution Approach

Our Bank's multi-pronged distribution approach involves a 'lite branch heavy distribution' model that is complemented by alternate distribution channels. For further details in relation to our Bank's multi-pronged distribution approach, see "*Our Business – Overview*" and "*-Strengths*" on pages 664 and 667, respectively.

Branch Network

The table below sets forth our Bank's branches and ATM (including cash recyclers and mobile ATMs) networks between Fiscals 2021 and 2023:

Branch Network	As of March 31,		
	2021	2022	2023
	(in ₹ million)		
Branches* – Bank	1,272	1,282	1,355
ATMs (including cash recyclers and mobile ATMs)	1,957	1,885	1,916

**Total bank branches do not include extension counters and the GIFT City branch*

These branches serve to develop our Bank's relationship channels and sales channels to serve its customers' needs. The National Electronic Funds Transfer ("**NEFT**") is a nation-wide payment system, and our Bank provides NEFT services, allowing customers to transfer funds from their bank branch to any other bank branch, facilitating one-to-one funds transfer. Our Bank has also developed allied products and strategic alliances to provide innovative co-branded products for its customers.

The Bank's branches are strategically and geographically divided into two networks. The zonal offices report to the networks' heads, have full-fledged administrative offices, and oversee the branches in their respective zones. The branches report to the zonal offices through their regional heads. As of March 31, 2023, our Bank has a network of 1,355 bank branches and nine zonal offices. Amongst the branches, 597 branches are located in Kerala and 758 are located in the other Indian states. Our Bank also maintains 17 extension counters, each of which acts as a service outlet linked to a branch and offering banking services at locations such as educational institutions, information technology parks, airports, and hospitals. Our Bank continuously assesses market conditions and the profitability of its branches and extension counters to rationalize its network by merging branches and opening new branches which meet its customers' current needs.

Our Bank's IFSC Banking Unit ("**IBU**") in the GIFT City is equivalent to an overseas branch for all practical purposes. It acts as a base to provide international banking services in India.

Our Bank's branch network extends across India, and the following table sets forth a geographical breakdown of the branch network as of March 31, 2023:

State/ Union Territory	Number of branches	Percentage of branches
East India	-	-
West Bengal	33	2.44%
Orissa	25	1.85%
Bihar	8	0.59%
Jharkhand	9	0.66%
Assam	13	0.96%
Meghalaya	2	0.15%
Tripura	1	0.07%
Mizoram	1	0.07%
Nagaland	2	0.15%
North India	-	-
Delhi	26	1.92%
Punjab	29	2.14%
Uttar Pradesh	25	1.85%
Rajasthan	8	0.59%
Haryana	22	1.62%
Madhya Pradesh	13	0.96%
Chhattisgarh	3	0.22%
Uttarakhand	1	0.07%
Jammu & Kashmir	1	0.07%
Chandigarh	3	0.22%
Himachal Pradesh	1	0.07%
South India	-	-
Karnataka	110	8.12%
Andhra Pradesh	32	2.36%
Telangana	27	1.99%
Tamil Nadu	197	14.54%
Kerala	597	44.06%
Puducherry	3	0.22%

State/ Union Territory	Number of branches	Percentage of branches
West India	-	-
Maharashtra	101	7.45%
Gujarat	54	3.99%
Goa	6	0.44%
Dadra & Nagar Haveli	1	0.07%
Daman & Diu	1	0.07%
Total Bank Branches*	1,355	100%

**Total bank branches do not include extension counters and the GIFT City branch*

As a part of the branch authorization policy guidelines issued by the RBI, at least 25% of our Bank's branches opened in a financial year must be located in unbanked rural centers. An unbanked rural center is a rural center in the Tier 5 and Tier 6 cities that does not have a core banking solution enabled "banking outlet" of a scheduled commercial bank, small finance bank, payment bank or a regional rural bank nor a branch of a local area bank, or licensed cooperative bank for carrying out customer-based banking transactions. As of March 31, 2023, our Bank has 176 branches in such localities. As of March 31, 2023, our Bank had a total of 165,122,300 million customers.

The table below sets forth a breakdown of our Bank's branches by metro, urban, semi-urban, rural areas and overseas as of March 31, 2021, 2022 and 2023:

Branches	**As of March 31,**					
	2021		**2022**		**2023**	
	Number	***As percentage of total number of bank branches***	***Number***	***As percentage of total number of bank branches***	***Number***	***As percentage of total number of bank branches***
Metro	210	16.51%	209	16.30%	234	17.27%
Urban	226	17.77%	234	18.25%	248	18.30%
Semi-urban	681	53.54%	683	53.28%	699	51.59%
Rural	155	12.19%	156	12.17%	174	12.84%
Overseas	0	0.00%	0	0.00%	0	0.00%
Total*	**1,272**	**100.00%**	**1,282**	**100.00%**	**1,355**	100.00%

**Total bank branches do not include extension counters and the GIFT City branch*

<u>Representative offices</u>

Our Bank carries out its overseas operations pertaining to NRIs mainly through its Abu Dhabi representative office, which opened in 2008, and the team of officers attached to it stationed in various member countries of the GCC. In fiscal year 2017, our Bank opened its second representative office in Dubai. Through the relationship managers in its representative offices, our Bank provides remittance services to its customers located in the GCC. Our Bank works closely with the exchange houses and banks in the GCC to provide such services to its customers.

<u>Federal Experience Center</u>

Our Bank established the Federal Experience Center ("**FEC**") in November 2014. The FEC was established to provide digital banking and leisure amenities in Cochin International Airport for its customers.

<u>ATMs (including cash recyclers and mobile ATMs) and cash deposit machines</u>

As of March 31, 2023, our Bank has 1,916 ATMs (including cash recyclers and mobile ATMs) and 552 cash deposit machines ("**CDMs**") deployed at various locations in India.

Our Bank has an ATM co-branding arrangement at selected locations with two ATM operators. Branding of such sites is done jointly between our Bank and its partners, and its customers can access these select ATMs without any charges.

CDMs facilitate cash deposits for our Bank's savings and current account holders. CDMs enable our Bank's customers to deposit cash into their accounts even after its business hours. CDMs have inbuilt systems to identify fake notes and to sort cash deposited by customers into different denominations. CDMs can also provide other facilities, such as balance inquiries and mini statement inquiries, if the operation is carried out through an ATM or debit card. All of our Bank's CDMs are installed in its ATM sites (including cash recyclers and mobile ATMs). Our Bank's CDMs are widely accepted among its customers, and they play a major role in reducing the counter rush at its branches.

<u>Bank owned sales and relationship channel</u>

- *Relationship managers*

Our Bank has relationship managers for specialized products and business units. Under our Bank's 'lite branch heavy distribution' model, its branches have been integrated with its relationship manager network. As of March 31, 2023, our Bank has 941 relationship managers and seek to expand its relationship manager network to focus on new opportunities for growth and acquiring new customers. The expansion would aid our Bank's branches in business acquisition.

- *Business correspondents*

  As permitted by RBI and in compliance with our Bank's Board-approved policy on engaging BCs, our Bank has a network of 11 BC tie-ups as of March 31, 2023, across selected geographies, exclusively for sourcing and servicing of micro lending portfolio. Our Bank lends to joint liability groups through BCs as well.

- *DSAs and connectors*

  DSAs and connectors are individuals or entities who identify potential customers for the Bank and guide these customers in the loan process.

Digital initiatives

Our Bank's physical network is complemented by its digital initiatives that enables it to provide its customers with access to on-demand banking services. Our Bank's digitization strategy is 'digital at the fore and human at the core'. Our Bank has implemented its digitization strategy across the origination function, servicing function and operations thereby driving digital migration, digital transformation, and operational efficiencies. For instance, our Bank has leveraged digital tools for sales planning, new business opportunities, partner management and incentives. Our Bank is continuously investing in technology as a means of improving its customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us.

Our Bank cross-sells its high-yielding lending products to its existing customers in the form of pre-approved offers through the digital process. As a result, our Bank's digital transactions have increased by 44.86% from 8.71 million digital transactions in the month of March 2022 to 12.61 million digital transactions in the month of March 2023. Over 90.01% of our Bank's total transactions were undertaken digitally in March 2023.

Our Bank upgraded its systems to ensure a smooth integration between its existing infrastructure and its new digital banking products. Our Bank has also launched digital delivery channels for the distribution of its products and services, such as launching a digital journey for issuing credit cards and secured credit cards (for existing resident and non-resident customers) with an instant issuance of a virtual credit card. Other digital channels include the launch of an investment portal in FedMobile for digital onboarding of the mutual fund business and digitalizing the auto loan journey. Our Bank also provides specialized FedMobile banking services for its SME and corporate customers, such as FedCorp, its mobile banking application that allows its corporate customers to manage banking transactions at their convenience. For further details of our Bank's CIB portfolio, see "*Business activities – Wholesale Banking*" on page 677.

Our Bank's digital offerings include:

- *"SoftPOS"*: A mobile application-based solution available on android platforms, and a form of "Mobile as POS" that enables merchants to accept cash, card, QR or UPI transaction on their mobile phones without the need of additional hardware.

- *"Feddy"*: A digital assistant that resolves customer queries with efficiency. Feddy is live on our website.

- "*Digital personal loans"*: A platform that provides end-to-end solutions to a customer digitally, i.e., from onboarding to disbursement of the loans up to ₹0.5 million.

- *BYOM (Be Your Own Master)*: A service that allows our Bank's customers to avail a pre-approved retail personal loan online and accept the terms and conditions through our Bank's web portal. The customer's operative account is immediately credited with the loan amount. This facility neither requires a customer to visit a branch nor requires any paperwork.

- *Instant Account Opening*: Our Bank has introduced an instant account opening process by integrating and leveraging the advantages of e-KYC and pre-opened kits. A pre-opened kit can be activated instantly after e-KYC authentication using Aadhaar. Activating the pre-opened kit will enable customers to use their debit cards to activate other digital channels.

- *Facility for current account opening*: Our Bank has introduced a portal for opening current accounts of sole proprietors and individuals through an assisted mode.

- *Facility for direct tax, goods and services tax ("**GST**"), and customs duty collection*: Our Bank has integrated with the Government of India's direct tax, GST and customs departments for the collection of taxes and customs duty through digital mode. As an empaneled bank, our Bank offers a range of payment services to taxpayers, including online payment through net banking, UPI, debit card and credit card.

- *"Fed-E-Studio"*: Kiosks that enable digital and contactless self-service of various transactional services, including account transfers, cheque deposits, bill payment and mobile recharge.

- *"Digital Kisan Credit Card" facility:* A facility launched in association with the RBI innovation hub. This platform has built-in capabilities to enable an end-to-end digital and paperless journey. The platform uses digital capabilities such as e-KYC and e-Sign, APIs developed by the GoI and machine learning capabilities. The facility aims to provide small value loans to small and marginal farmers and is designed to facilitate credit flow to unserved and underserved rural population.

- *"FedMi", an exclusive platform for microlending*: FedMi, through its mobile and web modes, facilitates automation of various processes from loan sourcing to loan collections, replacing the manual mode of loan origination system and loan management system. It is integrated with our Bank's core banking solution through API calls and eases the process of onboarding clients, opening accounts, disbursements, and field collections.

- *"Cross Border Bill Payments"*: A facility to help NRIs make utility, education and other bill payments on behalf of their families in India.

- *"FedGold@Home"*: A model that envisages instant credit of loan amount to the customer's account and delivery of gold ornaments back at their doorstep on loan repayment.

- *"Fed-e-Point"*: A platform that provides digital access to a range of non-financial account services such as cheque book request, debit card application, financial advisory and PAN update. As of March 31, 2023, our Bank has received 24% cheque book requests, 22% PAN update requests and 25% debit card application requests through Fed-e-Point.

- *"Fed-e-biz*": An omni-channel platform that offers digital banking services to corporates. There was a 38.67% growth in terms of transaction value on this platform for the month of March 2023, compared to the month of March 2022, and a 49.27% Y-o-Y growth in terms of transaction volume between the same months.

- *"Immediate payment service"*: An instant interbank electronic fund transfer service through mobile phones that helps customers to send or receive money instantly using their Federal Bank account and their mobile number along with a 7-digit mobile money identifier.

Further, our Bank has also entered into a fintech collaboration with Valocity India LLP ("**Valocity**") for mortgage loans, wherein Valocity's platform identifies and displays past mortgage valuations done by customers for the same property address, to streamline the valuation process. Our Bank believes that these digital initiatives have helped improve its customers' banking experience with us. Our Bank believes additional investments in its technology infrastructure will allow it to cross-sell a wider range of products on its digital platform in response to its customers' needs and thereby expand its relationship with its customers across a range of customer segments.

On the operational side, our Bank believes that investments in internal systems and security technology lead to enhanced customer satisfaction, and therefore enhance its competitiveness. Our Bank is also continuing to invest in its cyber security network and privacy protection systems, in order to supplement its growth and increase the robustness of its data security framework. Our Bank believes these operational initiatives will also provide it with insights into its customers, enabling our Bank to cater to their financial needs in a customized manner.

Our Bank believes that access to account information and the ability to undertake banking transactions through the internet are key to satisfying the needs of certain customer segments and our Bank offers internet banking services to its customers through its website, www.federalbank.co.in. Our Bank's internet banking facilities provide, among other services, funds transfer, IMPS, mobile and DTH recharge, term deposits, recurring deposit opening, loans against term deposit, tax payment and utility bill payments amongst others. Our Bank offers its customers several facilities such as viewing account statements, performing funds transfer and opening deposits online, pursuant to FedNet, its internet banking initiative. Our Bank also provides specialized FedNet internet banking services for its CIB portfolio. Our Bank also provides real time gross settlement fund transfer facilities at all of its branches, which allows settlement of fund transfers individually on an order-by-order basis. The provision of internet banking has been a cost-effective tool in increasing its market share in the retail sector.

Our Bank was one of the 13 banks to be chosen by the RBI to be a part of the CBDC R/e-rupee project, a pilot programme launched by the RBI for the digital rupee.

The following table sets forth key data in relation to our Bank's digital initiatives:

Data	Fiscal 2023
Share of transactions serviced digitally	89.17%
Value of average monthly mobile banking transactions	1,421,499.90 million
Value of average monthly corporate digital products transactions	3,732,275.55 million
Y-o-Y growth in UPI transactions (based on value)	139.41%
RPA processes running as of March 31, 2023	285
Accounts opened digitally	80%
APIs available in open banking as of March 31, 2023	469
Number of channels where AI is integrated as of March 31, 2023	5

Alternate channels

Our Bank has also magnified its reach through alternate channels such as co-lending, sales force expansion through FedServ and tele sales. These alternate channels enable our Bank to leverage the distribution capabilities of its collaborators, distribute multiple products, including its high margin lending products, diversify risk and optimize its cost of acquisition.

Fintech collaborations

Due to our Bank's digital readiness and robust information technology infrastructure that supports an open banking ecosystem, our Bank has been able to onboard several fintech collaborators including Paisabazaar, OneConsumer, DGV, Mashreq and Epifi as of March 31, 2023. Our Bank's fintech collaborators are served through a dedicated vertical that has specialized skills and capabilities for risk management, and our Bank has an API gateway to support its fintech collaborators. Our Bank also has a comprehensive and open banking ecosystem that provides its fintech collaborators a smooth onboarding experience.

Our Bank's fintech collaborations generate cross-selling opportunities, enable access to customers that are new to banking, customers with a credit history and digitally native customers. Our Bank has collaborated with a fintech company, DGV to provide financial services to its customers, including cash withdrawal, deposit and providing loan EMI collect options at DGV retail outlets and value-added services such as bill payment services.

Our Bank generates a higher return on assets through customers accessing high margin lending products such as credit cards through its fintech collaborations as the cost of acquisition of these customers is relatively lower compared to branch customers. Our Bank's fintech collaborations further help it to establish its presence in markets at a faster pace and expand its distribution footprint in India without requiring physical presence. As of March 31, 2023, 23.60% of its personal loan disbursements, 81.05% of credit card issuances and 33.05% of incremental growth in savings accounts, was attributable to its fintech collaborations.

Treasury Group

Our Bank's treasury group is responsible for balance sheet management, liquidity management, maintenance of statutory reserve requirements, trading in money market instruments, bonds and debentures, equity, alternative investment instruments and foreign exchange. Our Bank has dealing desks in the major verticals, namely foreign exchange interbank and merchant forex, derivatives-currency options / cross currency swaps / interest rate swaps, currency futures, interest futures, overnight index swaps, non-deliverable forwards, domestic – money market, government securities, bonds and debentures, certificates of deposit, commercial paper, interest rate swaps and equity. Our Bank provides a web-based trading platform and intraday trading facilities to clients in the Constituent Subsidiary General Ledger ("**CGSL**") vertical.

Our Bank's treasury group follows as three tier structure comprising of front office, mid office and back office.

The front office captures all the front-end dealings of the Bank and has robust risk management and monitoring capabilities, which ensures the total automation of treasury activities and its seamless integration with the Bank's core banking system. The front office consists of the following desks:

(i) The statutory liquidity ratio ("**SLR**") desk, responsible for ensuring SLR compliance, which also handles investments and trading activities in government securities, state development loans and treasury bills.

(ii) The CGSL desk, which provides the investment and trading services on government securities, state development loans and treasury bills to clients.

(iii) The Money Market desk, responsible for ensuring cash reserve ratio ("**CRR**") compliance, managing the daily cash flow and liquidity of funds within the bank, managing market borrowing and lending operations.

(iv) The Non-SLR desk, responsible for investments and trading in certificate of deposits, corporate bonds, short term paper, commercial paper and equities, and making long term strategic investments.

(v) The derivatives desk, which engages in arbitrage trading in interest rate and currency derivatives.

(vi) The forex cell, which formulates internal guidelines for trade finance, liaises with branches and other Bank departments for trade-finance related matters and submits regulatory reports to RBI and other regulators.

(vii) The analytics desk, which assists dealers with research on market developments and insights, analyzes the performance and valuation of the Bank's investment portfolio, and helps to monitor risk.

The mid office of Treasury forms part of the market risk division, which reports to the Head of Market Risk and functions as the risk control unit for the activities of the Treasury and IBU. The Mid Office conducts market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. It also computes capital charge for market risk of market portfolios on a daily basis. This separate desk monitors market / operational risks in the Bank's Treasury and foreign exchange operations on a daily basis. The Market Risk Division monitors key parameters on a periodic basis and recommends changes in policies, processes and methodologies; it scrutinizes the treasury deals and transactions from both market risk and operational risk perspectives.

The Back Office of Treasury, which reports to the head of the Operations Department, is responsible for acceptance, settlement and reconciliation of Investment deals, accounting, reporting of CRR and SLR to the regulators, and valuation of investments as per regulatory guidelines.

Operations

The centralization of operational activity is an ongoing process in the bank, which is carried out by the operations team. Such centralization facilitates customer engagement activities and streamlines the work in its branches. Some of the key activities which our Bank has centralized include: the creation and modification of its customers' identity credentials, the opening of CASA and loan accounts, trade finance instruments, the registration of channel facilities, the supervision and management of its payment channels, the processing and settlement of domestic and international payments and receipts and administrative and back-office functions.

Our Bank's subsidiary, FedServ, provides operational and technology-oriented services to our Bank.

Operational Controls and Procedures in Branches

An operational framework has been established to ensure that these transactions are handled with precision, regularity and efficiency in a risk-mitigating manner. Operational instruction manuals at the branches detail procedures for processing various banking transactions. Amendments to these manuals are implemented through circulars sent to all branches.

Our Bank places importance on computer security and has adopted an information security policy. Most of our Bank's information technology assets, including critical servers, are subject to appropriate physical and logical access controls. The powers to authorize transactions are exercised by officials in accordance with a scheme of delegation of powers and the monetary limits are incorporated as authorization levels in the software, which validate each payment.

Our Bank's transaction monitoring and fraud prevention department maintains an efficient system for constant surveillance and monitoring to prevent losses due to frauds, malpractices and lapses.

Operational Controls and Procedures for Internet Banking and fintech collaborations

Two factor authentications in the form of an OTP via SMS or the mobile application is in place as an added security to internet banking transactions.

Anti-Money Laundering Controls

Pursuant to the Prevention of Money Laundering Act, 2002 ("**PMLA**"), our Bank has implemented a policy on "know your clients" standards and anti-money laundering and combating financing of terrorism controls. These policies have been approved by the Board of Directors and are being followed by each of our Bank's branches. These policies, which consist of customer identification procedures and customer acceptance policies, form the basis of our Bank's anti-money laundering controls. Transactions are monitored centrally, and alerts are generated based on scenarios configured in accordance with the regulatory guidelines. Our Bank's branches also monitor suspicious activities based on multiple alert indicators. A senior management official designated as the Principal Officer under the PMLA oversees the anti-money laundering activities and ensures compliance with our Bank's internal policies. A Board designated director oversees the work of the Principal Officer. The data is captured at a central location and daily suspicious transaction reports are submitted to the Ministry of Finance, Department of Revenue, Financial Intelligence Unit – India.

Recovery of Non-Performing Assets

Our Bank has devised a strategic policy for the recovery of NPAs by identifying such risky assets at an early stage with the daily recognition of NPAs. The various measures recommended for recovery include one-time settlements, out-of-court settlements, filing of suits before the Debt Recovery Tribunals and courts, actions under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 and Lok Adalats, which is a system for out-of-court settlements of impaired loans through mutual consent in accordance with the Legal Services Act 1987. In addition, our Bank also initiates Indian Bankruptcy Code proceedings against companies and their personal guarantors for recovering dues, to the extent feasible.

Additionally, NPA accounts of ₹50.00 million and above are reviewed periodically by our Bank's senior management or the Board of Directors and appropriate measures are taken for their early recovery or upgrading. Non-performing loans which are not capable of upgrading or recovery are also considered for write-off on a case-by-case basis, although recovery efforts continue to be undertaken on accounts that have been written off. Our Bank believes that the healthy level of recoveries from NPAs and in unrealized interest were primarily due to the collateral that has been provided to secure the impaired loans, which encourages borrowers to repay loans and interest rather than forfeit their property.

Competition

Our Bank's Bank faces strong competition in all of its principal lines of business. Our Bank's primary competitors are public sector banks, other private sector banks, co-operative banks, foreign banks, funds transfer agencies and in some product areas, non-banking financial companies, small finance banks, regional rural banks and payment banks. For further details, see *"Industry Overview"* on page 648.

Retail Banking

In retail banking, our Bank's principal competitors are the large public sector banks, small finance banks, as well as existing and new private sector banks and foreign banks in the case of retail loan products. Public sector banks also have large deposit bases and large branch networks. Small finance banks provide niche services to small businesses and individuals and compete with our Bank in the agricultural loans sector. Private sector and foreign banks compete principally in limited geographical areas by adopting different marketing strategies. Foreign banks, while having a small market penetration overall, have a significant presence among NRIs and also compete for non-branch-based products such as auto loans and credit cards.

In particular, our Bank faces significant competition primarily from private sector banks and public sector banks, for its housing loans and top-ups, automobile loans and personal loan products.

Wholesale Banking

Our Bank's wholesale banking products and services face competition from a number of public sector banks, private sector banks and financial institutions. This competition has, over time, built extensive branch networks, providing them with the advantage of a low-cost deposit base, and enables them to lend at competitive rates. In addition, the extensive geographic reach of many of these institutions enables product delivery in remote parts of the country. Our Bank seeks to compete with these banks through the competitive pricing of loans, advance and services, faster response to customer requirements, quality of service, a fast-growing inter-connected branch network, and technology-enabled delivery capabilities.

Other private sector banks also compete in the corporate banking market on the basis of pricing, efficiency, service delivery and technology.

Our Bank also faces competition from foreign banks, with foreign banks traditionally having been active in providing trade finance, fee-based services and other short-term financing products to top-tier Indian corporations. Our Bank has established strong ties in trade finance and compete with foreign banks using its broader branch network in the country, innovative products and competitive pricing.

Treasury

In our Bank's treasury advisory services for corporate clients, our Bank competes principally with foreign banks in foreign exchange and derivatives, as well as public sector and private sector banks in the foreign exchange and money markets business.

See "*Risk Factors 16 – Our Bank's business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and its strategy depends on its ability to compete effectively*" on page 45.

<u>Environment, Social and Governance ("ESG") Initiatives</u>

Environment

In our Bank's effort to address the climate change challenge, our Bank is taking actions towards reducing its carbon footprint and improving resource efficiency. Our Bank has utilized technology to improve energy efficiency and has started switching to renewable energy sources. For instance, our Bank has a target of installing in-house solar power generation capacity of 500 KW by March 2025, having achieved a capacity of 300 KW as of March 31, 2023. Our Bank has installed rainwater harvesting units in its various offices, achieving a water conservation capacity of 84,000 liters as of March 31, 2023. Our Bank aims to increase its water conservation capacity to 100,000 liters by March 31, 2025. Our Bank has switched to LED lights and have installed energy-efficient air conditioners across its branches, with one of its branches currently undergoing a certification under the green interior rating system by the Indian Green Building Council as of the date of this Preliminary Placement Document. Our Bank has a target of ensuring that at least 10% of all its branches are green-certified by March 2028.

Our Bank has identified certain sectors that have a negative impact on the environment and society as exclusion activities. Our Bank's intent is to desist making fresh project exposures to these sectors and eventually reduce overall exposures in them. As of March 31, 2023, 0.76% of our Bank's gross advances were "coal-related sub-project exposures" (as defined in its ESMS policy), a decrease from 3.49% as of March 31, 2021 (the "**March Baseline**"). As per its ESMS policy, our Bank has undertaken to reduce its coal-related sub-project exposure to 50% of the March Baseline by December 2025, and to nil by December 2030.

Our Bank supports its corporate and retail clients in their transition to greener business models by financing, among other things, renewable energy, green building, smart agriculture and water or waste management projects as well as offer incentivized rates. As of March 31, 2023, our Bank's green financing loan book stood at ₹32.22 billion, and our Bank targets to build this to ₹130.00 billion as of December 31, 2025.

Further, digitization has been a key driver in our Bank's sustainability initiative enabling it to significantly reduce paper consumption, optimize energy consumption and prevent travel-related emissions.

Social

Our Bank has taken various actions through its dedicated arm, Federal Bank Hormis Memorial Foundation. These include supporting healthcare initiatives and providing scholarships to meritorious students who belong to financial weaker sections of society for pursuing various professional courses.

Governance

Our Bank has robust systems and practices which ensure high level of accountability and transparency. Our Bank also has various policies in place for, among other things, anti-bribery and corruption, preventing fraud, whistle blower and preventing insider trading. As of the date of this preliminary placement document, our Bank's Board consists of 10 experienced professionals with significant experience in their respective fields. As of the date of the Preliminary Placement Document, 72.72% of our Bank's Directors are independent and 18.18% are women. For further details in relation to our Bank's Board of Directors, see *"Board of Directors and Senior Management"* on page 713.

Subsidiaries and Associates

As of March 31, 2023, our Bank has two subsidiaries and two associates. Our Bank's wholly owned subsidiary, FedServ, provides operational and technology-oriented services to our Bank. Our Bank's subsidiary, FedFina, in which our Bank holds a 73.21% stake, is a retail focused NBFC with a suite of products including housing loans and top-ups; small ticket LAP and medium ticket LAP, unsecured business loans and gold loans. Our Bank's associate, Ageas Federal Life Insurance Company, which our Bank holds a 26.00% stake in, provides life insurance policies. Our Bank's associate, Equirus Capital, in which our Bank holds a 19.79% stake, provides investment banking, financial institutional, insurance broking, institutional equities, portfolio, and wealth management services.

Employees

Our Bank has built up a team of professionals comprising experts in risk management, credit analysis, treasury, relationship management, retail products, marketing and information technology as well as general banking professionals. As of March 31, 2021, the Bank had 12,592, 12,641 and 13,457 employees in Fiscals 2021, 2022 and 2023, respectively. Our Bank's profit per employee increased by 54.06% from ₹1.49 million in Fiscal 2022 to ₹2.29 million in Fiscal 2023.

Our Bank has variable pay plans for employees linked to performance, role and function, and these are extended in the form of bonuses, performance-linked incentives and performance-based reward program. Our Bank also offers employees certain stock option schemes. For further details in relation to employee stock option schemes, see *"Capital Structure"* on page 91.

Employees are eligible for benefits from the Provident Fund, which is a defined contribution plan. Our Bank also provides for gratuity (the "**Gratuity Plan**") and Pension (the "**Pension Plan**"), each of which are defined benefit retirement plans. The Gratuity Plan provides a lump sum payment to vested employees or their nominees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. Our Bank also contributes specified amounts to the gratuity fund and the superannuation fund. The liabilities are determined by actuarial valuation. As of March 31, 2023, our Bank's liability for retirement benefits (including pension, gratuity and leave encashment benefits) totaled ₹26,051.81 million. Our Bank's employees who joined it on or after April 1, 2010, are governed by the Defined Contributory Pension Scheme ("**DCPS**") in line with the New Pension Scheme. As of March 31, 2023, 3,627 employees are covered under the Pension Plan, 9,435 employees under the DCPS and 44 employees are covered under the Provident Fund.

Although a majority of our Bank's officers and employees are members of a recognized union or officers' association, its Bank considers relations with its employees to be good. Collective bargaining negotiations to set salary and benefit standards for bank employees take place at the industry level through the Indian Banks' Association, which is an independent body. Our Bank has had past instances of industry-wide strikes by the unions which affected all banks and have also had past instances of strikes which only affected our Bank. For further details, *"Risk Factors 47 — Potential employee strikes could have a materially adverse effect on our business and operations*" on page 56.

Properties

As of March 31, 2023, our Bank had a network consisting of 1,355 branches, 9 zonal offices and 1,916 ATMs (including cash recyclers and mobile ATMs) spread over 27 states, and 4 union territories, throughout India, and its Subsidiaries collectively, had 575 branches. Our Bank's branches and its offices operate on leased premises as well as on owned premises. 56 branches/offices, including the head office, are functioning from the Bank's owned premises and the remaining 1,585 branches/offices are functioning from leased premises. The net book value of all the properties owned by our Bank as of March 31, 2023, including our Bank's corporate headquarters, its staff training college, 16 zonal and other offices, 37 branches, 293 residential flats and 10 guest houses was ₹2,616.00 million.

Legal Proceedings

For further details in relation to legal proceedings, see *"Legal Proceedings"* on page 768.

Intellectual Property

Our Bank is the registered proprietor of the trademark "Federal Bank" and the trademark in its corporate logo.

Our Bank utilizes a number of different forms of intellectual property in its business including its Federal Bank brand and the names of the various products our Bank provides to its customers. Our Bank believes that it currently owns, has licensed or otherwise possesses the rights to use, all intellectual property and other proprietary rights, including all trademarks, domain names, copyrights, patents and trade secrets used in its business.

Awards

As of the date of this Preliminary Placement Document, our Bank has won the following awards:

1. BYOM Top up Home Loans by Finnoviti Awards (2023);
2. Awarded at Infosys Finnacle Innovation Award (2023);
3. Recognition for being among the best in the industry in Best Workplaces™ in Banks by Great Place to Work® (2023);
4. Top 25 India's Best Workplaces™ in BFSI by Great Place to Work® (2022-2023);
5. Ranked 44th Best Company to Work For in India by Great Place to Work® and The Economic Times (2023);
6. Top 50 (Large) of India's Best Workplaces™ for Building a Culture of Innovation by All by Great Place to Work® (2023);
7. Best FinTech Partnership/Start-up Alliance Initiative of the Year for 'Gold Loan' at the 4th edition of the Economic Times BFSI Excellence Awards, in collaboration with Rupeek Fintech Private Limited (2023);
8. Ranked 63rd on the top 70 Best Workplaces™ in Asia (2022) and the only Indian bank featured on this list;
9. Certificate of Achievement by the International Finance Corporation (IFC), a World Bank Group in recognition of Climate Financing Leadership in the South Asia Region (CSA) for having disbursed US$332.9 million, i.e., the largest amount of climate loans disbursed (Fiscal 2022);
10. Silver Shield under Category II(A) for Financial Reporting in the ICAI Awards (Fiscal 2022); and
11. Best Private Sector Bank at the Outlook Money Awards (2021).

Risk Management

Overview

Our Bank's risk management philosophy is to take risk by choice rather than by chance. Our Bank's major risks are credit risk, market risk (including interest rate and liquidity risk), information and cyber security risk, foreign exchange risk and operational risks, environmental risk and reputation risk. Our Bank has comprehensive policies and procedures in place to identify, assess, monitor and manage these risks systematically across all of its portfolios.

Our Bank relies on analytics to maintain a robust risk control framework. The risk management framework is subjected to review and upgrade on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. Our Bank utilizes analytics for customer engagement, relationship management, asset underwriting, delinquency management, detecting fraud risk and optimizing its processes. As a result, analytics has empowered us to make well-informed decisions across various levels and functions. Our Bank's sourcing process is independent of origination and underwriting functions. For underwriting, our Bank relies on multiple data points that have been captured through credit bureau data and its API stack. Our Bank uses several tools to predict the collection score of the borrowers and their propensity to default. Our Bank has a robust recovery and collection mechanism that is strengthened by a team of 158 employees and 12 external collection and recovery agencies as of March 31, 2023.

The risks related to foreign exchange are monitored by the Treasury Division and hedging is undertaken based on market analysis.

Our Bank's Board of Directors oversees and approves the risk policies, risk appetite and strategies to establish an integrated risk management framework and control system. The Risk Management Committee ("**RMC**"), a committee of the Board devises a policy and strategy for integrated risk management of the material risks the Bank is exposed to, in the course of its business. The RMC meets at least once in a quarter and reports to the Board. For further details in relation to the members of the RMC, see *"Board of Directors and Senior Management"* on page 713. The RMC coordinates with various executive level risk management committees such as the Credit Risk Management Committee ("**CRMC**"), ALCO and the Operational Risk Management Committee to ensure effective risk management in the Bank. These executive level committees report to the RMC Committee. The CRMC monitors adherence to policy prescriptions and regulatory directions. The CRMC meets at least once in a quarter (subject to a minimum of six meetings in a year) to take stock of the Bank's credit risk profile based on the reports placed by the Credit Risk Division of the Integrated Risk Management Department. The ALCO meets at least once a month and 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. The Bank's Managing Director and CEO, assisted by the executive level committees, has the role of striking the appropriate balance between business development and risk profile, in line with the strategies and risk appetite as approved by the Board and RMC. Our Bank's Chief Risk Officer ("**CRO**") is responsible for ensuring effective risk management, runs the ALCO and reports to RMC Committee.

In order to manage risk, our Bank's business units and risk management units work together to ensure that business strategies and activities are consistent with approved policies and defined risk appetite. Our Bank's risk management framework is established along the three lines of defense model. The business units form the first line of defense and are responsible for ensuring that activities comply with applicable rules and effectiveness of risk management in daily operation. The second line of defense comprises of risk management units functioning independent of the business activities and responsible for developing and implementing frameworks to identify, measure, monitor, control and report risks. The third line of defense is the audit function, which provides an independent assurance and assessment of effectiveness of the first and second line of defense to the Board and executive management.

The Integrated Risk Management Department ("**IRMD**") monitors the adequacy and effectiveness of the risk management practices and internal controls through tools such as risk assessments, monitoring of risk limits and risk indicators and review of exceptions, and reports on these aspects to the executive level risk management committees. The IRMD assists the CRO.

Risk appetite

The risk appetite is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk our Bank is willing to accept in pursuit of its financial and strategic objectives. Our Bank's risk appetite is framed by the Board of Directors considering the business strategies and market conditions and the risk levels with which its Bank deems acceptable for carrying on its business. Our Bank's risk appetite acts as an enabler to pursue its business goals and at the same time, control the level of risk taking. Breaches, if any, in the risk appetite limits acts as warning signals for the functionaries to take note of the situations at hand and initiate corrective actions and reporting to the Board regarding the same.

Our Bank believes execution and monitoring of the business strategy in line with the defined risk appetite holds the key for achieving its objectives. The risk appetite is provided to different business units in terms of policy limits, budgets and targets. The risk appetite limits are monitored periodically by the IRMD, and status reported to the RMC on a quarterly basis.

Credit risk

Credit risk arises when a borrower or counterparty fails to meet its obligations in accordance with the agreed terms. Even though loans are the most evident source of credit risk, other sources exist throughout our Bank's other activities, including in the banking book, the trading book, and in on and off-balance sheet items.

A credit risk management framework is established through various Board-approved policies and procedures for identifying, measuring, monitoring and controlling credit risk. The policies and procedures cover all stages of the credit cycle such as the pre-sanction stage (including origination, credit ratings and risk assessment and risk mitigation), the sanction stage (including approval and documentation) and the post-sanction stage (including administration, monitoring and recovery).

Credit risk mitigation is a proactive management tool designed to protect an entity's earnings from loss. Our Bank employs various methods and techniques to reduce the impact of the credit risks to which it is exposed in its daily operations. There are Board-approved policies that set out the criteria and conditions for eligibility of collaterals both for internal sanctioning as well as regulatory capital purposes. Our Bank's valuation policy outlines its credit risk mitigation and collateral management framework sets principles and standards relating to recognition, valuation and treatment of collateral.

<u>Pre-sanction stage</u>

Branches and relationship managers conduct preliminary scrutiny and due diligence of loan proposals based on our Bank's policy guidelines. The proposals are then forwarded to the respective sanctioning authority for further processing. Our Bank has adopted the committee approach for sanctioning loans in regional credit hubs and other corporate office committees. All loans are processed at either regional credit hubs or our Bank's corporate office underwriting teams, other than certain retail and SME loans that can be sanctioned under branch delegation. Our Bank has put in place a comprehensive policy for delegating authority, which states the guidelines for exercising delegation and the powers conferred on various authorities for sanctioning loans. The power to sanction loans has been delegated to various authorities based on various factors such as hierarchical position of the delegate, total indebtedness of the borrower, tenure of loan and riskiness of the exposure. Our Bank's approach to credit risk encompasses both funded and non-funded exposures. Before a credit facility is sanctioned to any borrower, a comprehensive assessment of the risk profile of the borrower and transaction characteristics is done, based on broad categories of risk namely, financial risk, business risk, industry risk and management risk. Our Bank uses the nine risk assessment models in the case of SME and corporate customers, and twelve retail score cards, in the case of retail advances, small value loans and retail agriculture loans. The rating models for corporate and SME borrowers are developed on two-dimensional rating methodology including obligor risk rating and facility risk rating. Obligor risk rating indicates the probability of default, and facility rating reflects the securities and/or guarantees provided by the borrower that will act as credit risk mitigants. A combination of obligor risk rating and facility risk rating provides the final rating of a borrower, which indicates the expected loss in case of default. Retail score cards are scoring models that identify and assess the risk in retail, enabling our Bank to accept or reject the proposal.

Sanction stage

All loan proposals are sanctioned by the designated authorities or committees in accordance with the powers vested in them. Preparation of all relevant agreements and documents is centralized, and agreements and documents are executed at the respective branches. Our Bank's procedures include verification of a legal scrutiny report, loan documentation and other relevant documentation by specialized officers for loans above a threshold limit. The credit administration units and credit hubs ensure that the loans are disbursed only after complying with the terms of sanction, as stipulated by sanctioning authority. Our Bank has specified hurdle rates for internal rating, below which the loans are generally not sanctioned. Any overrides in internal ratings can be done only as per the Board-approved policy in this regard. The internal rating for loans above ₹100.00 million needs to be confirmed by risk department, prior to sanction.

Post-sanction stage

Our Bank has established an independent credit monitoring department to facilitate efficient and effective credit management, review changes in credit worthiness and initiate remedial measures in case of any deterioration in credit quality. All lending relationships are subjected to regular reviews at least on an annual basis to assess performance of portfolios in accordance with the terms of original sanction, to review our Bank's exposure to each borrower and to refresh risk rating data. Renewals and review frequencies are adopted for borrowers commensurate with their level of risk.

Dedicated cells are set up (both at corporate office level and zonal level) for capturing the warning signals from various financial and non-financial parameters to identify signs of credit weakness at an early stage. The team regularly monitors the conduct of the loan accounts and follows up with the branches for rectification of any deficiencies noted. In cases where the status of the loans deteriorates further, the loan collection and recovery team take over the monitoring.

Our Bank has also implemented a framework for managing the unhedged foreign currency exposures of the borrowers. The policy articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the riskiness of the unhedged position and the extent of likely loss, making appropriate provisions and capital charge as required by the RBI and elucidating the subsequent disclosures to be made in our Bank's balance sheet.

In order to minimize concentration risk in exposures from multi-dimensional sources and to curtail default loss by high-risk grade borrowers, our Bank has laid down a Board-approved exposure policy, which is reviewed annually. The objective of the exposure policy is to contain risk in its credit and investment exposures and manage the exposures adhering to limits prescribed by law and regulations. Our Bank has adopted a three-pronged approach for analyzing credit concentration – identification, monitoring and responding. Exposure limits are determined based on its capital fund, net worth and total gross advance. Exposures are monitored against these Board-approved limits and quarterly exposure ceiling monitoring reports are placed before the Board.

Market risk

Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market factors like interest rates, foreign exchange rates, equity prices and credit spreads. Our Bank's market risk management framework comprises of Board-approved policies like the market risk management policy and investment, foreign exchange and derivatives policy, and established practices like mutually independent functioning of Front Office, Mid Office and Back Office, independent monitoring of limits and treasury deals, independent valuation of instruments and positions and regular stress testing of different portfolios.

Our Bank's investment portfolio is exposed to interest rate risk on account of investments in instruments like government securities, treasury bills, certificate of deposits, commercial paper and corporate bonds and debentures. Our Bank also engages in derivative transactions for hedging and proprietary trading purposes. Our Bank classifies its investment portfolio into "held to maturity", "available for sale" and "held for trading". Interest rate risk in investment portfolio and derivatives is managed by establishing and monitoring portfolio wise limits.

Our Bank manages equity price risk relating to changes in prices of securities (both equities and instruments exhibiting features of equity) that may adversely affect its financial position. Our Bank undertakes exposure in equities, as part of its trading activity within limits stipulated by regulators and internal policies. Our Bank's investment policy provides for limits on equity exposure, as well as limits on investments in individual securities within the overall limit. The securities are marked-to-market daily and the risk management department monitors the stop-loss limits. The value at risk of the equity portfolio is also monitored on a daily basis.

Our Bank's trading room undertakes foreign exchange transactions on behalf of its customers as well as for its proprietary trading book. These activities include trade related transactions of corporate clients, placing and accepting deposits and borrowing and lending in foreign currencies. Our Bank uses currency swaps, forward contracts and futures for hedging as well as for trading purposes. Our Bank also plans to venture into options trading in the near future. The exchange rate risk arising out of the above transactions is managed by establishing and monitoring various limits like net overnight open position limit, VaR limit, aggregate gap limit and stop loss limit. The exposure to counterparties, including those arising from exchange transactions, is monitored through counterparty limit on a daily basis.

Currently, market risk capital is computed under the standardized duration approach. Our Bank also uses VaR as a tool for monitoring risk in its trading portfolio. The VaR and stressed VaR for different market portfolios are monitored on a daily basis. The ALCO oversees the market risks in the trading book and the banking book.

Liquidity risk

Liquidity refers to our ability to meet our Bank's funding requirements for repayment of liabilities and utilizing investment and lending opportunities in a timely manner at an optimum cost. Analysis of liquidity risk involves the measurement of not only our Bank's liquidity position on an ongoing basis but also examining how funding requirements are likely to evolve under various scenarios, including adverse environments.

The Board-approved asset liability management policy lays out a framework for management of our Bank's liquidity risk. Our Bank's liquidity position is monitored on an ongoing basis both under stock and flow approaches. Structural liquidity position which analyzes its future cash flows based on liabilities and assets classified into appropriate time buckets as per their maturity profile and behavioral pattern is drawn. Dynamic liquidity position for a projected horizon of 90 days is assessed on a monthly basis. Additional prudential limits on liquidity risk fixed as per the asset liability management policy are monitored by ALCO on a monthly basis. The liquidity coverage ratio ("**LCR**") is computed on a daily basis and the risk appetite for liquidity risk is set based on LCR. The net stable funding ratio ("**NSFR**") is computed on a monthly basis and reported to RBI. Our Bank also conducts stress testing and scenario analysis for assessing liquidity risk. The outputs of the stress tests are used for developing contingency funding plans. Tolerance levels approved by the Board are set for structural liquidity, LCR and other stock ratios and adherence to the tolerance levels is monitored and reported to ALCO.

Interest rate risk

The measures for management of interest rate risk in our Bank's investment portfolio are separately mentioned under the section on market risk in this document. For further details, see "- *Description of Banking Operations – Risk Management – Market risk*" on page 692. In addition to this, our Bank measures the interest rate risk in its entire rate for sensitive assets, liabilities and off-balance sheet positions as well as on the banking book on a monthly basis and report to ALCO.

Our Bank's net interest income or net interest margin is dependent on the movement of interest rates and mismatches in the cashflows or repricing dates. The immediate impact of changes in interest rates is on net interest income. A long-term impact of changing interest rates is on our Bank's net worth, as the economic value of its assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. Interest rate risk management is achieved by capturing the risks arising from the maturity and repricing mismatches and it is measured both from the earnings perspective in terms of earnings at risk and the economic value perspective in terms of modified duration of equity. Our Bank has a set risk appetite and tolerance limits for earnings at risk and modified duration of equity and monitors the same on a monthly basis. The impact of different types of interest rate shocks are assessed by conducting appropriate stress tests. Interest rate reset for floating rate loans is effectively utilized for managing its interest rate risk profile.

Operational risk

Our Bank's operational risk management focuses on proactive measures in order to ensure business continuity, a competent and well-informed staff and its adherence to established rules and procedures as well as on security arrangements to protect its physical and IT infrastructure. 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.

For the purpose of managing operational risk, our Bank's activities have been divided into a set of core business processes and subprocesses with designated process owners. The process owners are responsible for identifying, reporting and responding to risks inherent in the processes. Regular risk and control self-assessment is conducted for each core process. 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 which our Bank would be exposed to, and checks and controls are implemented to mitigate the risks. Our Bank has also put in place a preventive vigilance framework; whereby various transactions are monitored by dedicated teams from the angle of fraud risk and anti-money laundering.

Our Bank has put in place comprehensive bank-wide business continuity management plans and procedures to ensure continuity of its critical operations in the event of any disaster or incident affecting business continuity. Our Bank's business continuity management system is in conformance with ISO 22301 standards for its IT, centralized operations and clearing functions, Our Bank's business continuity program is developed considering the criticality of the functions performed and the systems used. Periodic drills and tests are conducted to evaluate the effectiveness of the business continuity arrangements.

Information security and cyber security risk

Our Bank has committed significant resources to protect the security of its systems, software, networks and other technology assets through security programs, with the goal of maintaining overall cyber resilience that scans, detects and responds to threats such as data breaches, malware, unauthorized access and denial-of-service attacks. Our Bank has established robust information and cyber security frameworks for securing its IT infrastructure and systems. Our Bank constantly monitors the environment including cyber threats, emerging regulatory requirements around cyber risks and mitigation strategies.

The Information Security Team formulates and periodically reviews our Bank's 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. The Chief Information Security Officer is responsible for articulating and enforcing the policies that our Bank uses to protect its information assets and directly reports to Chief Risk Officer.

All of our Bank's fintech collaborators are subject to the same level of compliance and risk assessment and they must ensure that they follow cyber security and compliance practices similar to those followed by us. Our Bank annually audits the collaborators to ensure their compliance with all relevant policies and guidelines. All of the products and services launched through these collaborations are subject to vulnerability assessment, penetration testing, code review and review of other secure coding practices. All products are released to our Bank's customers after ensuring compliance with guidelines such as digital payment security controls and guidelines related to IT outsourcing. Our Bank also has implemented a business continuity plan to ensure that necessary services can be provided to customers without any disruption..

Environmental risk

Our Bank has robust systems and practices which ensure high level of accountability and transparency. Our Bank has established an ESMS policy to ensure more focus on funding to borrowers whose projects are sustainable and environment friendly. This is achieved through risk categorization of the borrowers and ensuring that the funds lent by our Bank will be used for purposes and activities which have a minimal impact the environment and society. Our Bank's ESMS activities are monitored by E&S Committee that is chaired by its Managing Director and CEO.

Reputation risk

Reputation risk can be defined as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debtholders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. Our Bank manages the reputation risk events on a proactive basis with the intention of avoiding such events. Our Bank has formed response teams whose task is to control the effect of risk due to occurrence of reputation events. Our Bank manages reputation risk through its governance and control processes. Reputation risk management policy lays down the framework to ensure that the reputation risk is managed effectively and consistently across its business.

Internal Capital Adequacy Assessment Process ("ICAAP")

Our Bank's ability to take risk is dependent on its risk-bearing capacity. A key factor determining the risk-bearing capacity is stable earnings allowing the build-up of a strong capital base to absorb potential losses. Our Bank strives to ensure that it is sufficiently capitalized to carry out its mission even under macroeconomic downturns. Capital is managed in accordance with regulatory requirements and business plan approved by the Board.

ICAAP covers all material risks involved in our Bank's business operations and its plans to maintain adequate level of capital commensurate with its overall risk profile. ICAAP covers our Bank's procedures and measures designed to ensure:

- appropriate identification and measurement / monitoring of risks material to its business operations; and
- maintenance of appropriate level of internal capital in relation to its risk profile on an ongoing basis.

Capital planning under ICAAP takes into account the demand for capital from businesses for their growth plans and ensures that our Bank is adequately capitalized for the period ahead and holds sufficient buffers to withstand stress conditions. The ICAAP is thus a forward-looking assessment of capital requirements given the business strategy, risk profile, risk assessment, risk appetite and capital plan.

As of March 31, 2023, our Bank has maintained Common Equity Tier I ratio well above the Basel III capital requirements. This includes the Capital Conservation Buffer requirement of 1.25% as per the Basel III norms as of March 31, 2023. For further details, see *"Selected Statistical Information"* on page 697.

Stress Testing:

Stress testing refers to various techniques (quantitative and/or qualitative) used by our Bank to gauge its vulnerability to exceptional but plausible events. Stress testing is a risk management technique used to evaluate the potential effects on our Bank's financial condition of a specific event and/ or movement in a set of financial variables. Our Bank undertakes stress testing at intervals prescribed as per the Board of Directors' approved policy, which varies based on the type of risk. Our Bank conducts monthly tests on (i) forex risks; (ii) interest rate risks; (iii) equity price risks; (iv) derivative risks and (v) liquidity risks. Our Bank also conducts the following on a quarterly basis (i) credit risks testing; (ii) pension obligation risks testing; (iii) reverse stress testing; and (iv) scenario analysis. Our Bank's operational risks are tested annually.

Stress testing is based on our Bank's Board-approved stress testing policy, which also sets out the frequency of the testing based on the type of risk. Our Bank stresses the relevant parameters at three levels of increasing adversity – baseline, medium and severe – with reference to the normal situation and estimate the financial resources needed by the Bank under each of the circumstances to:

- meet the risk as it arises and for mitigating the impact of manifestation of that risk;
- meet the liabilities as and when they fall due; and
- meet the minimum Tier I Capital Ratio.

Our Bank carries out reverse stress testing for key risk areas to test the stress levels at which capital falls below the internal capital threshold. Our Bank uses stress tests for:

- assessing its risk profile and communicating the same to the Board / senior management;
- allocating capital for various risks;
- managing the risk exposures; and
- putting in place appropriate contingency plans for meeting the situations that may arise under adverse circumstances.

Basel III Requirements

Our Bank's approach to capital adequacy is driven by strategic and organizational requirements while taking into account the regulatory and macro-economic environment. Capital management practices are built on an assessment of all identified risks and consider the risk reward balance. This involves the on-going review of the level of capitalization against key objectives and to maintain a strong capital base to support the risks inherent in various businesses. Our Bank's approach to capital management ensures that businesses are adequately capitalized in excess of minimum regulatory Capital Ratios to meet their short– and long-term business plans, while holding adequate capital buffers during normal business conditions and to absorb the impact of stress events.

Under the Basel III capital regulations, in addition to the minimum regulatory capital, banks are required to hold a capital conservation buffer that can be drawn down in times of stress. There are restrictions on dividend distribution if the buffer is not maintained. The capital conservation buffer was phased-in at 0.625% p.a., effective March 31, 2016, and was to be fully implemented by March 31, 2019. The implementation of the last tranche of 0.625% of the capital conservation buffer was subsequently deferred from March 31, 2019 to March 31, 2020. However, considering the potential stress on account of COVID-19 pandemic, under the circular DOR.BP.BC.No.45/21.06.201/2019-20 dated March 27, 2020 and circular DOR.BP.BC. No15/21.06.201/2020- 21 dated September 29, 2020, the implementation of the last tranche of 0.625% of the capital conservation buffer was deferred to April 1, 2021. Subsequently, vide a notification dated February 5, 2021, RBI has deferred the implementation of the last tranche of the capital conservation buffer of 0.625% from April 1, 2021 to October 1, 2021.

Our Bank uses the standardized approach for credit risk, and the basic indicator approach for operational risk and the standardized duration approach in respect of market risk for the computation of capital charge under the Basel III guidelines.

Our Bank is gearing up with data build up and system requirements for migrating to advanced approaches. Our Bank's capital adequacy ratio as of March 31, 2023, under the Basel III norms stands at 14.81%. Our common equity capital level of 13.02% and consolidated common equity capital level of 13.31%, each as of March 31, 2023, offer a good cushion for further expansion and growth in asset portfolio and compliance with the requirements of Basel III norms. Further, our capital adequacy ratio on a consolidated level stands at 15.24% as of March 31, 2023.

Inspection and Audit

Our Bank uses inspection and audit to evaluate the adequacy, completeness, operational effectiveness, and efficiency of all of its internal controls, risk management/ governance systems and processes. Our Bank's audit and inspection policy, information system audit policy and the internal audit procedure and guidance manual are subject to annual review. The review covers appropriate modifications and refinements based on the observations made by the RBI in the Risk Based Supervision, other regulatory guidelines, changes in internal rules and guidelines, and directions of the Audit Committee of the Board and the Board of Directors.

Our Bank has undertaken the following major audits during Fiscal 2023:

Risk based internal audit

Our Bank has used risk based internal audit as a tool to assess the risks in its processes, operations, and effectiveness of related controls. The risk based internal audit conducted at our Bank's branches focuses on prioritizing audits and audit resources based on the level of inherent business risks and control risks.

Information system audit

Our Bank subjects all critical IT infrastructures in our Bank to information system audit, which collects and evaluates the evidence to determine whether the information system safeguards assets, maintains data integrity and availability, achieves organizational goals effectively and consumes resources efficiently. It focuses on the risks that are relevant to information assets and assesses the adequacy of controls implemented for mitigating the risks. This information system audit is conducted by information systems professionals from reputed CERT-IN empaneled external audit firms and our Bank's Certified Information System Auditors (CISA). Critical information systems are subjected to vulnerability assessment and penetration testing every quarter. In addition to this, information system audit covering the physical security of IT systems and business continuity procedures is conducted at its branches and offices.

Management audit

Our Bank conducts management audit to identify the adequacy and effectiveness of the processes adopted for decision making in its head office departments, zonal offices, large corporate hubs, national and regional credit hubs, loan collection and recovery divisions, currency chests, regional cheque processing centers, its Subsidiaries, etc. The feedback from the management audit is relied upon by the auditee units to improve the processes, procedures, and systems in place in such offices.

Offsite audit

Our Bank's entire revenue audit is undertaken through offsite audit, which is a forward-looking diagnostic tool to identify gaps in its systems and procedures. Our Bank uses Computer Aided Audit Tools ("**CAAT**") to generate and analyze exceptions while conducting offsite audits.

Concurrent audit

Our Bank relies on concurrent audit as an early warning system to ensure near real-time detection of irregularities and lapses and also use this as a tool to prevent frauds. Our Bank has implemented the revised concurrent audit framework, duly approved by the Audit Committee of the Board, as per RBI circular dated September 18, 2019, with effect from April 1, 2020. Our Bank conducts concurrent audit in offices including the Treasury Department, Operations Department and Information Technology Department. Concurrent audit is also conducted in all the currency chests as required by the RBI.

Transaction Monitoring and Fraud Prevention

Our Bank has a transaction monitoring and fraud prevention department, which monitors transactions in its core banking and various online channels. It is also deployed in specific scenarios to monitor accounts opened through our Bank's fintech arrangements. The department can identify suspicious online transactions and take immediate remedial measures to prevent further occurrence.

Compliance

Our Bank have processes designed to ensure legal and regulatory compliance and to enable the detection and prevention of any breaches.

Our Bank's legal department has published a 'Manual of Instructions on Documentation', which sets out general instructions pertaining to documentation for the reference of its branches and other functionaries, and this is also updated periodically. Our Bank's legal department also updates its teams, offices and branches of the relevant amendments and modifications made to statutes from time to time and its standard loan agreements are modified/simplified from time to time to ensure they are aligned with industry standards.

Our Bank has adopted a risk-based approach and have built a 'Compliance Risk Management Framework', which contains processes covering the implementation of regulations, identification of risks and remediation of risks on time. Every business unit and department have a Compliance Monitoring Officer ("**CoMO**") who will handle the first level of compliance, closely associating with the respective heads, and the CoMO is supplemented by zonal level CoMOs who can directly report to its central compliance team.

Significant developments after March 31, 2023

On July 13, 2023, we disclosed our quarterly condensed standalone and consolidated unaudited results, accompanied by limited review reports issued by the Statutory Auditors, for the quarter ended June 30, 2023, to the Stock Exchanges. For further details, see "*Recent Developments*" on page 633.

Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations. For further details, see *"Risk Factors15 – Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations."* on page 44.

Except as discussed above and as otherwise stated in this Preliminary Placement Document, to our knowledge, no circumstances have arisen since March 31, 2023, which may materially and adversely affect or is likely to affect, our profitability, or the value of our assets or our ability to pay our liabilities.

SELECTED STATISTICAL INFORMATION

The following information should be read together with our standalone and consolidated financial statements, including the notes thereto, and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Preliminary Placement Document. All amounts presented in this section relate to our standalone and consolidated financial information, as the case may be, and all averages presented in this section are presented on the basis of quarterly, monthly or daily balances outstanding. Figures for Fiscals 2021 and 2022 have been regrouped and/or reclassified wherever necessary to conform to Fiscal 2023 presentation.

Certain non-GAAP measures are presented in this section are a supplemental measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, or IFRS. In addition, these non-GAAP measures are not standardized terms and hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting their usefulness as a comparative measure.

I. Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential

Average Balance Sheet of the Bank

The following tables set forth the average balances for interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the average yields and cost for each period, both on a standalone and consolidated basis. Average balances are calculated based on quarterly averages, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets (except that (i) investments include equity investments and (ii) interest revenue with respect to investments includes dividends on such equity investments, excluding dividend received from Subsidiaries and Associates). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

A. Standalone

	Fiscal								
	2021			2022			2023		
	(₹ in million, except percentages)								
	Average Balance*	**Interest Income / Expense**	**Average Yield**/ Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield**/ Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield**/ Cost# (%)**
Interest-earning assets									
Advances	1,253,980.82	107,951.23	8.61%	1,374,601.62	108,297.53	7.88%	1,638,874.58	134,918.41	8.23%
Investments	356,439.93	23,489.39	6.59%	377,606.08	23,386.65	6.19%	450,016.27	27,955.69	6.21%
Others(1)	200,886.83	6,138.40	3.06%	190,836.06	4,923.35	2.58%	162,074.58	5,162.24	3.19%
Total interest-earning assets	**1,811,307.58**	**137,579.02**	**7.60%**	**1,943,043.76**	**136,607.53**	**7.03%**	**2,250,965.43**	**168,036.34**	**7.47%**
Non-interest earning assets:									
Fixed assets	4,683.34	-	-	5,679.52	-	-	7,895.98	-	-
Other assets	116,661.63	-	-	143,113.34	-	-	174,335.92	-	-
Total non-interest earning assets	**121,344.97**	**-**	**-**	**148,792.86**	**-**	**-**	**182,231.90**	**-**	**-**
Total assets	**1,932,652.55**	**137,579.02**	**7.12%**	**2,091,836.62**	**136,607.53**	**6.53%**	**2,433,197.33**	**168,036.34**	**6.91%**
Interest bearing liabilities:									
Deposits(2)	1,614,998.81	78,046.70	4.83%	1,746,300.82	73,328.83	4.20%	1,968,237.89	86,130.18	4.38%
Subordinated loan	3,000.00	292.32	9.74%	4,750.00	404.15	8.51%	12,487.50	873.71	7.00%
Other Borrowings	106,554.98	3,902.94	3.66%	104,442.47	3,255.04	3.12%	175,618.13	8,710.84	4.96%

	Fiscal								
	2021			2022			2023		
	(₹ in million, except percentages)								
	Average Balance*	**Interest Income / Expense**	**Average Yield** */ Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield** */ Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield** */ Cost# (%)**
Total interest-bearing liabilities	**1,724,553.79**	**82,241.96**	**4.77%**	**1,855,493.29**	**76,988.02**	**4.15%**	**2,156,343.52**	**95,714.73**	**4.44%**
Non-interest-bearing liabilities:									
Capital and reserves	154,825.00	-	-	178,161.02	-	-	203,088.05	-	-
Bills payable	3,419.25	-	-	4,325.93	-	-	5,079.05	-	-
Other liabilities	49,854.51	-	-	53,856.38	-	-	68,686.71	-	-
Total non-interest-bearing liabilities	**208,098.76**	-	-	**236,343.33**	-	-	**276,853.81**	-	-
Total liabilities	**1,932,652.55**	**82,241.96**	**4.26%**	**2,091,836.62**	**76,988.02**	**3.68%**	**2,433,197.33**	**95,714.73**	**3.93%**

** Represents quarterly average, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals.*
*** The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets (except that (i) investments include equity investments and (ii) interest revenue with respect to investments includes dividends on such equity investments, excluding dividend received from Subsidiaries and Associates).*
 # The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.
*(1) Includes investment in Rural Infrastructure Development Fund established by NABARD ("**RIDF**"), balance with the Reserve Bank of India ("**RBI**") and other banks, excluding balance held in current accounts.*
(2) Includes savings deposits, current deposits and term deposits.

B. Consolidated

	Fiscal								
	2021			2022			2023		
	(₹ in million, except percentages)								
	Average Balance*	**Interest Income / Expense**	**Average Yield **// Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield **// Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield* *// Cost# (%)**
Interest-earning assets									
Advances	1,285,609.72	113,531.36	8.83%	1,418,427.62	115,643.11	8.15%	1,703,189.83	145,078.82	8.52%
Investments	352,988.90	23,382.86	6.62%	373,762.07	23,164.92	6.20%	448,083.05	27,818.77	6.21%
Others(1)	202,121.83	6,226.53	3.08%	193,093.54	5,007.29	2.59%	162,451.82	5,220.18	3.21%
Total interest-earning assets	**1,840,720.45**	**143,140.75**	**7.78%**	**1,985,283.23**	**143,815.32**	**7.24%**	**2,313,724.70**	**178,117.77**	**7.70%**
Non-interest earning assets:									
Fixed assets	4,944.77	-	-	6,022.83	-	-	8,276.87	-	-
Other assets	118,553.96	-	-	145,678.40	-	-	179,052.63	-	-
Total non-interest earning assets	**123,498.73**	-	-	**151,701.23**	-	-	**187,329.50**	-	-
Total assets	**1,964,219.18**	**143,140.75**	**7.29%**	**2,136,984.46**	**143,815.32**	**6.73%**	**2,501,054.20**	**178,117.77**	**7.12%**
Interest bearing liabilities:									
Deposits(2)	1,613,013.48	78,045.40	4.84%	1,745,790.24	73,322.89	4.20%	1,966,991.77	86,127.81	4.38%
Other Borrowings	136,111.77	6,304.18	4.63%	145,334.70	6,270.90	4.31%	244,580.04	13,624.58	5.57%
Total interest-	**1,749,125.24**	**84,349.58**	**4.82%**	**1,891,124.94**	**79,593.79**	**4.21%**	**2,211,571.81**	**99,752.39**	**4.51%**

	Fiscal								
	2021			2022			2023		
	(₹ in million, except percentages)								
	Average Balance*	**Interest Income / Expense**	**Average Yield **// Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield **// Cost# (%)**	**Average Balance***	**Interest Income / Expense**	**Average Yield**// Cost# (%)**
bearing liabilities									
Non-interest-bearing liabilities:									
Capital and reserves	158,204.52	-	-	182,255.74	-	-	208,592.02	-	-
Minority interest	2,000.31	-	-	2,860.65	-	-	3,350.74	-	-
Bills payable	3,419.25	-	-	4,325.93	-	-	5,079.05	-	-
Other liabilities	51,469.85	-	-	56,417.19	-	-	72,460.58	-	-
Total non-interest-bearing liabilities	**215,093.94**	**-**	**-**	**245,859.52**	**-**	**-**	**289,482.39**	**-**	**-**
Total liabilities	**1,964,219.18**	**84,349.58**	**4.29%**	**2,136,984.46**	**79,593.79**	**3.72%**	**2,501,054.20**	**99,752.39**	**3.99%**

** Represents quarterly average, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals.*
*** The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets (except that (i) investments include equity investments and (ii) interest revenue with respect to investments includes dividends on such equity investments, excluding dividend received from Subsidiaries and Associates).*
 # The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.
(1) Includes investment in RIDF, balance with the RBI and other banks. excluding balance held in current accounts.
(2) Includes savings deposits, current deposits and term deposits.

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following table sets forth, for the periods indicated, the allocation of the changes in our interest revenue (including, with respect to equity investments, dividend received other than from Subsidiaries and Associates) and interest expense between changes in average volume of interest-earning assets and interest-bearing liabilities and changes in average interest rates on interest-earning assets and interest-bearing liabilities. Average volume and average interest rates are calculated based on quarterly averages, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals.

I. Standalone

	Fiscal 2021 v. Fiscal 2022(1)			Fiscal 2022 v. Fiscal 2023(1)		
	Net Change	**Due to change in Average Volume**	**Due to change in Average Rates**	**Net Change**	**Due to change in Average Volume**	**Due to change in Average Rates**
	(₹ in million)					
Interest income						
Advances	346.30	10,383.86	(10,037.56)	26,620.88	20,820.66	5,800.22
Investments	(102.74)	1,394.85	(1,497.59)	4,569.04	4,484.65	84.39
Others(2)	(1,215.05)	(307.12)	(907.93)	238.89	(742.01)	980.90
Total interest income	**(971.49)**	**10,006.11**	**(10,977.60)**	**31,428.81**	**21,648.72**	**9,780.09**
Interest expenses						
Deposits (3)	(4,717.87)	6,345.32	(11,063.19)	12,801.35	9,319.35	3,482.00
Subordinated loan	111.83	170.52	(58.69)	469.56	658.34	(188.78)
Other borrowings	(647.90)	(77.38)	(570.52)	5,455.80	2,218.25	3,237.55
Total interest expense	**(5,253.94)**	**6,244.35**	**(11,498.29)**	**18,726.71**	**12,482.86**	**6,243.85**

** Figures based on average quarterly balances, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals.*
Note:
(1) The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.
(2) Includes investment in RIDF, balance with the RBI and other banks, excluding balance held in current accounts.
(3) Includes savings deposits, current deposits and term deposits.

II. Consolidated

	Fiscal 2021 v. Fiscal 2022(1)			Fiscal 2022 v. Fiscal 2023(1)		
	Net Change	Due to change in Average Volume	Due to change in Average Rates	Net Change	Due to change in Average Volume	Due to change in Average Rates
(₹ in million)						
Interest income						
Advances	2,111.75	11,729.06	(9,617.31)	29,435.71	23,216.40	6,219.31
Investments	(217.94)	1,376.07	(1,594.01)	4,653.85	4,606.24	47.61
Others(2)	(1,219.24)	(278.12)	(941.12)	212.89	(794.60)	1,007.49
Total interest income	**674.57**	**11,241.70**	**(10,567.13)**	**34,302.45**	**23,792.53**	**10,509.92**
Interest expenses						
Deposits(3)	(4,722.51)	6,424.38	(11,146.89)	12,804.92	9,290.43	3,514.49
Other borrowings	(33.28)	427.17	(460.45)	7,353.68	4,282.24	3,071.44
Total interest expense	**(4,755.79)**	**6,847.77**	**(11,603.56)**	**20,158.60**	**13,486.99**	**6,671.61**

** Figures based on average quarterly balances, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals.*

Note:

A. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.

B. Includes investment in RIDF, balance with the RBI and other banks, excluding balance held in current accounts.

C. Includes savings deposits, current deposits and term deposits.

Yields, Spreads and Margins

A. Standalone

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on our interest-earning assets. Average interest-earning assets and average interest-bearing liabilities are based on daily averages; and average total assets is sum of month end balances in a particular year divided by 12.

	Fiscal		
	2021	2022	2023
	(₹ in million, except percentage)		
Interest income on interest-earning assets	137,579.02	136,607.53	168,036.34
Interest expense on interest-bearing liabilities	82,241.96	76,988.02	95,714.73
Average interest-earning assets	1,750,374.97	1,866,011.57	2,183,614.45
Average interest-bearing liabilities	1,665,756.70	1,789,176.20	2,048,465.00
Average total assets	1,871,421.87	2,016,828.65	2,355,512.02
Average interest-earning assets as a percentage of average total assets	93.53%	92.54%	92.70%
Average interest-bearing liabilities as a percentage of average total assets	89.01%	88.73%	86.96%
Average interest-earning assets as a percentage of average interest-bearing liabilities	105.08%	104.29%	106.60%
Yield on average interest-earning assets(1)	7.86%	7.32%	7.70%
Cost of funds(2)	4.94%	4.30%	4.67%
Spread(3)	2.92%	3.02%	3.02%
Net interest margin (“**NIM**”)(4)	3.16%	3.20%	3.31%

Notes:

(a) *Yield on average interest-earning assets is interest income divided by average interest-earning assets.*

(b) *Cost of funds is interest expense divided by average interest-bearing liabilities.*

(c) *Spread is the difference between yield and cost of funds.*

(d) *NIM is calculated as the difference between interest earned and interest expended divided by the daily average of interest-earning assets.*

B. Consolidated

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on our interest-earning assets. Average interest earning assets is the difference between consolidated and standalone quarterly average balance, plus the standalone daily average balance. Average interest – bearing liabilities is the difference between consolidated and standalone quarterly average balance, plus the standalone daily average balance. Average total assets is based on average quarterly balances, i.e., the simple average of all four quarter balance sheet figures in the respective Fiscals.

	Fiscal		
	2021	2022	2023
	(₹ in million, except percentage)		
Interest income on interest-earning assets	143,140.75	143,815.32	178,117.77
Interest expense on interest-bearing liabilities	84,349.58	79,593.79	99,752.39
Average interest-earning assets	1,779,787.84	1,908,251.03	2,246,373.72
Average interest-bearing liabilities	1,693,328.16	1,829,557.84	2,116,180.80
Average total assets	1,941,599.26	2,156,037.86	2,471,225.51

Average interest-earning assets as a percentage of average total assets	91.67%	88.51%	90.90%
Average interest-bearing liabilities as a percentage of average total assets	87.21%	84.86%	85.63%
Average interest-earning assets) as a percentage of average interest-bearing liabilities	105.11%	104.30%	106.15%
Yield on average interest-earning assets(1)	8.04%	7.54%	7.93%
Cost of funds(2)	4.98%	4.35%	4.71%
Spread(3)	3.06%	3.19%	3.22%
NIM(6)	3.30%	3.37%	3.49%

Notes:

A. Yield on average interest-earning assets is interest income divided by average interest-earning assets.

B. Cost of funds is interest expense divided by average interest-bearing liabilities.

C. Spread is the difference between yield and cost of funds.

D. NIM is the difference between interest earned and interest expended divided by the daily average of interest-earning assets.

II. Investments in debt securities

As of March 31, 2021, March 31, 2022, and March 31, 2023, our investments in debt securities, on a standalone basis, were ₹364,718.99 million, ₹383,934.35 million, ₹481,381.91 million, comprising 18.11%, 17.38% and 18.49% of our total standalone assets, respectively.

As of March 31, 2021, March 31, 2022, and March 31, 2023, our investments in debt securities, on a consolidated basis, were ₹362,407.27 million, ₹ 385,699.99 million, ₹ 482,052.54 million, comprising 17.68%, 17.05% and 17.99% of our total consolidated assets, respectively.

Our Bank carries out its investment activities in debt securities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits, and minimum acceptable credit spreads.

Our Bank's attempts to achieve the highest risk-adjusted returns on our funds. When there is a lack of customers with good credit records, our Bank invests in government securities which have low returns but offer good liquidity with low risks. Conversely, when there is an increase in the number of customers with good credit records, we will reduce our government securities holding proportionately and provide loans to such customers with good credit records which can generate better returns for us.

Our Bank is required to maintain a minimum holding of 18% of its demand and time liabilities in statutory liquidity ratio securities. In addition, the surplus funds of its deposits and advances are invested by the domestic treasury. These investments are in conformity with our Bank's policy on investments and the risk limits set by its Board.

Maturity profile

The following tables set forth details on the maturity profile of our standalone investments in debt securities that are not held at fair value as of March 31, 2023, and their weighted average yields:

	As on March 31, 2023									
	Due in one year or less		Due after one year through five years		Due after five years through 10 years		Due after 10 years		Total	
	(₹ in million, except percentages)									
	Amount	Yield (%)(1)	Amount	Yield (%)(1)	Amount	Yield (%)(1)	Amount	Yield (%)(1)	Amount	Yield (%)(1)
Government Securities	9,198.37	7.21%	172,604.23	6.67%	163,478.67	7.00%	46,971.53	7.07%	392,252.80	6.87%

Note:

(1) Weighted average yield is calculated in the manner as specified by the RBI.

III. For further details in relation to our total investments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* on page 607.

IV. Deposits

Our funding operations are designed to ensure stability, low cost of funding and effective liquidity management. Our Bank's principal sources of funds are subordinated debt instruments, RBI, inter-bank borrowings and borrowings from other financial institutions. The standalone cost of deposits was 5.00%, 4.33% and 4.58% in Fiscals 2021, 2022 and 2023, respectively.

The following table sets forth, for the periods indicated, our average amount of, and the average rate paid, of each of the following deposit categories that are in excess of 10% of average total deposits, on a standalone basis. The standalone average cost of deposits was 5.04%, 4.37% and 4.62% in Fiscals 2021, 2022 and 2023, respectively. The average amount and the average rate, on a standalone basis, are calculated on a daily average basis:

	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(₹ in million, except percentages)					
Term Deposits	1,052,130.38	6.38%	1,102,556.70	5.51%	1,231,420.15	5.70%
Savings Bank Deposits	426,914.40	2.55%	493,822.84	2.54%	535,070.10	2.98%
Current Deposits	70,235.72	-	81,765.59	-	98,484.75	-
Total	**1,549,280.50**	**5.04%**	**1,678,145.13**	**4.37%**	**1,864,975.00**	**4.62%**

Note: Our standalone total deposits include deposits from our Subsidiaries of ₹ 3,918.29 million, ₹279.75 million and ₹4,036.06 million for Fiscals 2021, 2022 and 2023, respectively.

Uninsured Deposits

Deposits of up to ₹ 0.50 million accepted by scheduled commercial banks in India have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation ("**DICGC**"), a wholly owned subsidiary of the RBI.

As of March 31, 2021, March 31, 2022, and March 31, 2023, our standalone total deposits that exceed DICGC insurance limits, or are otherwise uninsured, aggregated to ₹1,495,057.61 million, ₹1,572,239.05 million and ₹1,871,984.54 million, respectively.

The following table sets forth the maturity profile of our standalone total deposits as of March 31, 2023:

Maturity Pattern	Amount *(in ₹ million)*
Day 1	114,767.02
2 -7 days	433,290.89
8-14 days	137,657.18
15-30 days	370,951.63
31 days and up to 2 months	647,361.16
Over 2 months and up to 3 months	419,117.29
Over 3 months and up to 6 months	1,288,697.49
Over 6 months and up to 1 year	2,531,257.36
Over 1 year and up to 3 years	10,353,096.25
Over 3 years and up to 5 years	2,517,841.59
Over 5 years	2,524,565.99
Total	**21,338,603.85**

Note: Our standalone total deposits include deposits from our Subsidiaries of ₹4,036.06 million as of March 31, 2023.

V. Loan Portfolio

Loans by Maturity and Interest Rate Sensitivity

The following table sets forth the maturity profile of our standalone loans (other than non-performing assets ("**NPAs**")) due in each of the following categories as of March 31, 2023:

	As of March 31, 2023				
	Due in one year or less	Due after one year through five years	Due after five years through 15 years	Due after 15 years	Total loans
	(in ₹ million)				
Bills purchased and discounted	41,475.82	217.15	0.00	0.00	**41,692.97**
Cash credits and overdrafts	680,309.45	35,343.40	35,861.62	26,958.30	778,472.77
Term loans including demand loans	24,825.69	419,097.41	419,097.41	311,746.89	197,929.55

Loan portfolio – fixed-floating interest rate

The following table sets forth the total amount of standalone loans that are due after one year that have fixed interest rates and floating interest rates, as on March 31, 2023:

Particular	Amount (in ₹ million)
Amount due after one year at fixed interest rates:	
Bills purchased and discounted	217.15
Cash credits, overdrafts and loans repayable on demand	9,225.00
Term loans	191,148.24
Total amount due after one year at fixed interest rates	**200,590.38**

Particular	Amount (in ₹ million)
Amount due after one year at floating interest rates:	
Bills purchased and discounted	0.00
Cash credits, overdrafts and loans repayable on demand	88,938.32
Term loans	737,625.62
Total amount due after one year at floating interest rates	**826,563.94**
Total loans	**1,027,154.32**

VI. Allowance for Credit Losses

The following table sets forth, for the periods indicated, our key ratios on asset quality, on a standalone basis:

	Fiscal		
	2021	2022	2023
Total allowance for credit losses[1] (A)	37,348.40	40,266.30	43,780.50
Standard Asset Provision	7,367.30	13,155.10	14,484.10
Allowance for credit losses for non-accrual loans (B)	29,981.10	27,111.20	29,296.40
Total loans outstanding[2] (C)	1,348,767.18	1,476,394.48	1,773,765.28
Nonaccrual loans[3] (D)	46,023.86	41,367.40	41,837.69
Net charge-off during the period(E)	3,165.14	6,325.80	2,342.90
Average loans outstanding (F)	1,295,149.51	1,412,580.83	1,625,079.88
Allowance for credit losses to total loans outstanding at each period end (in %) (A/C)	**2.77%**	**2.73%**	**2.47%**
Nonaccrual loans[3] to total loans outstanding at each period end (in %) (D/C)	**3.41%**	**2.80%**	**2.36%**
Allowance for credit losses for non-accrual loans[3] to total loans outstanding[2] at each period end (in %) (B/C)	**2.22%**	**1.84%**	**1.65%**
Allowance for credit loss to nonaccrual loans at each period end (A/D)	**81.15%**	**97.34%**	**104.64%**
Net charge-offs during the period to average loans outstanding (E/F)	**0.24%**	**0.45%**	**0.14%**
Wholesale banking	**619,998.20**	**668,047.22**	**815,853.41**
Net charge-off during the period[4]	3109.62	5,993.35	1,265.92
Average amount outstanding	623,955.10	644,022.71	741,950.32
Net charge-offs during the period to average loans outstanding	0.50	0.93	0.17
Retail banking	**728,768.98**	**808,347.26**	**957,911.87**
Net charge-off during the period	55.52	332.62	1,076.99
Average amount outstanding	671,194.41	768,558.12	883,129.56
Net charge-offs during the period to average loans outstanding	0.01	0.04	0.12

(1) *It includes provisions held for non-performing advances and standard advances.*
(2) *Our total loans outstanding are our gross advances.*
(3) *Loans are placed on a "non-accrual" status in accordance with the RBI directions. Non-accrual loans are our gross non-performing assets ("**Gross NPAs**").*
(4) *Net charge-off is the difference between gross loan write-offs and recoveries from write-offs.*

Allocation of the allowance for credit losses

The following table sets forth, as of the dates indicated, the allowance for credit losses by each loan category, on a standalone basis:

	As of March 31,					
	2021		2022		2023	
	Amount (in ₹ million)	Percent of loans in each category to total loans	Amount (in ₹ million)	Percent of loans in each category to total loans	Amount (in ₹ million)	Percent of loans in each category to total loans
Retail	15,129.32	50.46%	17,487.63	64.50%	19,450.97	66.39%
Wholesale	14,851.80	49.54%	9,623.60	35.50%	9,845.47	33.61%
Total	**29,981.12**	**100.00%**	**27,111.23**	**100.00%**	**29,296.44**	**100.00%**

Note: This does not include provisions held for standard assets.

VII. Asset Liability Gap

The following table sets forth our asset liability gap position as March 31, 2023:

A. Standalone

	As of March 31, 2023*							
	1-30 days	31-90 days	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
	(in ₹ million, except percentages)							
Cash and bank balances	89,531.20	5,866.95	8,054.47	16,077.56	53,853.81	2,136.02	1,366.80	**176,886.81**

	As of March 31, 2023*							
	1-30 days	**31-90 days**	**3-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
	(in ₹ million, except percentages)							
Advances	78,403.06	125,659.43	175,198.80	174,870.76	803,655.04	189,510.52	197,171.24	**1,744,468.85**
Investments	113,266.34	14,753.30	8,556.34	18,152.46	75,542.97	111,043.51	148,518.55	**489,833.47**
Fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	9,339.74	**9,339.74**
Other assets	13,198.18	478.74	4,545.89	30,538.05	66,470.03	20,795.26	46,863.28	**182,889.43**
Total assets	**294,398.78**	**146,758.41**	**196,355.51**	**239,638.83**	**999,521.85**	**323,485.31**	**403,259.61**	**2,603,418.29**
Capital and reserves	0.00	0.00	0.00	0.00	0.00	0.00	215,062.37	**215,062.37**
Deposits	105,666.67	106,647.84	128,869.75	253,125.73	1,035,309.63	251,784.16	252,456.60	**2,133,860.38**
Borrowings	54,529.95	6,735.55	19,595.26	28,333.88	55,135.50	8,912.75	0.00	**173,242.89**
Tier II capital	0.00	0.00	0.00	0.00	0.00	0.00	19,950.00	**19,950.00**
Other liabilities	18,049.62	5,099.78	11,761.15	8,283.88	285.90	0.00	17,822.32	**61,302.65**
Total liabilities	**178,246.25**	**118,483.17**	**160,226.16**	**289,743.49**	**1,090,731.03**	**260,696.91**	**505,291.29**	**2,603,418.29**
Liquidity gap$^{(4)}$	**116,152.53**	**28,275.24**	**36,129.35**	**(50,104.66)**	**(91,209.18)**	**62,788.40**	**(102,031.68)**	**0.00**
Cumulative liquidity gap	116,152.53	144,427.78	180,557.12	130,452.46	39,243.28	102,031.68	0.00	**0.00**
Cumulative liabilities	178,246.25	296,729.42	456,955.57	746,699.07	1,837,430.09	2,098,127.00	2,603,418.29	-
Cumulative liquidity gap as a percentage of Cumulative liabilities	65.16%	48.67%	39.51%	17.47%	2.14%	4.86%	0.00%	-

**Notes:*

(1) Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.

(2) Assets and liabilities are classified into categories as per residual maturity.

(3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

(4) Liquidity gap is defined as total assets minus total liabilities.

B. Consolidated

	As of March 31, 2023*							
	1-30 days	**31-90 days**	**3-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
	(in ₹ million, except percentages)							
Cash and bank balances	90,683.68	5,866.95	8,054.47	16,077.56	53,853.81	2,136.02	1,366.80	**178,039.29**
Advances	80,328.67	132,315.77	187,695.61	188,641.93	822,127.37	202,349.11	206,175.66	**1,819,634.12**
Investments	113,965.58	15,848.12	9,328.58	18,720.49	75,546.77	108,696.51	143,966.68	**486,072.72**
Fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	9,717.11	**9,717.11**
Other assets	13,970.73	909.67	4,862.72	31,065.67	66,470.03	21,524.81	46,890.68	**185,694.30**
Total assets	**298,948.66**	**154,940.51**	**209,941.37**	**254,505.65**	**1,017,997.97**	**334,706.45**	**408,116.92**	**2,679,157.54**
Capital and reserves	0.00	0.00	0.00	0.00	0.00	0.00	223,860.76	**223,860.76**
Deposits	101,740.27	106,598.87	128,869.75	253,125.73	1,035,309.63	251,784.16	252,456.60	**2,129,885.01**
Borrowings	55,494.24	14,556.21	23,820.68	38,717.67	83,257.34	21,523.33	1,300.31	**238,669.79**
Tier II capital	0.00	0.00	0.00	0.00	0.00	0.00	19,950.00	**19,950.00**
Other liabilities	20,895.86	6,156.28	12,055.96	8,795.27	354.57	431.13	18,102.90	**66,791.98**
Total liabilities	**178,130.37**	**127,311.36**	**164,746.39**	**300,638.68**	**1,118,921.54**	**273,738.62**	**515,670.58**	**2,679,157.54**
Liquidity gap$^{(4)}$	120,818.29	27,629.15	45,194.98	(461,33.03)	(100,923.57)	60,967.83	(107,553.66)	**0.00**
Cumulative liquidity gap	120,818.29	148,447.44	193,642.42	147,509.39	46,585.82	107,553.65	0.00	-
Cumulative liabilities	178,130.37	305,441.73	470,188.12	770,826.80	1,889,748.34	2,163,486.96	2,679,157.54	-
Cumulative liquidity gap as a percentage of	67.83%	48.60%	41.18%	19.14%	2.47%	4.97%	0.00%	-

	As of March 31, 2023*							
	1-30 days	31-90 days	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
	(in ₹ million, except percentages)							
Cumulative liabilities								

Notes:
1. *Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.*
2. *Assets and liabilities are classified into categories as per residual maturity.*
3. *Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.*
4. *Liquidity gap is defined as total assets minus total liabilities.*

VIII. Concentration of Advances

Pursuant to RBI guidelines, exposure ceilings are 15.00% of capital funds in the case of a single borrower and 40.00% in the case of a borrower group. The single borrower exposure limit is extendable by another 5.00%, up to 20.00% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. The borrower group exposure limit is extendable by another 10.00%, up to 50.00% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. In addition, a bank may, in exceptional circumstances and with the approval of its board of directors, consider increasing its exposure to a single borrower up to a maximum of an additional 5.00% of capital funds, subject to the borrower consenting to the bank making appropriate disclosure about the borrower in the bank's annual report. RBI also specifies ceilings for credit and investment to, among others, capital markets, venture capital, NBFCs, factoring, Indian joint ventures and intra group exposures. In addition to the RBI guidelines, we have also identified major sectors/industries based upon our exposure concentration, and the ceilings are mapped to our capital fund, net worth and total gross advance. We have a Board-approved exposure policy, and places periodic monitoring reports before the Board for information.

The following table sets forth, at the dates indicated, our fund-based loans outstanding categorized sector wise, on a standalone basis:

Industry	As of March 31,					
	2021		2022		2023	
	Gross advances	Percentage of total gross advances	Gross advances	Percentage of total gross advances	Gross advances	Percentage of total gross advances
	(in ₹ million, except percentages)					
Agricultural and allied activities	169,287.34	12.55%	202,858.14	13.74%	259,933.38	14.65%
Industry	294,602.18	21.84%	314,124.34	21.28%	390,529.14	22.02%
Services	425,787.56	31.57%	449,476.13	30.44%	538,851.20	30.38%
Personal loans and Others	459,090.10	34.04%	509,935.87	34.54%	584,451.56	32.95%
Gross Advance	**1,348,767.18**	**100.00%**	**1,476,394.48**	**100.00%**	**1,773,765.28**	**100.00%**

As of March 31, 2023, aggregate exposure to our top ten single largest borrowers, on a standalone basis, amounted to ₹ 114,630.00 million, representing approximately 49.31% of our total Tier I and Tier II capital. We had an exposure of ₹16,180.00 million for our single largest borrower, on a standalone basis, representing 6.96% of our Tier I and Tier II capital, as of March 31, 2023.

As of March 31, 2023, aggregate exposure to our top ten single largest borrowers, on a consolidated basis, amounted to ₹ 114,630.00 million, representing approximately 46.71% of our total Tier I and Tier II capital. We had an exposure of ₹16,180.00 million on such date for our single largest borrower, on a consolidated basis, representing 6.59% of our Tier I and Tier II capital, as of March 31, 2023.

IX. Priority Sector Lending

As stipulated by the RBI, commercial banks in India are required to lend, through advances or investment, 40% of their adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as "priority sectors," subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to the agriculture sector, micro and small enterprises, weaker sections, housing and education finance up to certain ceilings.

We are required to comply with the priority sector lending requirements as of March 31, in each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the RIDF or funds with other financial institutions as specified by the RBI.

A breakdown of our priority sector lending in the form of standalone advances for the periods indicated is as follows:

	March 31, 2021		March 31, 2022		March 31, 2023	
	Amount	**Percentage of total**	**Amount**	**Percentage of total**	**Amount**	**Percentage of total**
	(in ₹ million, except percentages)					
Agriculture	169,287.34	46.36%	202,858.14	44.65%	259,933.38	45.34%
Industries*	91,637.90	25.09%	111,956.27	24.64%	129,341.41	22.56%
Services*	58,573.18	16.04%	101,961.05	22.44%	150,433.79	26.24%
Other Priority Sector	45,678.52	12.51%	37,524.35	8.26%	33,592.82	5.86%
Total	**365,176.94**	**100.00%**	**454,299.81**	**100.00%**	**573,301.40**	**100.00%**

**These are industries and services that are eligible to be classified as priority sectors.*

X. NPAs

As a commercial bank operating in India, we recognize NPAs in accordance with the RBI's guidelines. The guidelines require Indian banks to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realization of amounts due in relation to such asset. Further, the NPA classification is at the borrower level, rather than at the facility level and accordingly, if one of the advances granted to a borrower becomes nonperforming, such borrower is classified as non-performing and all advances due from it are so classified.

A non-performing asset is a loan or an advance where: (i) interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan; (ii) the account remains "out of order" in respect of an overdraft or cash credit; (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted; (iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops; (v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops; (vi) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021; or (vii) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. According to guidelines specified by the RBI, an account should be classified as an NPA on the basis of the record of recovery and not merely on deficiencies which are temporary in nature, such as non-renewal of limits on the due date or non-submission of stock statements.

Assets are classified as described below:

Standard assets	A standard asset is one that is not a sub-standard asset.
Sub-standard assets	As per income recognition and asset classification norms of the RBI, a substandard asset would be one which has remained non-performing for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.
Doubtful assets	As per income recognition and asset classification norms of the RBI, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.
Loss assets	As per income recognition and asset classification norms of the RBI a loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-off are as follows:

Standard asset	As per income recognition and asset classification and provisioning norms of the RBI: *(1)* Farm Credit to agricultural activities and Small and Micro Enterprises sectors at 0.25%. *(2)* Advances to Commercial Real Estate Sector at 1.00%. *(3)* Advances to Commercial Real Estate – Residential Housing Sector at 0.75%. *(4)* All other loans and advances not included in (a) (b) and (c) above at 0.40%.
Sub-standard asset	A general provision of 15% on total outstanding should be created without making any allowance for the Export Credit Guarantee Corporation of India Limited or the Credit Guarantee Fund Trust for Micro and Small Enterprises guarantee cover and securities available.

	10% additional provision shall be created for 'unsecured exposures' which are identified as 'substandard' i.e., a total of 25% on the outstanding balance.
Doubtful assets	100 per cent of the extent to which the advance is not covered by the realizable value of the security. With regard to the secured portion, provision may be made on the following basis, of the secured portion depending upon the period for which the asset has remained in the doubtful category: -

Period for which asset has remained in 'doubtful' category	Provision requirement (%)
Up to one year (D1)	25%
One to three years (D2)	40%
More than three years (D3)	100%

(a) Standalone

The following table sets forth, as of the dates indicated, information about our NPA position, on a standalone basis:

	As of March 31,		
	2021	2022	2023
	(in ₹ million, except percentages)		
Gross NPAs	46,023.90	41,367.40	41837.70
Specific provisions	29,289.30	26,419.40	28,604.60
Floating provisions	691.80	691.80	691.80
Net NPA	15,692.80	13,926.20	12,050.10
Gross advances	1,348,767.18	1,476,394.48	1,773,765.28
Net advances	1,318,786.01	1,449,283.25	1,744,468.85
Gross NPAs/gross advances (%)	3.41%	2.80%	2.36%
Net NPAs/net advances (%)	1.19%	0.96%	0.69%
Specific provision as a percentage of gross NPAs	63.64%	63.87%	68.37%
Total provisions as a percentage of gross NPAs	65.14%	65.54%	70.02%

	As of March 31,		
	2021	2022	2023
	(in ₹ million, except percentages)		
NPA provision at the beginning of the year*	18,852.70	29,981.10	27,111.20
Addition during the year	17,119.40	11,886.70	12,013.60
Reduction during the period on account of recovery and write-offs	5991.00	14756.60	9828.40
NPA provision at the end of the year	29,981.10	27,111.20	29,296.40

**Includes floating provisions*

(b) Consolidated

The following table sets forth, as of the dates indicated, information about our NPA provisions, on a consolidated basis:

	As of March 31,		
	2021	2022	2023
	(in ₹ million, except percentages)		
Gross NPAs	46,463.90	42,565.30	43,435.20
NPA provisions	30,066.84	27,437.63	29,709.71
Net NPA	16,047.10	14,797.70	13,234.40
Gross advances	1,385,210.96	1,532,090.70	1,849,277.20
Net advances	1,355,144.12	1,499,514.61	1,819,567.49
Gross NPAs/gross advances (%)	3.35%	2.78%	2.35%
Net NPAs/net advances (%)	1.18%	0.98%	0.73%

Provisions for possible credit losses

A. Standalone

The following tables set forth our provisions for possible credit losses as of the dates indicated, on a standalone and consolidated basis

	As of March 31,		
	2021	2022	2023
	(in ₹ million, except percentages)		
Provision held	29,981.10	27,111.20	29,296.40
Provision held as percentage of gross advances	2.22%	1.84%	1.65%
Provision held as percentage of gross NPAs	65.14%	65.54%	70.02%

B. Consolidated

	As of March 31,		
	2021	2022	2023
	(in ₹ million, except percentages)		
Provision held	30,066.84	27,437.63	29,709.71
Provision held as percentage of gross advances	2.17%	1.79%	1.61%
Provision held as percentage of gross NPAs	64.71%	64.46%	68.40%

Gross advances

The following table sets forth the classification of our standalone gross advances as of the dates indicated:

	As of March 31,		
	2021	2022	2023
	(in ₹ million)		
Standard advances	1,302,743.20	1,435,027.10	1,731,927.60
Restructured standard assets	16,180.07	35,360.37	28,301.92
Non-performing assets	46,023.90	41,367.40	41,837.70
Sub-standard advances	17,662.97	11,485.99	10,170.70
Doubtful advances	24,474.16	25,001.40	27,214.10
Loss advances	3,886.77	4,880.03	4,452.90

Analysis of NPAs by Industry Sector

The following table sets forth, as of and for the periods indicated, our standalone domestic NPAs, by borrowers' industry or economic activity and as a percentage of our loans in the respective industry or economic activities sector.

Industry	As of March 31,								
	2021			2022			2023		
	Gross advances	NPAs	Percentage of gross NPAs to gross advances in that sector	Gross advances	NPAs	Percentage of gross NPAs to gross advances in that sector	Gross advances	NPAs	Percentage of gross NPAs to gross advances in that sector
	(in ₹ million, except percentages)								
Agricultural and allied activities	169,287.34	9,164.30	5.41%	202,858.14	10,454.20	5.15%	259,933.38	11,327.61	4.36%
Industry	294,602.18	11,543.80	3.92%	314,124.34	7,829.80	2.49%	390,529.14	6,655.78	1.70%
Services	425,787.56	12,853.96	3.02%	449,476.13	9,889.40	2.20%	538,851.20	11,707.68	2.17%
Personal loans and others	459,090.10	12,461.80	2.71%	509,935.87	13,194.00	2.59%	584,451.56	12,146.63	2.08%
Gross Advance	**1,348,767.18**	**46,023.86**	**3.41%***	**1,476,394.48**	**41,367.40**	**2.80%***	**1,773,765.28**	**41,837.69**	**2.36%***

** This is % of gross NPAs to total gross advances*

XI. Restructuring of Debts

In respect of restructured or rescheduled accounts, we make provisions for the erosion in fair value of restructured advances in accordance with the general framework of the restructuring of advances as per the Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated July 1, 2013, issued by the RBI. The erosion in fair value of advances is computed as the difference between the fair values before and after restructuring.

Our total gross standard restructured advances, on a standalone basis, were ₹16,180.07 million (1.20% of gross advances), ₹35,360.37 million (2.40 % of gross advances) and ₹ 28,301.92 million (1.60% of gross advances) as of March 31, 2021, 2022 and 2023, respectively.

The following table sets forth the movement in standalone restructured advances as of and for the period ended March 31, 2023:

	As of March 31, 2023
	Standard
	(in ₹ million)
Restructured Accounts as on April 1, 2022 (Opening position)	35,360.37
Movement in the Accounts (Includes Closed and Sale Accounts)	

	As of March 31, 2023
	Standard
	(in ₹ million)
Add: Fresh Restructuring and increase in outstanding due to additional/fresh sanctions to existing restructured accounts.	847.40
Add: Up-gradation to restructured standard category	547.08
Less: Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of the quarter and hence need not be shown as restructured standard advances at the beginning of the next quarter	-
Less: Down-gradations of restructured accounts during the financial year	3,001.26
Less: Recovery	5,451.66
Less: Write-offs of restructured accounts during the financial year	-
Total restructured accounts as on March 31, 2023 (Closing Position)	**28,301.92**

XII. Financial Ratios

The following table sets forth certain of our key financial indicators, calculated on a standalone basis, as of and for the periods indicated.

	As of March 31, *		
	2021	**2022**	**2023**
Return on equity ("**RoE**")[1]	10.38%	10.87%	15.02%
Return on average assets ("**RoA**")[2]	0.85%	0.94%	1.28%
Dividend payout ratio[3,4]	8.79%	20.04%	7.03%
Cost to average assets[5]	1.97%	2.13%	2.02%
Tier I capital adequacy ratio	13.85%	14.43%	13.02%
Tier II capital adequacy ratio	0.78%	1.34%	1.79%
Total capital adequacy ratio	14.62%	15.77%	14.81%
Net non-performing assets ratio[6]	1.19%	0.96%	0.69%
Allowance as percentage of gross non-performing assets[7]	65.14%	65.54%	70.02%
Average net worth to total average assets[8]	8.18%	8.62%	8.51%
Credit to deposit ratio[9]	76.39%	79.76%	81.75%
Cost to income ratio[10]	49.27%	53.32%	49.86%
Other income to operating income ratio[11]	26.01%	25.95%	24.37%

** Monthly average as used in this table is calculated as a sum of month end balances in a particular year divided by 12.*

Notes:

1) *RoE is the ratio of the net profit after tax to the average net worth (capital plus reserves created out of profit plus securities premium minus intangibles).*
2) *RoA is the net profit after tax to monthly average of total assets.*
3) *Dividend payout ratio is the ratio of dividend to net profit after tax.*
4) *The Board of Directors have recommended a dividend of 50% i.e., ₹ 1.00/- per Equity Share on face value of ₹ 2/- each for Fiscal 2023 subject to the shareholders' approval at the ensuing Annual General Meeting.*
5) *Cost to average assets is the ratio of the operating expenses, to the monthly average of total assets.*
6) *Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.*
7) *Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.*
8) *Average net worth to total average assets is the ratio of net worth to monthly average of total assets. Average net worth is yearly average, i.e. current and prior year divided by two.*
9) *Credit to deposit ratio is calculated as a ratio of total advances(net) to total deposits.*
10) *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*
11) *Other income to operating income ratio is calculated as a ratio of other income divided by total operating income (total of net interest income and non-interest income).*

The following table sets forth certain of our key financial indicators, calculated on a consolidated basis, as of and for the periods indicated:

	As of March 31,*		
	2021	**2022**	**2023**
RoE[1]	10.64%	11.14%	15.49%
RoA[2]	0.86%	0.91%	1.28%
Dividend payout ratio[3,4]	8.40%	19.22%	6.69%
Cost to average assets[5]	2.01%	2.13%	2.11%
Tier I capital adequacy ratio	14.20%	14.77 %	13.31%
Tier II capital adequacy ratio	0.99%	1.56%	1.94%
Total capital adequacy ratio	15.19%	16.33%	15.24%
Net non-performing assets ratio[6]	1.18%	0.98%	0.73%
Allowance as percentage of gross non-performing assets[7]	64.71%	64.45%	68.40%
Average net worth to total average assets[8]	8.05%	8.20%	8.27%
Credit to deposit ratio[9]	78.70%	82.54%	85.43%
Cost to income ratio[10]	49.75%	53.75%	50.73%
Other income to operating income ratio[11]	24.98%	24.83%	23.72%

** Monthly average as used in this table is calculated as a sum of month end balances in a particular year divided by 12.*
Notes:
1) *RoE is the ratio of the net profit after tax to the average net worth (capital plus reserves created out of profit plus securities premium minus intangibles).*
2) *RoA is the net profit after tax to monthly average of total assets.*
3) *Dividend payout ratio is the ratio of dividend to net profit after tax.*
4) *The Board of Directors have recommended a dividend of 50% i.e., ₹ 1.00/- per Equity Share on face value of ₹ 2/- each for Fiscal 2023 subject to the shareholders' approval at the ensuing Annual General Meeting.*
5) *Cost to average assets is the ratio of the operating expenses, to the monthly average of total assets.*
6) *Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.*
7) *Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.*
8) *Average net worth to total average assets is the ratio of net worth to monthly average of total assets. Average net worth is yearly average, i.e. current and prior year divided by two.*
9) *Credit to deposit ratio is calculated as a ratio of total advances (net) to total deposits.*
10) *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*
11) *Other income to operating income ratio is calculated as a ratio of other income divided by total operating income (total of net interest income and non-interest income).*

XIII. Capital Adequacy

We are a banking company within the meaning of the Indian Banking Regulation Act, 1949. We are registered with and subject to supervision by the RBI. Basel III Capital Regulations are being implemented in India with effect from April 1, 2013, in a phased manner, which we have complied with. For further details, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations -Factors affecting our results of operations – Capital Requirements, Reserve Ratios and Liquidity Coverage Ratio*" on page 611.

The following table sets out our capital adequacy ratios, on a standalone and consolidated basis, as of March 31, 2021, 2022 and 2023:

(1) Standalone

(₹ in millions, except percentages)

	As of March 31,		
	2021	**2022**	**2023**
Common Equity Tier I (CET I)	154,546.06	176,385.19	204,313.54
Additional Tier I capital	0.00	0.00	0.00
Tier I capital	154,546.06	176,385.19	204,313.54
Tier II capital	8,681.32	16,372.81	28,131.44
Total Capital	**163,227.39**	**192,757.99**	**232,444.98**
Credit Risk – RWA	977,622.85	1,071,712.16	1,387,527.86
Market Risk – RWA	37,633.76	33,976.32	50,266.08
Operational Risk – RWA	100,949.89	116,948.56	131,361.75
Total risk weighted assets	**1,116,206.50**	**1,222,637.05**	**1,569,155.69**

	As of March 31,		
	2021	**2022**	**2023**
CET I Ratio (%)	13.85%	14.43%	13.02%
Capital Adequacy Ratio – Tier I capital (%)	13.85%	14.43%	13.02%
Capital Adequacy Ratio –Tier II capital (%)	0.78%	1.34%	1.79%
Total Capital Adequacy Ratio (%)	14.62%	15.77%	14.81%

(2) Consolidated

(₹ in millions, except percentages)

	As of March 31,		
	2021	**2022**	**2023**
Common Equity Tier I (CET I)	160,803.57	184,946.98	214,210.26
Additional Tier I capital	0.00	0.00	0.00
Tier I capital	160,803.57	184,946.98	214,210.26
Tier II capital	11,238.22	19,574.66	31,191.74
Total Capital	**172,041.79**	**204,521.64**	**245,402.01**
Credit Risk – RWA	994,149.10	1,101,604.92	1,428,211.31
Market Risk – RWA	37,633.76	33,976.32	50,266.08
Operational Risk – RWA	100,949.89	116,948.56	131,361.75
Total risk weighted assets	**1,132,732.76**	**1,252,529.80**	**1,609,839.13**

	As of March 31,		
	2021	**2022**	**2023**
CET I Ratio (%)	14.20%	14.77%	13.30%
Capital Adequacy Ratio – Tier I capital (%)	14.20%	14.77%	13.30%
Capital Adequacy Ratio –Tier II capital (%)	0.99%	1.56%	1.94%

	As of March 31,		
	2021	2022	2023
Total Capital Adequacy Ratio (%)	15.19%	16.33%	15.24%

Capital position

A. **Standalone**

	March 31, 2023
	(₹ in millions, except percentages)
Risk weighted assets	1,569,155.69
Credit risk	1,387,527.86
Market risk	50,266.08
Operational risk	131,361.75
Capital funds	232,444.98
Tier 1 capital funds	204,313.54
Tier 2 capital funds	28,131.44
CRAR	14.81%
Tier 1	13.02%
Tier 2	1.79%

B. **Consolidated**

	March 31, 2023
	(₹ in millions, except percentages)
Risk weighted assets	1,609,839.13
Credit risk	1,428,211.31
Market risk	50,266.08
Operational risk	131,361.74
Capital funds	245,402.01
Tier 1 capital funds	214,210.26
Tier 2 capital funds	31,191.75
CRAR	15.24%
Tier 1	13.30%
Tier 2	1.94%

Significant developments after March 31, 2023

On July 13, 2023, we disclosed our quarterly condensed standalone and consolidated unaudited results, accompanied by limited review reports issued by the Statutory Auditors, for the quarter ended June 30, 2023, to the Stock Exchanges. For further details, see "Recent Developments" on page 633.

Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations. For further details, see *"Risk Factor 15 – Our Bank may undertake a preferential issue of Equity Shares after completion of the Issue which is subject to the corporate approvals and other considerations."* on page 44.

ORGANIZATIONAL STRUCTURE

Corporate History

Our Bank was incorporated as 'The Travancore Federal Bank Limited Nedumpram' on April 23, 1931, under the Travancore Companies Regulation, 1916. Our Bank's name was changed to 'The Federal Bank Limited' on December 2, 1949. Subsequently, our Bank was registered under the Companies Act, 1956 on April 1, 1956. Our Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959, and is a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

The CIN of our Bank is L65191KL1931PLC000368 and our Registered Office and Corporate Office is situated at Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India.

Our corporate structure is as follows:

As on the date of this Preliminary Placement Document, our Bank has two Subsidiaries:

1. Fedbank Financial Services Limited; and
2. Federal Operations and Services Limited.

As on the date of this Preliminary Placement Document, our Bank has two Associates:

1. Equirus Capital Private Limited; and
2. Ageas Federal Life Insurance Company Limited.

As on the date of this Preliminary Placement Document, our Bank does not have a promoter.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The composition of our Board is governed by the provisions of the Banking Regulation Act, 1949, the Companies Act, 2013, the rules prescribed thereunder, the SEBI Listing Regulations and the Articles. In accordance with the Articles, our Bank shall not have less than five Directors and not more than twelve Directors. As on the date of this Preliminary Placement Document, our Board comprises of ten Directors including three Executive Directors and seven Non-Executive Independent Directors. Our Board comprises of two women Directors.

The following table sets forth details regarding our Board as of the date of this Preliminary Placement Document:

Sr. No.	Name, Address, Occupation, Nationality, Term, Date of Birth and DIN	Age (in years)	Designation
1.	**Abhaya Prasad Hota**(1) **Address:** Flat B-2/902, Mahindra Vivante Suren Road, Andheri East, Near TCS Banyan Tree, Mumbai 400 093, Maharashtra, India **Occupation:** Management consulting **Nationality:** Indian **Term:** Appointed with effect from July 10, 2021 till January 14, 2026 **Date of birth:** August 4, 1956 **DIN**: 02593219	66	Part time Chairman and Non-Executive Independent Director
2.	**Shyam Srinivasan** **Address**: 4/99, Federal Villa, Althara GCDA Road, Thottakkatukara P O, Aluva, Ernakulam 683 108, Kerala, India **Occupation**: Banker **Nationality:** Indian **Term**: Appointed with effect from September 23, 2021 to September 22, 2024 **Date of birth:** February 2, 1962 **DIN**: 02274773	61	Managing Director and Chief Executive Officer
3.	**Siddhartha Sengupta** **Address**: Flat No. A -604, Sai Sapphire, Plot No. 178/180, Sector 20, Ulwe, Panvel, Raigarh 410206 **Occupation**: Professional **Nationality:** Indian **Term**: Appointed with effect from June 13, 2019 till June 12, 2024 **Date of birth:** January 4, 1959 **DIN**: 08467648	64	Non-Executive Independent Director
4.	**Manoj Fadnis** **Address**: 15 HIG, Vijay Nagar, A B Road, Indore 452 010, Madhya Pradesh, India **Occupation**: Professional **Nationality:** Indian **Term**: Appointed with effect from June 13, 2019 till June 12, 2024 **Date of birth:** July 16, 1962	61	Non-Executive Independent Director

Sr. No.	Name, Address, Occupation, Nationality, Term, Date of Birth and DIN	Age (in years)	Designation
	DIN: 01087055		
5.	**Sudarshan Sen** **Address**: 18th Floor, 1802, Godrej Platinum, Tower B4, Opposite Godrej Memorial Hospital, Pirojsha Nagar, Vikhroli East, Mumbai 400079, Maharashtra, India **Occupation**: Part time consultant **Nationality:** Indian **Term**: Appointed with effect from February 11, 2020 till February 10, 2025 **Date of birth:** January 21, 1959 **DIN**: 03570051	64	Non-Executive Independent Director
6.	**Varsha Vasant Purandare** **Address**: Flat 906, BLDG A, Yuthika Apartments Sr No 89, Baner, Pune 411 045, Maharashtra, India **Occupation**: Retired Banker **Nationality:** Indian **Term**: Appointed with effect from September 8, 2020 till September 7, 2025 **Date of birth:** December 7, 1958 **DIN**: 05288076	64	Non-Executive Independent Director
7.	**Sankarshan Basu** **Address**: Otr. 437, IIM Bangalore Campus, Bannerghatta Road, Bangaluru 560 076, Karnataka, India **Occupation**: Service **Nationality:** Indian **Term**: Appointed with effect from October 1, 2021 till September 30, 2026 for a period of five years **Date of birth:** June 14, 1972 **DIN**: 06466594	51	Non-Executive Independent Director
8.	**Ramanand Mundkur** **Address**: Villa No. 7, Bel Air, 74 Brookefields Main Road, Bangalore North, Bengaluru 560 037, Karnataka, India **Occupation**: Lawyer **Nationality:** Indian **Term**: Appointed with effect from October 1, 2021 till September 30, 2026 **Date of birth:** March 2, 1970 **DIN**: 03498212	53	Non-Executive Independent Director
9.	**Shalini Warrier** **Address**: Shreyas, Island Avenue, Punkunnam, Thrissur 680 002, Kerala, India **Occupation**: Executive Director **Nationality:** Indian	57	Executive Director

Sr. No.	Name, Address, Occupation, Nationality, Term, Date of Birth and DIN	Age (in years)	Designation
	Term: Re-appointed with effect from January 15, 2023 to January 14, 2026 **Date of birth:** June 7, 1966 **DIN**: 08257526		
10.	**Harsh Dugar**[(2)] **Address**: B-32, Garden City, 318, Village Road, Nungambakkam, Chennai 600 034, Tamil Nadu, India **Occupation**: Service - Banker **Nationality:** Indian **Term**: Appointed with effect from June 23, 2023 to June 22, 2026 for a period of three years **Date of birth:** December 12, 1972 **DIN**: 00832748	50	Additional Executive Director

[(4)] *Pursuant to the Board resolution dated March 1, 2023 and the RBI approval dated June 26, 2023, Abhaya Prasad Hota has been appointed as Part-time Chairman of the Bank with effect from June 29, 2023 till January 14, 2026.*

[(5)] *Pursuant to the Board resolution dated March 1, 2023 and the RBI approval dated June 22, 2023, Harsh Dugar has been appointed as the Additional Executive Director of our Bank, subject to the Shareholder's resolution in the ensuing AGM of our Bank.*

Relationship with other Directors

None of our Directors are related to each other.

Borrowing powers of our Board

Pursuant to a resolution passed by the Shareholders of our Bank on August 10, 2018 and subject to the Companies Act, 2013, Articles of Association, capital adequacy norms as prescribed by RBI and any other applicable laws, rules, regulations and guidelines from time to time, the Board is authorised to borrow from time to time all such sums of money for the purpose of business of the Bank, notwithstanding that the money to be borrowed together with the money already borrowed by the Bank exceeding the aggregate of the paid-up capital and free reserves, i.e., reserves not set part for any specific purpose, provided that the maximum amount of monies so borrowed by the Board and outstanding shall not, at any time, exceed the sum of ₹120,000 million.

Interests of our Directors

All Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Bank. In consideration for these services, they are paid managerial remuneration in accordance with the provisions of applicable law.

Except as stated in "*Financial Information*" on page 95, and as disclosed in this section, our Directors do not have any other interest in our business.

The Directors may also be regarded as interested in the Equity Shares held by them (as disclosed below) or that may be subscribed by or allotted to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue.

None of the Directors of our Bank have any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others pursuant to which any Director was selected as a Director.

Except for the staff housing loans, and executive vehicle advance availed by Harsh Dugar with cumulative outstanding amount of ₹11.86 million, none of our Directors have taken any loans from our Bank.

Shareholding of Directors

As per our Articles of Association, our Directors are not required to hold any qualification shares.

Except as disclosed below, none of our Directors hold any Equity Shares and employee stock options of the Bank.

S. No.	Name of the Director	No. of Equity Shares	Percentage of Equity Share Capital (%)*	Number of stock options outstanding	Number of stock options vested and unexercised	Total number of Equity Shares that would be issued as a result of full exercise of options already vested
1.	Shyam Srinivasan	798,595	0.04	320,680	320,680	320,680
2.	Shalini Warrier	260,000	0.01	2,152,700	1,885,750	1,885,750
3.	Harsh Dugar	210,000	0.01	2,110,000	1,684,125	1,684,125

* *On a fully diluted basis*

Terms of appointment of Directors

3. Remuneration to Executive Directors

a. ***Shyam Srinivasan***

Pursuant to a letter dated July 9, 2021 issued by the RBI, Shyam Srinivasan was re-appointed as the Managing Director and Chief Executive Officer of our Bank by a Board resolution dated February 16, 2020 and Shareholders' resolution dated July 27, 2022 with effect from September 23, 2021 till September 22, 2024. Set out below is the remuneration payable to the Managing Director and Chief Executive Officer in accordance with the terms approved by our Bank and by the RBI pursuant to the letter dated November 9, 2021.

Particulars	Remuneration per annum
Fixed Pay (including Perquisites)	
Salary	₹22,500,000.00
Retiral/Superannuation benefits	
- Provident Fund	₹2,250,000.00
- Gratuity	₹1,875,000.00
Leave Fare Concession/ Allowance	₹800,000.00
Leave Encashment	₹1,875,000.00
Perquisites	
- Free Furnished House and its maintenance	₹2,350,000.00
- Conveyance Allowance/Free use of bank's car for official purpose	₹28,800.00
- Driver(s)' salary	₹10,800.00
- Club memberships(s)	₹31,800.00
- Insurance Premium	₹2,250.00
- Servant Wages	₹300,000.00
Total Fixed pay (including perquisites)	**₹32,023,650.00**
Variable Pay*	
Payment linked incentive	4,870,000.00
Grant of stock option	304,000 stock options

** The Nomination Committee of our Bank in it meeting held on May 27, 2023 recommended to our Board an amount of ₹ 4.87 million as the performance linked incentive and grant of 304,000 stock options to Shyam Srinivasan as variable pay for Fiscal 2023. Further, pursuant to letter dated July 11, 2023 to RBI, Shyam Srinivasan has relinquished his variable pay for Fiscal 2023.*

b. ***Shalini Warrier***

Pursuant to a letter dated January 11, 2023 issued by the RBI, Shalini Warrier was appointed as the Executive Director of our Bank by a Board resolution dated January 16, 2023 and Shareholders' resolution dated March 4, 2023 with effect from January 15, 2023 till January 14, 2026. Set out below is the remuneration payable to the Executive Director in accordance with the terms approved by our Bank and by the RBI pursuant to the letter dated January 11, 2023.

Particulars	Remuneration per annum
Fixed Pay (including Perquisites)	
Salary	₹9,277,200.00
Retiral/Superannuation benefits	
- Provident Fund	₹300,000.00
- Gratuity	₹250,000.00
Leave Fare Concession/ Allowance	₹600,000.00
Leave encashment	₹773,100.00
Perquisites	
- Free Furnished House and its maintenance/House Rent Allowance	₹900,000.00
- Conveyance Allowance/Free use of bank's car for Official purposes	₹600,000.00
- Driver(s)' salary	₹500,000.00
Total Fixed pay (including perquisites)	**₹13,200,300.00**

Particulars	Remuneration per annum
Variable Pay*	
Payment linked incentive	2,825,000.00
Grant of stock option	90,800 stock options

**Subject to RBI approval and the Shareholder's approval in the ensuing AGM of our Bank.*

c. ***Harsh Dugar***

Pursuant to a letter dated June 22, 2023 issued by the RBI, Harsh Dugar was appointed as an Additional Executive Director of our Bank by a Board resolution dated March 1, 2023 with effect from June 23, 2023 to June 22, 2026, subject to the Shareholder's resolution in the ensuing AGM of our Bank. Set out below is the remuneration payable to him in accordance with the terms approved by our Bank and by the RBI pursuant to the letter dated June 22, 2023, subject to Shareholder's resolution in the ensuring AGM of our Bank.

Particulars	Remuneration per annum
Fixed Pay (including Perquisites)	
Basic Salary	₹8,856,000.00
Retiral/Superannuation benefits	
- Provident Fund	₹300,000.00
- Gratuity	₹250,000.00
Leave Fare Concession/ Allowance	₹450,000.00
Leave encashment	₹738,000.00
Perquisites	
- House Rent Allowance	₹1,206,000.00
- Conveyance Allowance/Free use of bank's car for Official purposes	₹800,000.00
- Driver(s)' salary	₹600,000.00
Total Fixed pay (including perquisites)	₹13,200,000.00
Variable Pay*	

** The proposal for payment of variable pay to Harsh Dugar will be submitted to the RBI post completion of his performance period.*

The following table sets forth the remuneration paid by our Bank to the Executive Directors of our Bank during the Fiscals 2023, 2022 and 2021 and the three months ended June 2023:

(in ₹ million)

S. No.	Name of the Director	Designation	Fiscal 2021
1	Shyam Srinivasan	Managing Director and CEO	23.11
2	Ashutosh Khajuria*	Executive Director	11.67
3	Shalini Warrier	Executive Director	10.87
Total			**45.65**

**Ashutosh Khajuria ceased to be a director of our Bank with effect from March 30, 2023*

(in ₹ million)

S. No.	Name of the Director	Designation	Fiscal 2022
1	Shyam Srinivasan	Managing Director and CEO	29.45
2	Ashutosh Khajuria*	Executive Director	15.19
3	Shalini Warrier	Executive Director	14.61
Total			**59.25**

**Ashutosh Khajuria ceased to be a director of our Bank with effect from March 30, 2023*

(in ₹ million)

S. No.	Name of the Director	Designation	Fiscal 2023
1	Shyam Srinivasan	Managing Director and CEO	29.65
2	Ashutosh Khajuria*	Additional Executive Director	12.70
3	Shalini Warrier	Executive Director	13.23
Total			**55.58**

**Ashutosh Khajuria ceased to be a director of our Bank with effect from March 30, 2023*

(in ₹ million)

S. No.	Name of the Director	Designation	For the three months ended June 30, 2023
1	Shyam Srinivasan	Managing Director and CEO	6.79
2	Ashutosh Khajuria*	Executive Director	0.84
3	Shalini Warrier	Executive Director	2.49
4	Harsh Dugar	Additional Executive Director	0.22
Total			**10.34**

**Ashutosh Khajuria ceased to be a director of our Bank with effect from March 30, 2023*

4. Remuneration to Non-Executive Independent Directors

Sitting fees to Non-Executive Directors

Pursuant to the resolutions passed by the Board meetings held on April 29, 2014 and January 15, 2015, set out below are details of the sitting fees which the Non-Executive Directors of our Bank are entitled to receive:

S. No.	Type of meeting	Details of sitting fees to be paid per meeting
1.	Board	₹80,000.00
2.	Audit Committee	₹60,000.00
3.	Nomination Committee	₹30,000.00
4.	Stakeholders Relationship Committee	₹5,000.00
5.	Risk Management Committee	₹60,000.00
6.	CSR Committee	₹15,000.00
7.	Credit Committee	₹60,000.00

The following table sets forth the sitting fees, including profit linked commission and honorarium, if any, paid by our Bank to the Non-Executive Independent Directors of our Bank during the Fiscals 2023, 2022 and 2021 and the three months ended June 2023.

(in ₹ million)

S. No.	Name of the Director	Fiscal 2021
1	Grace Koshie(1)	3.87
2	Shubhalakshmi Panse(2)	1.19
3	C Balagopal(3)	2.66
4	Abhaya Prasad Hota	2.75
5	K Balakrishnan(4)	2.48
6	Siddhartha Sengupta	2.97
7	Manoj Fadnis	2.46
8	Sudarshan Sen	2.25
9	Varsha Purandare	1.20
10	Nilesh Shivji Vikamsey(5)	0.12
Total		**21.95**

(1) *Grace Koshie ceased to be a director of our Bank with effect from November 21, 2021 in accordance with the regulatory requirement*
(2) *Shubhalakshmi Panse ceased to a director of our Bank with effect from July 17, 2020 in accordance with the regulatory requirement*
(3) *C. Balagopal ceased to be a part-time chairman and independent director of our Bank with effect from June 28, 2023 in accordance with the regulatory requirement*
(4) *K Balakrishnan ceased to be a director of our Bank with effect from September 24, 2021*
(5) *Nilesh Shivji Vikamsey ceased to a director of our Bank with effect from June 24, 2019 in accordance with the regulatory requirement*

(in ₹ million)

S. No.	Name of the Director	Fiscal 2022
1	C Balagopal(1)	3.43
2	Abhaya Prasad Hota	3.51
3	Siddhartha Sengupta	3.73
4	Manoj Fadnis	3.25
5	Sudarshan Sen	3.31
6	Varsha Purandare	3.42
7	Ramanand Mundkur	2.21
8	Sankarshan Basu	1.73
9	Grace Koshie(2)	2.57
10	K Balakrishnan(3)	1.52
11	Shubhalakshmi Panse(4)	0.15
Total		**28.83**

(1) *C. Balagopal ceased to be a part-time chairman and independent director of our Bank with effect from June 28, 2023 in accordance with the regulatory requirement*
(2) *Grace Koshie ceased to be a director of our Bank with effect from November 21, 2021 in accordance with the regulatory requirement*
(3) *K Balakrishnan ceased to be a director of our Bank with effect from September 24, 2021*
(4) *Shubhalakshmi Panse ceased to a director of our Bank with effect from July 17, 2020 in accordance with the regulatory requirement*

(in ₹ million)

S. No.	Name of the Director	Fiscal 2023
1	C Balagopal(1)	4.66
2	Abhaya Prasad Hota	3.80
3	Siddhartha Sengupta	4.49
4	Manoj Fadnis	4.01
5	Sudarshan Sen	4.05
6	Varsha Purandare	4.12
7	Sankarshan Basu	3.99
8	Ramanand Mundkur	4.98
9	K Balakrishnan(2)	0.48
Total		**34.58**

(1) *C. Balagopal ceased to be a part-time chairman and independent director of our Bank with effect from June 28, 2023 in accordance with the regulatory requirement*
(2) *K Balakrishnan ceased to be a director of our Bank with effect from September 24, 2021*

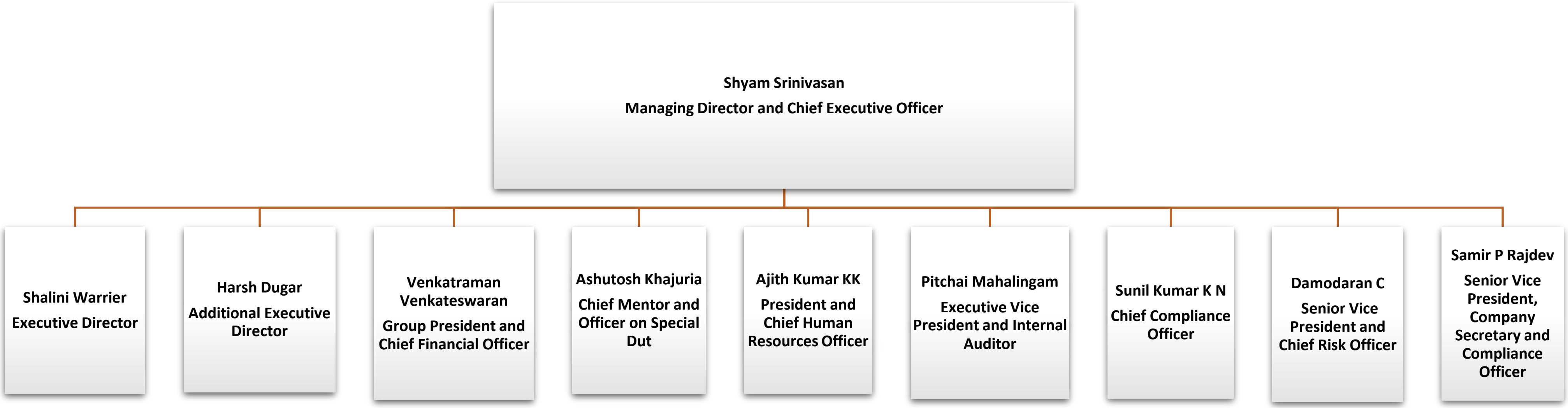
(in ₹ million)

S. No.	Name of the Director	For the three months ended June 30, 2023
1.	C Balagopal(1)	1.19
2.	Abhaya Prasad Hota	0.93

3.	Manoj Fadnis	0.92
4.	Ramanand Mundkur	1.22
5.	Sankarshan Basu	0.97
6.	Siddhartha Sengupta	1.04
7.	Sudarshan Sen	0.77
8.	Varsha Purandare	0.81
Total		**7.84**

(1) *C. Balagopal ceased to be a part-time chairman and independent director of our Bank with effect from June 28, 2023 in accordance with the regulatory requirement*

Organisation Chart of our Bank



Key Managerial Personnel and Senior Management Personnel

Except for Ashutosh Khajuria and Ajith Kumar K K, the Key Managerial Personnel and Senior Management Personnel are permanent employees of our Bank. In addition to the Executive Directors the details of our other Key Managerial Personnel and Senior Management Personnel in terms of the Companies Act and the SEBI ICDR Regulations as on the date of this Preliminary Placement Document are set forth below:

S. No.	Name of Key Managerial Personnel /Senior Management Personnel	Designation
KMP		
1.	Shyam Srinivasan	Managing Director and Chief Executive Officer
2.	Shalini Warrier	Executive Director
3.	Harsh Dugar(1)	Additional Executive Director
4.	Venkatraman Venkateswaran	Group President and Chief Financial Officer
5.	Samir Pravinbhai Rajdev	Senior Vice President, Company Secretary and Compliance Officer
SMP		
6.	Sunil Kumar K N	Chief Compliance Officer
7.	Damodaran C	Senior Vice President and Chief Risk Officer
8.	Pitchai Mahalingam	Executive Vice President and Internal Auditor
9.	Ashutosh Khajuria	Chief Mentor and Officer on Special Duty
10.	Ajith Kumar K K	President and Chief Human Resources Officer

(1) Pursuant to the Board resolution dated March 1, 2023 and the RBI approval dated June 22, 2023, Harsh Dugar has been appointed as the Additional Executive Director of our Bank, subject to Shareholder's resolution in the ensuing AGM of the Bank.

Shareholding of Key Managerial Personnel and Senior Management Personnel

As on the date of this Preliminary Placement Document, except as stated below, none of the Key Managerial Personnel and Senior Management Personnel hold Equity Shares and employee stock options in our Bank:

Sr. No	Name	Number of Equity Shares	Number of vested employee stock options	Percentage of total number of outstanding Equity Shares (%)*
1.	Ashutosh Khajuria	577,000	801,500	0.03
2.	Ajith Kumar K K	54,900	262,375	Negligible
3.	Venkatraman Venkateshwaran	-	1,142,500	-
4.	Samir Pravinchandra Rajdev	-	303,975	-
5.	Pitchai Mahalingam	18,600	304,275	Negligible
6.	Sunil Kumar K N	-	360,100	-
7.	Damodaran C	25,500	165,925	Negligible

* *On a fully diluted basis*

Relationship

None of the Key Managerial Personnel and Senior Management Personnel are related either to each other or to the Directors.

Interest of Key Managerial Personnel and Senior Management Personnel

Our Key Managerial Personnel and Senior Management Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel and Senior Management Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of Equity Shares held in the Bank, if any.

Our Key Managerial Personnel and Senior Management Personnel are entitled to participate in the ESOS 2010 and ESOS 2017.

None of the Key Managerial Personnel and Senior Management Personnel have been paid any consideration of any nature from our Bank, other than their remuneration.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel and Senior Management Personnel was selected as member of senior management.

Corporate Governance

Our Bank is in compliance with the requirements of the applicable regulations, including the SEBI Listing Regulations, the Companies Act, 2013, the SEBI ICDR Regulations and the guidelines issued by the RBI from time to time, in respect of corporate governance, including constitution of our Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of our Board's supervisory role from the executive management team and constitution of our Board committees, as required under law.

Our Board has been constituted in compliance with the Companies Act, 2013 and the SEBI Listing Regulations. Our Board functions either as a full board or through various committees constituted to oversee specific functions. Our Bank's executive management provides our Board detailed reports on its performance periodically.

Committees of our Board of Directors

Our Board has constituted statutory committees, which function in accordance with the relevant provisions of the Companies Act, 2013 and the SEBI Listing Regulations.

The statutory committees of our Board are: (i) Audit Committee; (ii) Nomination Committee; (iii) Stakeholders' Relationship Committee; (iv) CSR Committee; and (v) Risk Management Committee.

The following table sets forth details of members of the aforesaid committees, as on the date of this Preliminary Placement Document:

S. No.	Committee	Name and Designation of Members
1.	Audit Committee	Manoj Fadnis, chairman Sudarshan Sen, member Ramanand Mundkur, member Venkatraman Venkateshwaran, permanent invitee
2.	Nomination Committee	Siddhartha Sengupta, chairman Abhaya Prasad Hota, member Manoj Fadnis, member
3.	Stakeholders' Relationship Committee	Abhaya Prasad Hota, chairman Shyam Srinivasan, member Harsh Dugar, member
4.	CSR Committee	Sankarshan Basu, chairman Shyam Srinivasan, member Shalini Warrier, member Harsh Dugar, member
5.	Risk Management Committee	Sudarshan Sen, chairman Siddhartha Sengupta, member Sankarshan Basu, member Shyam Srinivasan, member

In addition to the above committees, our Board has also constituted a Credit Committee, Human Resource Committee, Customer Service, Marketing Strategy and Digital Banking Committee, Information Technology & Operations Committee and other committees.

Other Confirmations

None of the Director, Key Managerial Personnel or Senior Management Personnel of our Bank has any financial or other material interest in the Issue and there is no effect of such interest as is different from the interest of other persons.

Neither our Bank, nor the Directors have ever been identified as wilful defaulters or fraudulent borrower by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or fraudulent borrowers issued by the RBI or fraudulent borrowers as defined in the SEBI ICDR Regulations.

Neither our Bank, nor our Directors have been debarred from accessing capital markets under any order or direction made by SEBI. Further, none of the Directors have been declared as a Fugitive Economic Offender under Section 12 of the Fugitive Economic Offenders Act, 2018.

None of our Directors, Key Managerial Personnel or Senior Management Personnel of our Bank intends to subscribe to the Issue.

No change in control in our Bank will occur consequent to the Issue.

Policy on disclosures and internal procedure for prevention of insider trading

Regulation 9(1) of the SEBI Insider Trading Regulations applies to our Bank and its employees and requires our Bank to implement a code of internal procedures and conduct for the prevention of insider trading. Our Bank has implemented a code of conduct for prevention of insider trading in accordance with the SEBI Insider Trading Regulations, as per which, the Company Secretary and Compliance Officer of our Bank is the Compliance Officer for the purposes of this code.

Related Party Transactions

For details in relation to the related party transactions entered by our Bank during the last three Financial Years, immediately preceding the year of circulation of this Preliminary Placement Document, for further details see "*Related Party Transactions*" on page 36.

SHAREHOLDING PATTERN

The shareholding pattern of our Bank, as on June 30, 2023, is set forth below.

Summary statement showing the shareholding pattern of the Bank

Category	Category of shareholder	Number of shareholders	Number of fully paid up Equity Shares held	Number of partly paid-up Equity Shares held	Number of shares underlying depository receipts	Total number of shares held (VII) = (IV)+(V)+(VI)	Shareholding as a % of total number of shares (As a % of (A+B+C2))	Number of voting rights held in each class of securities				Number of shares underlying outstanding convertible securities (including warrants)	Shareholding as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of locked in shares		Number of shares pledged or otherwise encumbered		Number of Equity Shares held in dematerialized form
								Number of voting rights			Total as a % of (A+B+C)			Number	As a % of total shares held	No.	As a % of total shares held	
								Class X	Class Y	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(A)	Promoter & Promoter Group	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(B)	Public	808,973	661,660,220	Nil	Nil	661,660,220	31.24				31.61	Nil	31.24	Nil	Nil	Nil	Nil	646,427,055
(C)	Non-Promoter-Non Public	423	1,431,699,379	Nil	Nil	1,431,699,379	67.60	Nil	Nil	Nil	68.39	Nil	67.60	Nil	Nil	Nil	Nil	1,431,398,879
(C1)	Shares underlying DRs	1	Nil	Nil	24,656,664	24,656,664	1.16	Nil	Nil	Nil	Nil	Nil	1.16	Nil	Nil	Nil	Nil	24,656,664
(C2)	Shares held by Employees Trusts	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total:	**809,397**	**2,093,359,599**	**Nil**	**Nil**	**2,118,016,263**	**100**	**Nil**	**Nil**	**Nil**	**100**	**Nil**	**100**	**Nil**	**Nil**	**Nil**	**Nil**	**2,102,482,598**

Statement showing shareholding pattern of the Promoter and Promoter Group: NOT APPLICABLE

Category	Category & name of the shareholder	Entity type	Number of shareholders	Number of fully paid up Equity Shares held	Number of partly paid-up Equity Shares held	Number of shares underlying depository receipts	Total number of shares held (IV+V+VI)	Shareholding as a % of total number of shares (calculated as per SCRR, 1957 (VIII) As a % of (A+B+C2	Number of voting rights held in each class of securities				Number of shares underlying outstanding convertible securities (including warrants)	Shareholding as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (VII)+(X) As a % of (A+B+C2)	Number of locked in shares		Number of shares pledged or otherwise encumbered		Number of Equity Shares held in dematerialized form
									Number of Voting Rights			Total as a % of (A+B+C)			Number	As a % of total shares held	Number	As a % of total shares held	
									Class X	Class Y	Total								
(1)	**Indian**																		
(a)	Individuals/Hindu undivided Family	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b)	Central Government/State Government(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(c)	Financial Institutions/Banks	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(d)	**Any Other**	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-Total (A)(1)	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
(2)	**Foreign**																		
(a)	Individuals (Non-Resident Individuals/Foreign Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b)	Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(c)	Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(d)	Foreign Portfolio Investor	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(e)	**Any Other**	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-Total (A)(2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1) +(A)(2)	**Nil**																	

Statement showing shareholding pattern of public Shareholders

Category	Category & name of the shareholder	Number of shareholders	Number of fully paid up Equity Shares held	Number of partly paid-up Equity Shares held	Number of shares underlying depository receipts	Total number of shares held (IV+V+VI)	Shareholding as a % of total number of shares (A+B+C2)	Number of voting rights held in each class of securities				Number of shares underlying outstanding convertible securities (including warrants)	Shareholding as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of locked in shares		Number of shares pledged or otherwise encumbered		Number of Equity Shares held in dematerialized form
								Number of voting rights			Total as a % of (A+B+C)			Number	As a % of total shares held	Number	As a % of total shares held	
								Class X	Class Y	Total								
(1)	**Institutions**																	
(a)	**Mutual Funds**	40	693,603,679	Nil	Nil	693,603,679	32.75	Nil	Nil	Nil	33.13	Nil	32.75	Nil	Nil	Nil	Nil	693,541,429
(b)	**Venture Capital Funds**	Nil	Nil	Nil	Nil			Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil
(c)	**Alternate Investment Funds**	27	18,922,895	Nil	Nil	18,922,895	0.89	Nil	Nil	Nil	0.90	Nil	0.89	Nil	Nil	Nil	Nil	18,922,895
(d)	**Foreign Venture Capital Investors**	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(e)	**Foreign Portfolio Investors**	316	549,972,864	Nil	Nil	549,972,864	25.97	Nil	Nil	Nil	26.27	Nil	25.97	Nil	Nil	Nil	Nil	549,830,114
(f)	**Financial Institutions/Banks**	16	7,769,750	Nil	Nil	7,769,750	0.37	Nil	Nil	Nil	0.37	Nil	0.37	Nil	Nil	Nil	Nil	7,674,250
(g)	**Insurance Companies**	21	158,526,616	Nil	Nil	158,526,616	7.48	Nil	Nil	Nil	7.57	Nil	7.48	Nil	Nil	Nil	Nil	158,526,616
(h)	**Provident Funds/Pension Funds**	1	2,903,065	Nil	Nil	2,903,065	0.14	Nil	Nil	Nil	0.14	Nil	0.14	Nil	Nil	Nil	Nil	2,903,065
(i)	**Any Other**			Nil	Nil			Nil	Nil	Nil		Nil		Nil	Nil	Nil	Nil	Nil
	Qualified Institutional Buyer	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub Total (B)(1)	421	14,316,9889	Nil	Nil	1,431,698,869	67.60	Nil	Nil	Nil	68.39	Nil	67.60	Nil	Nil	Nil	Nil	143,169,889
(2)	**Central Government/State Government(s)/President of India**	2	510	Nil	Nil	510	0.00	Nil	Nil	Nil	0.00	Nil	0.00	Nil	Nil	Nil	Nil	510
	Sub Total (B)(2)	2	510	Nil	Nil	510	0.00	Nil	Nil	Nil	0.00	Nil	0.00	Nil	Nil	Nil	Nil	510
(3)	**Non-Institutions**																	
(a)	i.Individual shareholders holding nominal share capital up to Rs.2 lakhs	786,601	34,737,5026	Nil	Nil	347,375,026	16.40	Nil	Nil	Nil	16.59	Nil	16.40	Nil	Nil	Nil	Nil	332,541,766
	ii.Individual shareholders holding nominal share capital in excess of Rs. 2 Lakhs	145	132,920,594	Nil	Nil	132,920,594	6.28	Nil	Nil	Nil	6.35	Nil	6.28	Nil	Nil	Nil	Nil	132,920,594
(b)	**NBFCs Registered with RBI**	6	159,700	Nil	Nil	159,700	0.01	Nil	Nil	Nil	0.01	Nil	0.01	Nil	Nil	Nil	Nil	159,700
(c)	**Employee Trusts**	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(d)	**Overseas Depositories (Holding DRs) (Balancing figure)**	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Category	Category & name of the shareholder	Number of shareholders	Number of fully paid up Equity Shares held	Number of partly paid-up Equity Shares held	Number of shares underlying depository receipts	Total number of shares held (IV+V+VI)	Shareholding as a % of total number of shares (A+B+C2)	Number of voting rights held in each class of securities				Number of shares underlying outstanding convertible securities (including warrants)	Shareholding as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of locked in shares		Number of shares pledged or otherwise encumbered		Number of Equity Shares held in dematerialized form
								Number of voting rights			Total as a % of (A+B+C)			Number	As a % of total shares held	Number	As a % of total shares held	
(e)	**Any Other**	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Trusts	23	1,056,811	Nil	Nil	1,056,811	0.05	Nil	Nil	Nil	0.05	Nil	0.05	Nil	Nil	Nil	Nil	1,001,011
	Non-Resident Indians	9,548	88,820,215	Nil	Nil	88,820,215	4.19	Nil	Nil	Nil	4.24	Nil	4.19	Nil	Nil	Nil	Nil	88,820,215
	Clearing Members	92	27,421,068	Nil	Nil	27,421,068	1.29	Nil	Nil	Nil	1.31	Nil	1.29	Nil	Nil	Nil	Nil	27,421,068
	Non-Resident Indian Non Repatriable	4,809	11,201,203	Nil	Nil	11,201,203	0.53	Nil	Nil	Nil	0.54	Nil	0.53	Nil	Nil	Nil	Nil	11,106,628
	Bodies Corporates	1,571	28,826,937	Nil	Nil	28,819,987	1.36	Nil	Nil	Nil	1.38	Nil	1.36	Nil	Nil	Nil	Nil	28,570,457
	ASSETS RECONSTRUCTIOJN COMPANIES	1	3,297,663	Nil	Nil	3,297,663	0.16	Nil	Nil	Nil	0.16	Nil	0.16	Nil	Nil	Nil	Nil	3,297,663
	IEPF	1	6,496,162	Nil	Nil	6,496,162	0.31	Nil	Nil	Nil	0.31	Nil	0.31	Nil	Nil	Nil	Nil	6,496,162
	DIRECTOR	3	1,268,595	Nil	Nil	1,268,595	0.06	Nil	Nil	Nil	0.06	Nil	0.06	Nil	Nil	Nil	Nil	1,268,595
	Limited Liability Partnership	171	3,240,112	Nil	Nil	3,240,112	0.15	Nil	Nil	Nil	0.15	Nil	0.15	Nil	Nil	Nil	Nil	3,240,112
	HUF	6,002	9,576,134	Nil	Nil	9,576,134	0.45	Nil	Nil	Nil	0.46	Nil	0.45	Nil	Nil	Nil	Nil	9,576,134
	Sub Total (B)(3)	**808,973**	**661,660,220**	**Nil**	**Nil**	**661,660,220**	**31.24**	**Nil**	**Nil**	**Nil**	**31.61**	**Nil**	**31.24**	**Nil**	**Nil**	**Nil**	**Nil**	**661,660,220**
	Total Public Shareholding (B) = (B)(1) +(B)(2) +(B)(3)	**809,396**	**2,093,359,599**	**Nil**	**Nil**	**2,093,359,599**	**98.84**	**Nil**	**Nil**	**Nil**	**100.00**	**Nil**	**98.84**	**Nil**	**Nil**	**Nil**	**Nil**	**2,093,359,599**

Statement showing shareholding pattern of non-Promoter – non-public Shareholders

Category	Category & name of the shareholder	Number of shareholders	Number of fully paid up Equity Shares held	Number of partly paid-up Equity Shares held	Number of shares underlying depository receipts	Total number of shares held (IV+V+VI)	Shareholding as a % of total number of shares (A+B+C2)	Number of voting rights held in each class of securities				Number of shares underlying outstanding convertible securities (including warrants)	Shareholding as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of locked in shares		Number of shares pledged or otherwise encumbered		Number of Equity Shares held in dematerialized form
								Number of voting rights			Total as a % of (A+B+C)			Number	As a % of total shares held	Number	As a % of total shares held	
								Class X	Class Y	Total								
(1)	Custodian/DR Holder	1	24,656,664	Nil	Nil	24,656,664	1.16	Nil	Nil	Nil	Nil	Nil	1.16	Nil	Nil	Nil	Nil	24,656,664
(2)	Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations 2014)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total Non-Promoter-Non-Public Shareholding = I (1) +(C)(2)	**1**	**24,656,664**	**Nil**	**Nil**	**24,656,664**	**1.16**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**1.16**	**Nil**	**Nil**	**Nil**	**Nil**	**24,656,664**

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment of Application Amount, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are assumed to have apprised themselves of the same from our Bank or the Book Running Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also see "Selling Restrictions" and "Transfer Restrictions" on pages 741 and 748, respectively.

Our Bank, the Book Running Lead Managers and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations and shall be solely responsible for compliance with all the applicable provisions of the SEBI Takeover Regulations, the SEBI Insider Trading Regulations, and other applicable laws.

Bidders were advised to inform themselves of any restrictions or limitations that may be applicable to them and were required to consult their respective advisers in this regard. Bidders that have applied in the Issue were required to confirm and were deemed to have represented to our Bank, the BRLMs and their respective directors, employees, counsels, officers, agents, affiliates and representatives that they were eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank, the BRLMs and their respective directors, officers, employees, counsels, agents, affiliates, and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder was eligible to acquire the Equity Shares. For details, see "Selling Restrictions" and "Transfer Restrictions" on pages 741 and 748, respectively.

Qualified Institutions Placement

THE ISSUE IS MEANT ONLY FOR ELIGIBLE QIBS ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

This Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and other applicable provisions of the Companies Act, 2013 and rules thereunder, through the mechanism of a Qualified Institutions Placement ("**QIP**"). Under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, our Bank, being a listed company in India may issue Equity Shares to Eligible QIBs, provided that:

- our Shareholders have adopted a special resolution approving the Issue. Such special resolution inter alia must specify (a) that the allotment of Equity Shares is proposed to be made pursuant to the Issue and (b) the Relevant Date.

- the explanatory statement to the notice to our Shareholders for convening the general meeting must disclose, amongst others, the particulars of the issue including the date of passing the board resolution, the kind of securities being offered, amount which the company intends to raise by way of such securities and the material terms of raising such securities, proposed issue schedule, the purpose or objects of offer, the contribution made by the promoters or directors either as part of the offer or separately in furtherance of the objects, and the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;

- under Regulation 172(1)(b) of the SEBI ICDR Regulations, equity shares of the same class of such issuer, which are proposed to be allotted through the qualified institutions placement or pursuant to conversion or exchange of eligible securities, are listed on a recognized stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;

- invitation to apply in the Issue must be made through a private placement offer letter (i.e., this Preliminary Placement Document) and an application form serially numbered and addressed specifically to the Eligible QIBs to whom the Issue is made, within 30 days of recording the name of such person in accordance with applicable law; the allotments with respect to any earlier offer or invitation made by the Bank shall have been completed or the Bank shall have withdrawn or abandoned such invitation or offer made, except as permitted under the Companies Act, 2013;

- in accordance with the SEBI ICDR Regulations, issuance and allotment of Equity Shares shall be made only in dematerialized form;

- our Bank shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue;

- an offer to QIBs will not be subject to a limit of 200 persons. Prior to circulating the private placement offer cum application letter, the Bank must prepare and record a list of eligible QIBs to whom the offer will be made. The QIP must be made only to such Eligible QIBs whose names are recorded by the issuer prior to the invitation to subscribe;

- the Bank acknowledges that the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the QIP is prohibited;

- the Directors are not fugitive economic offenders; and

- the Directors are not declared as 'Fraudulent Borrower' by the lending Banks or financial institution or consortium, in terms of RBI master circular dated July 1, 2016.

At least 10% of the Equity Shares issued to Eligible QIBs shall be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Bidders are not allowed to withdraw or revise downwards their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares issued under this Issue shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class quoted on the stock exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. The "Relevant Date" referred to above means the date of the meeting in which the Board decides to open the Issue and "stock exchange", for the purposes of determination of price, means any of the recognized stock exchanges on which the Equity Shares of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. Further, in accordance with the resolution of our Shareholders dated July 27, 2022, our Bank may offer a discount of not more than 5% on the Floor Price in accordance with the SEBI ICDR Regulations.

The "Relevant Date" referred to above means the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer opened the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

The Equity Shares will be Allotted within 365 days from the date of our Shareholder's resolution approving the Issue, being July 27, 2022 and within 60 days from the date of receipt of Application Amount from the Successful Bidders. For details of refund of Application Amount, see "– *Pricing and Allocation – Designated Date and Allotment of Equity Shares*" on page 737.

Subscription to the Equity Shares offered pursuant to the Issue must be made by Eligible QIBs on the basis of this Preliminary Placement Document and the Placement Document, which shall contain all material information required under applicable law including the information specified in Schedule VII of SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. This Preliminary Placement Document and the Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Bank with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you do not receive a serially numbered copy of the Preliminary Placement Document addressed to you, you may not rely on the Preliminary Placement Document or Placement Document uploaded on the website of the Stock Exchanges or our Bank for making an application to subscribe to Equity Shares pursuant to the Issue.

This Issue was authorized and approved by our Board on June 30, 2022 and approved by our shareholders, by way of a resolution dated July 27, 2022. This Issue is approved for raising a sum not exceeding ₹[●] million (including premium), in one or more tranches.

The minimum number of allottees with respect to a QIP shall not be less than:

- two, where the issue size is less than or equal to ₹2,500 million; and

- five, where the issue size is greater than ₹2,500 million.

No single Allottee shall be Allotted more than 50% of the Issue Size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes "same group" or "common control", see "-*Bid Process - Application Form*" on page 778.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on a recognized stock exchange.

Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered in the Issue have not been and will not be registered under the Securities Act, or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state securities laws. Accordingly, the Equity Shares offered in the Issue are being offered and sold (a) in the United States only to persons reasonably believed to be U.S. QIBs in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (b) outside the United States in "offshore transactions", as defined in and reliance on Regulation S and the applicable laws of the jurisdictions where those offers, and sales occur. See "*Selling Restrictions*" on page 741 for information about eligible offerees for the Issue and "*Transfer Restrictions*" on page 748 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Our Bank has filed a copy of this Preliminary Placement Document with each of the Stock Exchanges. Our Bank has received in-principle approvals from each of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for the listing of the Equity Shares on the BSE and NSE on July 19, 2023.

Issue Procedure

1. On the Issue Opening Date, our Bank and the Book Running Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to Eligible QIBs and the Application Form will be specifically addressed to each such Eligible QIB. In terms of Section 42(3) of the Companies Act, 2013, our Bank shall maintain records of the Eligible QIBs in the form and manner as prescribed under the PAS Rules, to whom this Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Bank will make the requisite filings with the RoC within the stipulated time periods as required under the Companies Act, 2013 and the PAS Rules. The list of Eligible QIBs to whom this Preliminary Placement Document and Application Form is delivered will be determined by our Bank in consultation with the BRLMs, at their sole discretion.

2. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Application Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to make an offer to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs may submit the Application Form, including any revisions thereof along with the Application Amount and a copy of the PAN card or PAN allotment letter, during the Issue Period to the Book Running Lead Managers. Application Form may be signed physically or digitally, if required under applicable law in the relevant jurisdiction applicable to each Eligible QIB and as permitted under such applicable law. An Eligible QIB may submit an unsigned copy of the Application Form, as long as the Application Amount is paid along with submission of the Application Form within the Issue Period. Once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and the Application Form is unsigned, it shall be assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB is authorised to do so.

4. Bidders will be required to indicate the following in the Application Form:

    - A representation that it is either (i) outside the United States acquiring the Equity Shares in an "offshore transaction" as defined in and in reliance on Regulation S under the Securities Act, or (ii) a U.S. QIB pursuing the Equity Shares pursuant to Section 4(a)(2) under the Securities Act, and it has agreed to certain other representations set forth in the "*Representation by Investors*" on page 3 and "*Transfer Restrictions*" on page 748 and certain other representations as set forth in the Application Form

    - full official name of the Eligible QIB to whom Equity Shares are to be Allotted, complete address, e-mail id, PAN details and bank account details;

    - number of Equity Shares Bid for;

    - price at which they are agreeable to subscribe for the Equity Shares and the aggregate Application Amount for the number of Equity Shares Bid for;

    - an undertaking that they will deliver an offshore transaction letter to our Bank prior to any sale of Equity Shares confirming that they will not re-offer, re-sell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognized Indian stock exchange in compliance with Regulation S under the Securities Act;

- Equity Shares held by the Eligible QIBs in our Bank prior to the Issue;

- details of the depository account to which the Equity Shares should be credited; and

- Eligible FPIs are required to indicate their SEBI FPI registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

5. Each Bidder shall be required to make the entire payment of the Application Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account within the Issue Period as specified in the Application Form sent to the respective Bidders. Please note that any payment of Application Amount for the Equity Shares shall be made from the bank accounts of the relevant Bidders and our Bank shall keep a record of the bank account from where such payment has been received. Application Amount payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the Application Form. Pending Allotment, Application Amount received for subscription of the Equity Shares shall be kept by our Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013. Notwithstanding the above, in the event (a) any Bidder is not allocated Equity Shares in the Issue, (b) the number of Equity Shares Allotted to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, (c) the Application Amount has been arrived at using an indicative price higher than the Issue Price, or (d) any Eligible QIB lowers or withdraws their Bid after submission of the Application Form but prior to the Issue Closing Date, the excess Application Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in "– *Refunds*" on page 737.

6. Once a duly completed Application Form is submitted by a Bidder and the Application Amount is transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and the Bid cannot be withdrawn or revised downwards after the Issue Closing Date. In case of an upward revision before the Issue Closing Date, an additional amount shall be required to be deposited towards the Application Amount in the Escrow Account along with the submission of such revised Bid. The Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

7. The Eligible QIBs acknowledged that in accordance with the requirements of the Companies Act, 2013, upon Allocation, our Bank has disclosed the names of proposed Allottees and the percentage of their post Issue shareholding in this Preliminary Placement Document and consents to such disclosure, if any Equity Shares were allocated to it.

8. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI.

9. Upon receipt of the duly completed Application Form and the Application Amount in the Escrow Account, after the Issue Closing Date, our Bank shall, in consultation with Book Running Lead Managers determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue and Allocation. Upon such determination, the Book Running Lead Managers will send the serially numbered CAN to the Eligible QIBs who have been Allocated the Equity Shares. The dispatch of a CAN, and the Placement Document (when dispatched) to a Successful Bidder shall be deemed a valid, binding and irrevocable contract for the Successful Bidders to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate price equivalent the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN shall contain details such as the number of Equity Shares Allocated to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. **Please note that the Allocation will be at the absolute discretion of our Bank and will be based on the recommendation of the Book Running Lead Managers.**

10. Upon determination of the Issue Price and the issuance of CAN and before Allotment of Equity Shares to the Successful Bidders, the Book Running Lead Managers, shall, on our behalf, send a serially numbered Placement Document to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.

11. Upon dispatch of the serially numbered Placement Document, our Bank shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. We will inform the Stock Exchanges of the details of the Allotment.

12. After passing the resolution for Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the depository participant, as indicated in their respective Application Form, our Bank shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to the Issue.

13. After receipt of the listing approvals of the Stock Exchanges, our Bank shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.

14. Our Bank will then apply for the final trading approvals from the Stock Exchanges.

15. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

16. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Bank may communicate the receipt of the listing and trading approvals to those Eligible QIBs to whom the Equity Shares have been Allotted. Our Bank and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Bank.

17. In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder withdraws the Bid prior to the Issue Closing Date, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in the Refund Intimation which will be dispatched to such Bidder.

Qualified Institutional Buyers

Only Eligible QIBs are eligible to invest in the Equity Shares pursuant to the Issue, provided that with respect to foreign portfolio investors, only Eligible FPIs applying under Schedule II of the FEMA Rules will be considered as Eligible QIBs. FVCIs are not permitted to participate in the Issue. Currently, QIBs, who are eligible to participate in the Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- insurance companies registered with Insurance Regulatory and Development Authority of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions;
- Mutual Funds;
- pension funds with minimum corpus of ₹250 million;
- provident funds with minimum corpus of ₹250 million;
- public financial institutions;
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;
- venture capital funds registered with SEBI; and
- systemically important non-banking financial companies.

Eligible FPIs are permitted to participate through the portfolio investment scheme under Schedule II of FEMA Rules respectively, in this Issue. Eligible FPIs are permitted to participate in the Issue subject to compliance with all applicable

laws and such that the shareholding of the FPIs do not exceed specified limits as prescribed under applicable laws in this regard. Other eligible non-resident QIBs shall participate in the Issue under Schedule I of the FEMA Rules.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control) is not permitted to be 10% or more of the post-Issue equity share capital of our Bank, and the total holding of all FPIs, collectively, shall not exceed 24% of the paid-up equity share capital of our Bank. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

With effect from April 1, 2020, the aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. up to 49% under the automatic route and up to 74% under the government approval route). By a resolution of our Board dated April 28, 2017 and a resolution of our Shareholders dated June 7, 2017, though a postal ballot, our Bank has increased the aggregate limits of its shareholding by FPIs to 49%, and of NRIs (on a repatriation basis) to 24% of its paid-up Equity Share capital. Further, if any FPI holds 10% or more of the Equity Share capital of our Bank, on a fully diluted basis, the FPI including its investor group is required to divest the excess holding within five trading days from the date of settlement of the trades resulting in the breach. In the event that such divestment of excess holding is not done, the total investment made by such FPI together with its investor group will be re-classified as FDI as per procedure specified by SEBI and the FPI and its investor group will be prohibited from making any further portfolio investment in the company under the SEBI FPI Regulations. However, in accordance with Regulation 22(4) of the SEBI FPI Regulations, the FPIs who are: (i) appropriately regulated public retail funds; (b) public retail funds where the majority is owned by appropriately regulated public retail fund on look through basis; or (c) public retail funds and investment managers of such foreign portfolio investors are appropriately regulated, the aggregation of the investment limits of such FPIs having common control, shall not be applicable.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Restriction on Allotment

Our Bank does not have any identifiable promoters.

Our Bank, the BRLMs and any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, advisors or affiliates shall not be liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. In case of under subscription in such portion, such portion or part thereof may be Allotted to other Eligible QIBs.

Note: *Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.*

Bid Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Bank and/or the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations, warranties, acknowledgements and undertakings as well as those given or made under the sections "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 1, 3, 741 and 748, respectively:

1. The Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The Eligible QIB confirms that it is not a promoter;

3. The Eligible QIB acknowledges that it has no right to withdraw or revise its Bid downwards after the Issue Closing Date;

4. The Eligible QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

5. The Eligible QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted together with any Equity Shares held by it prior to the Issue, if any. The Eligible QIB further confirms that the holding of the Eligible QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

6. The Eligible QIB confirms that its Bid would not result in triggering an open offer under the SEBI Takeover Regulations;

7. The Eligible QIB agrees that although the Application Amount is required to be paid by it along with the Application Form within the Issue Period in terms of provisions of the Companies Act, 2013 and rules made thereunder, our Bank reserves the right to Allocate and Allot Equity Shares pursuant to this Issue on a discretionary basis in consultation with the Book Running Lead Managers. The Eligible QIB further acknowledges and agrees that the payment of Application Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part;

8. The Eligible QIB acknowledges that in terms of the requirements of the Companies Act 2013, upon Allocation, the Bank will be required to disclose names as proposed Allottees and percentage to post-Issue shareholding of the proposed Allottees in the Placement Document and consents to such disclosure, if any Equity Shares are Allocated to it. However, the Eligible QIB further acknowledges and agrees, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the BRLMs;

9. The Eligible QIB confirms that the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:

   a. Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIB, its subsidiary(ies) or holding company and any other QIB; and

   b. 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)© of the SEBI Takeover Regulations;

10. The Eligible QIB acknowledges that no Allotment shall be made to them if the price at which they have Bid for in the Issue is lower than the Issue Price;

11. The Eligible QIB confirms that it is purchasing the Equity Shares in an "offshore transaction" in reliance upon Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate;

12. The Eligible QIBs confirm that they shall not undertake any trade in the Equity Shares credited to their beneficiary accounts maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares Allotted in the Issue are issued by the Stock Exchanges; and

13. Each Eligible QIB acknowledges that, as required in terms of the Master Direction - Issue and Pricing of shares by Private Sector Banks, Directions, 2016 issued by RBI, our Bank shall report to RBI, upon completion of the Allotment process, complete details of the issue including date of the issue, details of the type of issue, issue size, details of pricing, name and number of the allottees, post allotment shareholding position.

Each Eligible QIB acknowledges that they are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 ("**Directions**") and the guidelines on the acquisition and holding of shares or voting rights in banking companies ("**Guidelines**", and together with Directions, the "**Master Directions**"), dated January 16, 2023, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold, either directly or indirectly, 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert (as applicable) shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI.

In the event, your aggregate shareholding, whether direct or indirect, beneficial or otherwise, aggregating to 5% or more, as applicable of the total paid-up share capital of our Bank, you are required to submit the approval obtained from the RBI to the Bank prior to the finalisation of the Allotment. In case of failure by you to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, that will limit your aggregate shareholding (along with your relatives, associate, enterprises or persons acting in concert with you and including existing shareholding, if any) to less than 5% of the post-Issue paid-up share capital of our Bank.

The Eligible QIB confirms that:

a. If it is within the United States, it is a U.S. QIB who is, or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

b. If it is outside the United States, it is subscribing to the Equity Shares in an "offshore transaction" as defined in and in reliance on Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate; and

c. It has read and understood, and by making a Bid for the Equity Shares through the Application Forms and pursuant to the terms of this Preliminary Placement Document, will be deemed to have made the representations, warranties and agreements made under the sections entitled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 1, 3, 741 and 748, respectively.

ELIGIBLE QIBS MUST PROVIDE THEIR BENEFICIARY ACCOUNT DETAILS, PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THEIR BENEFICIARY ACCOUNT IS HELD.

IF SO, REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, THE ELIGIBLE QIBS SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BOOK RUNNING LEAD MANAGERS TO EVIDENCE THEIR STATUS AS AN "ELIGIBLE QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE ELIGIBLE QIBS SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE APPLICABLE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of all or part of the Application Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

The submission of an Application Form and payment of the Application Amount pursuant to the Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for such Bidder to pay the entire Issue Price for the Equity Shares and becomes a binding contract on a Successful Bidder upon issuance of the CAN and the Placement Document (when dispatched) by our Bank in favour of the Successful Bidder.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for along with proof of payment and a copy of the PAN card or PAN allotment letter. Additionally, the Application Form will include details of the relevant Escrow Account into which the Application Amounts will have to be deposited. The Application Amount shall be deposited in the Escrow Account as is specified in the Application Form and the Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at either of the following addresses:

Axis Capital Limited 1st Floor, Axis House, C-2 Wadia International Centre, P. B. Marg, Worli, Mumbai 400 025, Maharashtra, India **Contact Person**: Animesh Vanjari **Email:** axisecm@axiscap.in **Phone No.:** +91 22 4325 2183	**BofA Securities India Limited** Ground Floor, "A" Wing, One BKC, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India **Contact P**erson: Vishwas Maheshwari **Email**: dg.gcib_in_federalbank_qip2023@bofa.com **Phone No.: +91226632 8000**
J.P. Morgan India Private Limited J.P. Morgan Tower, Off. C.S.T. Road Kalina, Santacruz (East) Mumbai 400 098, Maharashtra, India **Contact Person:** Yash Shah / Saarthak K Soni **Email:**yash.k.shah@jpmorgan.com / saarthak.k.soni@jpmorgan.com **Phone No.:** +91 22 6157 3000	**Kotak Mahindra Capital Company Limited** 1st Floor, 27 BKC Plot No. 27, 'G' Block, Bandra Kurla Complex, Bandra (East) Mumbai 400 051, Maharashtra, India **Contact Person:** Karl Sahukar **Email:** federalbank.qip@kotak.com **Phone No.:** +91 22 4336 0000

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the receipt of the Application Form and the Application Amount.

Bidders Bidding in the Issue shall pay the entire Application Amount along with the submission of the Application Form, within the Issue Period.

Payment of Application Amount

Our Bank has opened the "***THE FEDERAL BANK LIMITED QIP ESCROW ACCOUNT 2023***" with the Escrow Bank, in terms of the arrangement among our Bank, the Book Running Lead Managers and the Escrow Bank. Bidders will be required to deposit the entire Application Amount payable for the Equity Shares applied for through the Application Form submitted by it in accordance with the applicable laws.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques or demand draft or cash shall be rejected.

If the payment is not made favouring the "***THE FEDERAL BANK LIMITED QIP ESCROW ACCOUNT 2023***" within the Issue Period stipulated in the Application Form, the Application Form of the QIB is liable to be cancelled.

Pending Allotment, our Bank undertakes to utilise the amount deposited in "***THE FEDERAL BANK LIMITED QIP ESCROW ACCOUNT 2023***" only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of Application Amount if our Bank is not able to Allot Equity Shares in the Issue. Notwithstanding the above, in the event a Bidder is not Allocated Equity Shares in the Issue, or the number of Equity Shares Allocated to a Bidder, is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, the excess Application Amount will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in "- ***Refunds***" on page 737.

Permanent Account Number or PAN

Each Bidder should mention its PAN allotted under the Income Tax Act, 1961 in the Application Form and enclose a copy of the PAN card or PAN allotment letter along with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Bidders should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Bank Account Details

Each Bidder shall mention the details of the bank account from which the payment of Application Amount has been made along with confirmation that such payment has been made from such account.

Pricing and Allocation

Build-up of the Book

The Eligible QIBs shall submit their Bids (including any revision thereof) through the Application Forms within the Issue Period to the Book Running Lead Managers. Such Bids cannot be withdrawn or revised downwards after the Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price Discovery and Allocation

Our Bank, in consultation with the Book Running Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price. However, our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 176 of the SEBI ICDR Regulations as approved by our shareholders through a resolution dated July 27, 2022.

After finalisation of the Issue Price, our Bank shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Bank shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL BIDDERS. BIDDERS MAY NOTE

THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR BANK, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AND PAID THE ENTIRE APPLICATION AMOUNT AT OR ABOVE THE ISSUE PRICE WITHIN THE ISSUE PERIOD. NEITHER OUR BANK NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on receipt of the serially numbered Application Forms and Application Amount, our Bank, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Successful Bidders to whom the serially numbered CAN shall be dispatched, pursuant to which the details of the Equity Shares Allocated to them, the Issue Price and the Application Amount for the Equity Shares Allotted shall be notified to such Successful Bidders.

The Successful Bidders would also be sent a serially numbered Placement Document (which will include the names of the proposed Allottees along with the percentage of their post-Issue Shareholding in the Bank) either in electronic form or by physical delivery.

The dispatch of the serially numbered CAN and the Placement Document (when dispatched), to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to furnish all details that may be required by the Book Running Lead Managers. Subsequently, our Board will approve the Allotment of the Equity Shares to the Allottees.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

By submitting the Application Form, an Eligible QIB would have deemed to have made the representations and warranties as specified in "*Notice to Investors*" on page 1 and further that such Eligible QIB shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by Stock Exchanges.

Designated Date and Allotment of Equity Shares

The Equity Shares in the Issue will be issued, and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

Our Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Successful Bidders' beneficiary accounts maintained with the Depository Participant, as indicated in the respective Application Form, our Bank will apply for final trading and listing approvals from the Stock Exchanges.

Pursuant to a circular dated March 5, 2010 issued by the SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, viz, the names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Bank along with the Placement Document Our Bank shall make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 and the PAS Rules. Further, as required in terms of the PAS Rules, names of the proposed Allottees and the percentage of their post-Issue shareholding in our Bank will be disclosed in the Placement Document.

The Escrow Bank shall release the monies lying to the credit of the Escrow Account to our Bank upon receipt of notice from the Book Running Lead Managers and the trading and listing approvals of the Stock Exchanges for Equity Shares offered in the Issue and after filing return of Allotment under Form PAS-3 with the RoC.

After finalization of the Issue Price, our Bank shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Refunds

In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder withdraws the Bid prior to the Issue Closing Date, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which the Application Amount was remitted, in the form and manner set out in the Refund Intimation. The Refund Amount will be transferred to the relevant Bidders within two working days from the issuance of the CAN.

In the event that Equity Shares have been Allocated to Successful Bidders and our Bank is unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of the Application Amount, our Bank shall repay the Application Amount within 15 days from expiry of 60 days, failing which our Bank shall repay that money with interest at such rate and in such manner as prescribed under the Companies Act, 2013.

Other Instructions

Right to Reject Applications

Our Bank, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Bank in consultation with the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Bank, the Application Amount paid by the Bidder shall be refunded to the same bank account from which the Application Amount was remitted by such Bidder. For details see "*Bid Process*" – "*Refund*" on page 737.

Equity Shares in dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Equity Shares Allotted to a Successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Successful Bidder, as indicated in the Application Form.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Bank and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on the part of the Bidders.

Release of Funds to our Bank

The Escrow Bank shall not release the monies lying to the credit of the "***THE FEDERAL BANK LIMITED QIP ESCROW ACCOUNT 2023***" to our Bank until receipt of notice from the Book Running Lead Managers, the trading and listing approvals of the Stock Exchanges for Equity Shares offered in the Issue and filing of return of Allotment under Form PAS-3 with the RoC.

PLACEMENT

Placement Agreement

The Book Running Lead Managers have entered into the Placement Agreement dated July 19, 2023 with our Bank, pursuant to which the Book Running Lead Managers have agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription to Equity Shares on a reasonable efforts basis to be placed with the Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations, Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, as amended and other applicable provisions of the Companies Act, 2013 and the rules made thereunder.

The Placement Agreement contains customary representations, warranties and indemnities from our Bank and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state securities laws. Accordingly, the Equity Shares offered in the Issue are being offered and sold (a) in the United States only to persons reasonably believed to be U.S. QIBs in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (b) outside the United States in "offshore transactions", as defined in and in reliance on Regulation S and the applicable laws of the jurisdictions where those offers, and sales are made. See "*Selling Restrictions*" on page 741 for information about eligible offerees for the Issue and "*Transfer Restrictions*" on page 748 for information about transfer restrictions that apply to the Equity Shares sold in the Issue.

This Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares issued pursuant to the Issue, will be offered in India or overseas to the public or any members of the public or any other class of prospective investors, other than Eligible QIBs.

In connection with the Issue, the Book Running Lead Managers (or their affiliates) may, for their own account, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Managers may purchase Equity Shares and be Allotted Equity Shares for proprietary purposes and not with a view to distribute or in connection with the issuance of P-Notes. For further details, see "*Offshore Derivative Instruments*" on page 8.

From time to time, the Book Running Lead Managers, and their affiliates and associates have engaged in or may in the future engage in transactions with and perform services including but not limited to investment banking, advisory, banking, trading services for our Bank, group companies, affiliates and our Shareholders, as well as to their respective associates and affiliates, pursuant to which fees and commissions have been paid or will be paid to the Book Running Lead Managers and their affiliates and associates.

Lock-in

Under the Placement Agreement, our Bank undertakes that it will not for a period of 90 days from the date of Allotment under the Issue, without the prior written consent of the BRLMs, directly or indirectly, (a) purchase, lend, sell, offer, issue, contract to issue, issue or offer any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned), or file any registration statement under the U.S. Securities Act, with respect to any of the foregoing; or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or (c) deposit Equity Shares with any other depositary in connection with a depositary receipt facility, or (d) enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Equity Shares in any depository receipt facility, or (e) publicly announce any intention to enter into any transaction falling within (a) to (d) above or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue or offer or deposit of Equity Shares in any depositary receipt facility or publicly announce any intention to enter into any transaction falling within (a) to (d) above. Provided that, the foregoing restriction shall not apply to (a) an issuance of Equity Shares or options pursuant to any employee stock option scheme formulated by our Bank, as disclosed in the Placement Documents, and (b) the preferential issuance of an aggregate of up to 72,682,048 Equity Shares in accordance with Chapter V of the SEBI ICDR Regulations and other Applicable Laws to International Finance Corporation, IFC Financial Institutions Growth Fund, LP, and IFC Emerging Asia Fund, LP to consider which a meeting of the Board has been called on July 21, 2023 and as disclosed or will be disclosed in the Placement Documents.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Preliminary Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to our Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations, Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules and other applicable provisions of the Companies Act, 2013 and the rules made thereunder. Each purchaser of the Equity Shares in the Issue will be deemed to have made acknowledgments and agreements as described under "*Notice to Investors*", "*Representation by Investors*" and "*Transfer Restrictions*" on pages 1, 3 and 748, respectively.

Republic of India

This Preliminary Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which the Offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public. This Preliminary Placement Document has not been and will not be filed as a prospectus with the RoC, and will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction.

Abu Dhabi Global Market

The Bank has not offered and will not offer the Equity Shares to any person in the Abu Dhabi Global Market unless such offer is:

(1) an "Exempt Offer" in accordance with the Markets Rules of the Financial Services Regulatory Authority (the "**FSRA**"); and

(2) made only to persons who are Authorised Person or Recognised Bodies (as such terms are defined in the FSRA Financial Services and Markets Regulation 2015 ("**FSMR**")) or persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 18 of FSMR) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated; or

(3) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the FSRA Conduct of Business Rules.

Australia

This Preliminary Placement Document does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) ("**Corporations Act**") and does not purport to include the information required of a disclosure document under the Corporations Act. This Preliminary Placement Document has not been, and will not be, lodged with the Australian Securities and Investments Commission (whether as a disclosure document under the Corporations Act or otherwise). Any offer in Australia of the Equity Shares under this Preliminary Placement Document or otherwise may only be made to persons who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), to "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions under section 708 of the Corporations Act so that it is lawful to offer the Equity Shares in Australia without disclosure to investors under Part 6D.2 of the Corporations Act.

Any offer for on-sale of the Equity Shares that is received in Australia within 12 months after their issue by the Bank is likely to need prospectus disclosure to investors under Part 6D.2 of the Corporations Act, unless such offer for on-sale in Australia is conducted in reliance on a prospectus disclosure exemption under section 708 of the Corporations Act or otherwise. Any persons acquiring Equity Shares should observe such Australian on-sale restrictions.

The Bank is not licensed in Australia to provide financial product advice in relation to the Equity Shares. Any advice contained in this Preliminary Placement Document is general advice only. This Preliminary Placement Document has been prepared without taking account of any investor's objectives, financial situation or needs, and before making an investment decision on the basis of this Preliminary Placement Document, investors should consider the appropriateness of the information in this

Preliminary Placement Document, having regard to their own objectives, financial situation and needs. No cooling off period applies to an acquisition of the Equity Shares.

British Virgin Islands

No invitation has been made or will be made, directly or indirectly, to the public in the British Virgin Islands to subscribe for or purchase any of the Equity Shares and the Equity Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

Canada

The Equity Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Equity Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Preliminary Placement Document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Book Running Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Issue.

Cayman Islands

Each of the Book Running Lead Managers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to the public in the Cayman Islands to subscribe for or purchase any of the Equity Shares and the Equity Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the Cayman Islands, except as otherwise permitted by the Cayman Islands laws.

Dubai International Financial Centre

The Bank has not offered and will not offer the Equity Shares to any person in the Dubai International Financial Centre unless such offer is:

(i) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business (COB) Module of the DFSA rulebook and who are not a natural person.

European Economic Area

In relation to each Member State of the European Economic Area (each a "**Relevant State**"), no Equity Shares have been offered or will be offered pursuant to the Issue to the public in that Relevant State except that the Equity Shares may be offered to the public in that Relevant State at any time:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Book Running Lead Managers for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

(iv) provided that no such offer of the Equity Shares shall require the Bank or any Book Running Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Equity Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Equity Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Hong Kong

This Preliminary Placement Document has not been and will not be approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any Equity Shares other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O. No person may issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). The Equity Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

In respect of the solicitation relating to the Equity Shares in Japan, no securities registration statement under Article 4, Paragraph 1 of the FIEL has been filed since this solicitation constitutes a solicitation targeting QIIs, as defined in Article 23-13, Paragraph 1 of the FIEL.

Any investor intending to acquire the Equity Shares must be aware that the Equity Shares may not be Transferred to any other person unless such person is a QII.

As used herein:

(2) "QII" means a qualified institutional investor as defined in the Cabinet Ordinance Concerning Definitions under Article 2 of the FIEL.

(3) "Transfer" means a sale, exchange, transfer, assignment, pledge, hypothecation, encumbrance or other disposition of all or any portion of shares, either directly or indirectly, to another person. When used as a verb, the terms "Transfer" and "Transferred" shall have correlative meanings.

(4) "Resident of Japan" means a natural person having his/her place of domicile or residence in Japan, or a legal person having its main office in Japan. A branch, agency or other office in Japan of a non-resident, irrespective of whether it is legally authorized to represent its principal or not, shall be deemed to be a resident of Japan even if its main office is in any other country than Japan.

Malaysia

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Securities Commission Malaysia ("**SC Malaysia**") under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA Malaysia**"). No prospectus or other offering material or document in connection with the offer and sale of the Equity Shares which complies with the requirements of the CMSA Malaysia and the guidelines of the SC Malaysia has been or will be registered with the SC Malaysia under the CMSA Malaysia or with any other regulatory body in Malaysia. Also, no approval, authorization or recognition of the SC Malaysia has been granted for making available, offering for subscription or purchase, or issuing an invitation to subscribe for or purchase or sale, of the Equity Shares in Malaysia. This Preliminary Placement Document does not constitute and may not be used for the purpose of an offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase of sale of any securities requiring (a) the approval, authorization or recognition of the SC Malaysia and (b) the registration of a prospectus with the SC Malaysia under the CMSA Malaysia.

Accordingly, this Preliminary Placement Document and any other document or material in connection with the Equity Shares will not be circulated or distributed, nor will the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than the categories of persons specified in paragraph 14 of Schedule 5 of the CMSA Malaysia and this is also provided that the distribution of the Equity Shares to such categories of exempted persons is made by a holder of a Capital Markets Services Licence in Malaysia who carries on the business of dealing in securities.

Mauritius

An offer of Equity Shares is being made by way of private placement only to persons that meet the criteria of "sophisticated investors" as defined in the Securities Act 2005 of Mauritius ("**SA 05**") and does not constitute an offer to the public in Mauritius. In accordance with SA 05, the Equity Shares may not be offered or sold, directly or indirectly, to the public in Mauritius without the prior approval of the Financial Services Commission of Mauritius (the "**FSC Mauritius**"). The Bank does not intend to seek the approval of the FSC Mauritius. Accordingly, the Bank cannot solicit any offers from the public in contravention of any applicable law and regulation in force in Mauritius, including the Companies Act 2001 of Mauritius and SA 05.

Moreover, neither this Preliminary Placement Document, nor any other offering material or information contained herein relating to the offer of the Equity Shares, may be treated as a prospectus for the purpose of SA 05 or be released or issued to the public in Mauritius or used in connection with any such offer. This Preliminary Placement Document, or any circular, form of application, advertisement, offering material or information relating to an offer of the Equity Shares do not constitute and are not intended to constitute an offer of the Equity Shares to the public in Mauritius and may not be released, issued or distributed to the public in or from Mauritius or used in connection with any such offer.

The FSC Mauritius expresses no opinion as to the matters contained in this Preliminary Placement Document and as to the merits of an investment in the Bank. Moreover, investors are not protected by any statutory compensation arrangements in Mauritius in the event of a default of the Bank. Before acting on any information in this Preliminary Placement Document, prospective investors should inform themselves of and observe all applicable laws, rules and regulations of any relevant jurisdictions and obtain independent advice if required.

New Zealand

This Preliminary Placement Document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the "**FMC Act**"). The Equity Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

(i) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;

(ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;

(iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act;

(iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act;

(v) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act;

(vi) subscribes, or has subscribed, for securities that have a minimum amount payable of at least NZ$750,000; or

(vii) in other circumstances where there is no contravention of the disclosure requirements of the FMC Act.

Sultanate of Oman

Neither this Preliminary Placement Document nor any other document, or material circulated in connection with the Equity Shares, has been filed with, reviewed, or approved by the Capital Market Authority of Oman ("**Oman CMA**"), or the Central Bank of Oman, or any other regulatory authority in the Sultanate of Oman.

The information contained in this Preliminary Placement Document (or any other document, or material circulated in connection with the Equity Shares) does not constitute:

(i) a public offer of securities in the Sultanate of Oman, as contemplated by the Commercial Companies Law of Oman (Royal Decree 18/2019) or the Securities Law (Royal Decree 46/2022) (the "**Securities Law of Oman**"); or

(ii) an offer to sell, or the solicitation of any offer to buy, Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations of the Capital Market Law (issued by Oman CMA Decision 1/2009); or

(iii) a fund-raising exercise in Oman as contemplated by Oman CMA Decision No. E/153/2021.

Additionally, no action has been, or will be, taken in the Sultanate of Oman (including marketing or solicitation activities) that would result in a breach of Omani laws and regulations concerning the offering of securities (including non-Omani securities) or raising of capital in Oman under the Securities Law of Oman or regulations issued by the Oman CMA pursuant to the Securities Law of Oman.

Neither this Preliminary Placement Document nor any other document, or material circulated in connection with the Equity Shares, is intended to lead to the conclusion of a transaction, or contract of any nature whatsoever, within the Sultanate of Oman.

None of the Oman CMA, the Central Bank of Oman or any other regulatory authority in the Sultanate of Oman is responsible for the accuracy of the statements and information contained in this Preliminary Placement Document (or any other document, or material circulated in connection with the Equity Shares) and shall not have any liability to any person for damage or loss resulting from reliance on any statement or information contained herein.

State of Qatar (including the Qatar Financial Centre)

This Preliminary Placement Document does not, and is not intended to, constitute an invitation or offer of the Equity Shares in the State of Qatar and accordingly should not be construed as such.

This Preliminary Placement Document is being sent to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand that the Preliminary Placement Document has not been approved or licensed by or registered with the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other applicable licensing or regulatory authority or governmental agency in the State of Qatar; and (ii) on the condition that it will not be provided to any person other than the original recipient, is not for general circulation and may not be reproduced or used for any other purpose.

Persons into whose possession this Preliminary Placement Document comes are advised to consult with their own legal advisors with respect to any applicable laws that may restrict the distribution of this Preliminary Placement Document. Neither this Preliminary Placement Document nor any part of it shall be relied upon in any way in connection with any contract for the acquisition of or subscription to the Equity Shares nor shall its issue be taken as any form of commitment on the part of the Bank to proceed with any transaction.

Republic of Korea

The Equity Shares may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Financial Investment Services and Capital Markets Act of Korea (the "**FSCMA**"), the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The Equity Shares have not been and will not be registered under the FSCMA and the decrees and regulations thereunder. Furthermore, the purchaser of the Equity Shares shall comply with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and the decrees and regulations thereunder) in connection with the purchase of the Equity Shares. By the purchase of the Equity Shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the Equity Shares pursuant to the applicable laws and regulations of Korea.

Saudi Arabia

This Preliminary Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the KSA Capital Market Authority resolution number 8-5-2023 dated 18 January 2023 (the "**KSA Regulations**") issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**KSA Capital Market Authority**").

The KSA Capital Market Authority does not make any representations as to the accuracy or completeness of this Preliminary Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Preliminary Placement Document. Prospective purchasers of the Equity Shares should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If a prospective purchaser does not understand the contents of this Preliminary Placement Document, he or she should consult an authorized financial advisor.

Singapore

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the securities will be offered pursuant to exemptions under the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**"). Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

(iii) securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

South Africa

The Equity Shares have not and will not be offered or sold in the Republic of South Africa except in accordance with the Exchange Control Regulations (as defined below), the Companies Act, 2008 (the "**Companies Act**") and any other applicable laws and regulations of the Republic of South Africa in force from time to time. In particular, the Bank will not make an "offer to the public" (as such expression is defined in the Companies Act) of Equity Shares (whether for subscription, purchase or sale) in the Republic of South Africa.

This Preliminary Placement Document does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

No South African residents may subscribe for, or purchase, the Equity Shares or beneficially own or hold any of the Equity Shares, unless such subscription, purchase, or beneficial holding or ownership is permitted under the Exchange Control Regulations, 1961, promulgated under the Currency and Exchanges Act, 1933, and the policies, directives or rules of the South African Reserve Bank (the "**Exchange Control Regulations**") or applicable law or specific approval has been obtained by the investor from the Financial Surveillance Department of the South African Reserve Bank, and by participating in the offer investors are deemed to have warranted that they have the requisite exchange control approvals in place for participating in the offer and acquiring the Equity Shares.

Information made available in this Preliminary Placement Document is not, and should not be construed as, "advice" as defined in the South African Financial Advisory and Intermediary Services Act, 2002.

Switzerland

The Equity Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act, as amended ("**FinSA**"), and no application has been or will be made to admit the Equity Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Preliminary Placement Document, nor any other offering or marketing material relating to the Equity Shares, constitutes a prospectus or a similar communication as such terms are understood pursuant to articles 35 et seq. and article 69 of the FinSA. Neither this Preliminary Placement Document, nor any other offering or marketing material relating to the Equity Shares, may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Preliminary Placement Document, nor any other offering or marketing material relating to the offering, the Bank or the Equity Shares, have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Preliminary Placement Document will not be filed with, and the offer of Equity Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA.

In Switzerland, the Equity Shares will be offered solely to professional clients within the meaning of article 4 para 3 of FinSA. The Equity Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the FinSA. Each purchaser of the Equity Shares in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of the FinSA.

Taiwan

The Equity Shares are not registered for public offering or sale to the general public in Taiwan. The Equity Shares may be made available outside Taiwan for purchase outside Taiwan by investors resident or domiciled in Taiwan, but are not permitted to be offered or sold to the general public, or to be the subject of general advertisements or public inducements, in the territory of Taiwan.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Equity Shares have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (the "**UAE**") other than in compliance with any laws applicable in the UAE governing the issue, offering or sale of securities.

United Kingdom

No Equity Shares have been offered or will be offered pursuant to the Issue to the public in the United Kingdom prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the Financial Conduct Authority, except that the Equity Shares may be offered to the public in the United Kingdom at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Book Running Lead Managers for any such offer; or

(c) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of the Equity Shares shall require the Bank or any Book Running Lead Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Equity Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Equity Shares, and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 and the expression "FSMA" means the Financial Services and Markets Act 2000.

United States of America

The Equity Shares have not been and will not be registered under the Securities Act, or the securities laws of any state in the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to U.S. QIBs, and (b) outside the United States in an "offshore transaction" as defined in and in reliance on Regulation S. Each purchaser of the Equity Shares will be deemed to have made the acknowledgements, representations and agreements as described under "*Representation by Investors*" and "*Transfer Restrictions*" on pages 3 and 748, respectively.

Other Jurisdictions

The distribution of this Preliminary Placement Document and the offer and sale of the Equity Shares may be restricted by law in certain jurisdictions. Persons into whose possession this Preliminary Placement Document comes are required to inform themselves about, and to observe, any such restrictions to the extent applicable.

TRANSFER RESTRICTIONS

Pursuant to Chapter VI of the SEBI ICDR Regulations, any resale of Equity Shares Allotted in the Issue, except on the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsels prior to making any resale, pledge, or transfer of our Equity Shares. In addition to the above, Allotments made to Eligible QIBs, including VCFs and AIFs, in the Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. For more information, see "*Selling Restrictions*" on page 741.

Equity Shares Issued and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Issue within the United States, by its acceptance of this Preliminary Placement Document and of the Equity Shares, will be deemed to have acknowledged, represented to and agreed with our Bank and the Book Running Lead Managers that it has received a copy of this Preliminary Placement Document and such other information as it deems necessary to make an informed investment decision and that:

6. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Issue in compliance with all applicable laws and regulations;

7. the purchaser acknowledges that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

8. the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB with respect to which it exercises sole investment discretion;

9. the purchaser is not an affiliate of our Bank or a person acting on behalf of an affiliate;

10. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A under the Securities Act, (ii) in an "offshore transaction" complying with Regulation S under the Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States, the purchaser understands that the transfer restrictions will remain in effect under the Bank determines, in its sole discretion, to remove them;

11. the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any such Equity Shares;

12. The purchaser agrees, that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the Securities Act) will make any "directed selling efforts" as defined in Regulation S under the Securities Act in the United States with respect to the Equity Shares or any "general solicitation" or "general advertising" (as defined in Regulation D under the Securities Act) in the United States in connection with any offer or sale of the Equity Shares;

13. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Bank determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

    "THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ACCORDINGLY, THE EQUITY SHARES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED (1) WITHIN THE UNITED STATES SOLELY TO PERSONS WHO ARE REASONABLY BELIEVED TO BE "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND (2) OUTSIDE THE UNITED STATES IN "OFFSHORE TRANSACTIONS" AS DEFINED IN AND IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, AND THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES OCCUR.";

14. the purchaser acknowledges that our Bank, the Book Running Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify our Bank, and if it is acquiring any of such Equity Shares

as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

15. our Bank will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions.

All Other Equity Shares Offered and Sold in this Issue

Each purchaser that is acquiring the Equity Shares offered pursuant to this Issue outside the United States, by its acceptance of this Preliminary Placement Document and of the Equity Shares offered pursuant to this Issue, will be deemed to have acknowledged, represented to and agreed with our Bank and the Book Running Lead Managers that it has received a copy of this Preliminary Placement Document and such other information as it deems necessary to make an informed investment decision and that:

(i) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Issue in compliance with all applicable laws and regulations;

(ii) the purchaser acknowledges that the Equity Shares offered pursuant to this Issue have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered, resold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(iii) the purchaser is purchasing the Equity Shares offered pursuant to this Issue from outside the United States in an offshore transaction meeting the requirements of Regulation S under the Securities Act;

(iv) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Issue, was located outside the United States at the time (i) the offer was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United Sates or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

(v) the purchaser is not an affiliate of our Bank or a person acting on behalf of an affiliate;

(vi) the Equity Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the Securities Act;

(vii) the purchaser acknowledges that our Bank, the Book Running Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify our Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

(viii) our Bank will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Bank or the Book Running Lead Managers or any of their respective affiliates or advisors.

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE are the significant stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the "**SCRA**") and the SCRR. On October 3, 2018, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (the "**SCR (SECC) Regulations**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign portfolio investor, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, the BSE was incorporated as a company under the Companies Act, 1956. BSE was listed on NSE with effect from February 3, 2017.

NSE

The NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a stock exchange under the SCRA in April 1993.

Listing and delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, 2013 the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI including the SEBI ICDR Regulations and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

Further the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 govern the voluntary and compulsory delisting of equity shares from the stock exchanges.

The SCRR requires all listed companies to maintain a minimum public shareholding of 25%, subject to certain time bound exceptions.

Disclosures under the SEBI Listing Regulations

Public listed companies are required to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

Minimum Level of Public Shareholding

All listed companies are required to maintain a minimum public shareholding of 25%. Where the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months. However, every public sector listed company whose public shareholding falls below 25% at any time on or after the commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2018, shall increase its public shareholding to at least 25%, within a period of two years from the date of such fall, in the manner specified by SEBI. Consequently, a listed company may be delisted from the Stock Exchanges for not complying with the above-mentioned requirements.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and have to comply with certain minimum conditions stipulated by SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

SEBI Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the SEBI Takeover Regulations, which provides for specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The SEBI Takeover Regulations prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The SEBI Takeover Regulations also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

SEBI Insider Trading Regulations

The SEBI Insider Trading Regulations, *inter alia*, impose certain restrictions on the communication of information by listed companies. Under the SEBI Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any unpublished price sensitive information ("**UPSI**") relating to such companies and securities to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the SEBI Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the SEBI Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association, the Companies Act, 2013 and the Banking Regulation Act. Bidders are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Authorised Capital

The authorised share capital of our Bank is ₹8,00,00,00,000 divided into 4,00,00,00,000 Equity Shares of ₹2 each.

Dividends

Subject to the provisions of the Banking Regulation Act and circulars, regulations and guidelines made thereunder (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005, ("**RBI Dividend Circular**")) and other applicable law, our Bank may pay dividends upon a recommendation by our Board of Directors and approval by a majority of its shareholders at the AGM of shareholders. Dividends are declared on per share basis and distributed and paid to shareholders. The Companies Act, 2013 provides that shares of a company of the same class must receive equal dividend treatment. These distributions and payments are required to be deposited into a separate bank account within five days of the declaration of such dividend and paid to shareholders within 30 days of the AGM where the resolution for declaration of dividends is approved.

The Companies Act. 2013 states that any dividends that remain unpaid or unclaimed after that period is to be transferred to a special bank account called the dividend unpaid account. Any money that remains unclaimed for seven years from the date of the transfer is to be transferred by our Bank to a fund, called the Investor Education and Protection Fund, created by the Government of India. The Articles authorise our Board of Directors to declare interim dividends, which may be declared at any time. Further, the Bank may, before declaring any dividend for each year, set aside an amount as it thinks fits out of the profits of the Bank as a reserve or reserves in accordance with the Articles of Association of the Bank and subject to the provisions of the Companies Act, 2013.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act, 2013 permits our Board of Directors, subject to the approval of our Shareholders, to distribute to our Shareholders, in the form of fully paid-up bonus shares, an amount transferred from our Bank's profits or reserves in accordance with the Articles of Association, the Companies Act and the Banking Regulation Act.

Bonus shares can only be issued if our Bank has not defaulted in payments of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus or principal or interest payments on fixed deposits or debt securities issued by it. Bonus shares may not be issued in lieu of dividend. Further, listed companies are also required to follow the SEBI ICDR Regulations for issuance of bonus shares.

Issue of Additional Shares

Subject to the provisions of the Companies Act, 2013 the Banking Regulations Act and other guidelines as may be issued by RBI, our Bank may increase its share capital by issuing new shares on such terms and with such rights as it may determine. According to Section 62 of the Companies Act, 2013, such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date our Board of Directors may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to our Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA 20, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash, in the event a special resolution to that effect is passed by our shareholders in a general meeting. In addition, our Bank will also be required to comply with the SEBI ICDR Regulations.

General Meetings of our Shareholders

There are two types of General Meetings of our Shareholders:

- AGM and;
- EGM.

Our Bank must hold its AGM within six months after the expiry of each fiscal year provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the Registrar of Companies at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary and is required to call an EGM at the request of shareholder(s) holding in the aggregate not less than one tenth of our Bank's paid-up share capital and carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition.

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95.00% of our Shareholders entitled to vote. Unless the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Bank, whether AGM or EGM.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 deal with the exercise of right to vote by members by electronic means. In terms of Rule 20, every listed company (other than a company referred to in Chapters XB or XC of the SEBI ICDR Regulations) is required to provide to its members facility to exercise their right to vote at general meetings by electronic means. The Ministry of Corporate Affairs has clarified that voting by show of hands would not be allowable in cases where Rule 20 is applicable. Section 12 of the Banking Regulation Act provides that no shareholder shall exercise voting rights in excess of such percentage of the total voting rights of all the shareholders.

In accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023, dated January 16, 2023 and the Guidelines On Acquisition and Holding of Shares or Voting Rights in Banking Companies, dated January 16, 2023, ("**Guidelines**"), no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold, either directly or indirectly, 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more, of the total voting rights of our Bank, without prior approval of the RBI. Further, the Guidelines prescribe the following limits on ownership for all shareholders in our Bank, (a)10% of the paid-up share capital or voting rights of our Bank in case of natural persons, non-financial institutions, financial institutions directly or indirectly connected with large industrial houses and financial institutions that are owned to the extent of 50% or more or controlled by individuals (including the relatives and persons acting in concert); and (b) 15% of the paid-up share capital or voting rights of our Bank in case of certain financial institutions, supranational institutions, public sector undertaking and central/state government.

As per the provisions of sub-section (2) of Section 12 of Banking Regulation Act, 1949, read with gazette notification DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016, no shareholder in a banking company can exercise voting rights on poll in excess of 26 per cent of total voting rights of all the shareholders of the banking company. A depository can exercise voting rights on behalf of the Depository Receipts (DR) holder only in cases where it can be demonstrated that their holdings on behalf of DR holder is in conformity with Section

12B of B R Act, 1949, and the Depository exercises voting rights pursuant to voting instructions from the DR holder.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Our Bank has entered into an agreement for such depository services with the NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Bank shall keep an electronic book in which every transfer or transmission of shares will be maintained.

Our Bank may, however, decline to register a transfer of shares on which our Bank has a lien. Further, our Bank shall not register transfer of shares when any statutory prohibition or any attachment from a competent authority restrains it from transferring the securities from the name of the transferor.

TAXATION

CERTIFICATE ON POSSIBLE SPECIAL TAX BENEFITS

To,

Board of Directors
The Federal Bank Limited
Federal Towers, Bank Junction,
Ernakulam,
Aluva – 683 101
Kerala, India

AND

Axis Capital Limited
Axis House, 1st Floor,
Wadia International Centre,
Pandurang Budhkar Marg, Worli
Mumbai – 400 025
Maharashtra, India

BofA Securities India Limited
18th Floor, A Wing, One BKC,
G Block, Bandra Kurla Complex,
Mumbai– 400 051
Maharashtra India

J.P. Morgan India Private Limited
J.P. Morgan Tower, Off CST Road,
Kalina, Santacruz East
Mumbai – 400 098
Maharashtra, India

Kotak Mahindra Capital Company Limited
27BKC, 1st Floor, Plot No. C –27
"G" Block, Bandra Kurla Complex
Bandra (East), Mumbai – 400 051
Maharashtra, India

(and any other placement agents as defined in the Placement Agreement, together, the "**Placement Agents**")

Subject: Qualified institutions placement of equity shares of face value ₹ 2 each ("Equity Shares") by The Federal Bank Limited (the "Bank") under Chapter VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended, and Section 42 and 62 of the Companies Act, 2013, as amended, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended (the "Issue").

We, **Varma & Varma, Chartered Accountants and Borkar and Muzumdar, Chartered Accountants**, joint statutory auditors of the Bank, enclose herewith the statement showing possible special tax benefits available to the Bank and the shareholders of the Bank as on the date of this certificate, under the Income Tax Act, 1961, as amended (the "IT Act"), applicable indirect tax laws, along with the rules, regulations, circulars and notifications issued thereon, as applicable to the financial year 2023-24, presently in force in India, as Annexure A (or the "Statement"), prepared by the management of the Bank in connection with the proposed Offer, which we have initialed for identification purposes only

Several of these stated tax benefits/consequences are dependent on the Bank and/or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Therefore, the ability of the Bank and/or its shareholders to derive the tax benefits is dependent on fulfilling such conditions.

The benefits discussed in the enclosed annexure are not exhaustive. **Annexure A** is for your information and we consent to its inclusion in the preliminary placement document and placement document, as amended or supplemented thereto (together the "**Issue Documents**") to be filed by the Bank with the Stock Exchanges, the Securities and Exchange Board of India ("**SEBI**"), Reserve Bank of India, the Registrar of Companies, Kerala at Ernakulam and any other authority and such other documents as may be prepared in connection with the Issue.

In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue. Neither are we suggesting nor advising the investor to invest money based on this Statement.

We do not express any opinion or provide any assurance as to whether:

i) the Bank or its shareholders will continue to obtain these special tax benefits in future; or
ii) the conditions prescribed for availing the special tax benefits have been/would be met with; or
iii) the revenue authorities / courts will concur with the views expressed herein.

Our views are based on the existing provisions of the direct and indirect tax laws contained herein and their interpretation, which are subject to change from time to time. We do not assume responsibility to update this Statement consequent to such changes. We will not be liable to any other person in respect of this Statement. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors and third parties who may or may not invest in the initial public offer relying on the statement.

Restriction on use and other clauses

We consent to the inclusion of the above information in the Issue Documents to be filed by the Bank with the stock exchanges on which the Equity Shares of the Bank are listed (the "**Stock Exchanges**"), may be included in the Issue Documents and may be submitted to the Stock Exchanges, SEBI, Reserve Bank of India, the Registrar of Companies, Kerala at Ernakulam, and any other regulatory or statutory authority in respect of the Issue and for the records to be maintained by the Placement Agents in connection with the Issue.

This certificate is issued in connection with the Issue and the contents of this certificate, in full or in part, can be disclosed in the Issue Documents and other documents or materials in relation to the Issue. We undertake to update you of any changes in the above-mentioned position (other than for events and circumstances occurring after the date of this certificate), until the Equity Shares issued by the Bank pursuant to the Issue commence trading on the Stock Exchanges ("**Listing Date**"). In the absence of any such communication from us, the above information should be considered as updated information as of such date until the Listing Date.

This certificate has been issued at the request of the Bank for use in connection with the Issue and may accordingly be furnished as required to the Stock Exchanges, or any other statutory or regulatory authorities as required, and shared with and relied on by the Placement Agents, legal counsel and any other advisors and intermediaries appointed in relation to the Issue.

Capitalized terms used herein, unless otherwise specifically defined, shall have the same meaning as ascribed to them in the Issue Documents prepared in connection with the Issue.

Yours sincerely,

For Varma and Varma,
Chartered Accountants
Firm Registration Number: 004532S

Vijay Narayan Govind
Partner
Membership Number: 203094
Place: Kochi
Date: July 19, 2023
UDIN: 23203094BGXYNA2770

For Borkar and Muzumdar
Chartered Accountants
Firm Registration Number: 101569W

Kaushal Muzumdar
Partner
Membership Number: 100938
Place: Kochi
Date: July 19, 2023
UDIN: 23100938BGQQTC1764

CC:
Legal Counsel to the Bank as to Indian Law
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Annexure A

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE BANK AND TO ITS SHAREHOLDERS UNDER THE DIRECT AND INDIRECT TAX LAWS IN INDIA.

I. Tax benefits available to the Bank and its shareholders under direct tax laws in India

STATEMENT OF INCOME TAX BENEFITS

INCOME-TAX ACT, 1961

SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE BANK

The statement of tax benefits enumerated below is as per the Act as amended from time to time and applicable for Financial Year 2023-24 relevant to Assessment Year 2024-25.

1. Lower Corporate tax rate under section 115BAA of the Act

   - As per the Taxation Laws (Amendment) Act, 2019, domestic companies have been granted the option to compute corporate tax at a reduced rate of 25.17% (comprising 22% tax rate, 10% surcharge and 4% cess) under section 115BAA of the Income Tax Act. To avail of this lower tax rate, the taxpayer must refrain from utilizing specified exemptions or incentives and comply with conditions mentioned in section 115BAA. By choosing this option, the company will be exempt from paying Minimum Alternate Tax (MAT) on its book profits under section 115JB. However, the company will no longer be eligible to avail specified exemptions or incentives under the Act and must adhere to the conditions specified in section 115BAA. Additionally, if a company opts for section 115BAA, it forfeits any tax credit under section 115JAA, which might have been entitled based on MAT paid in previous years. Moreover, the company will not be allowed to claim set-off of any brought forward loss arising from additional depreciation and other specified incentives. Our Bank has exercised the option to be taxed at the reduced rate of 25.17% (inclusive of surcharge and cess), thereby enjoying the benefits of this tax provision.

2. Deduction in respect of inter-corporate dividends – Section 80M of the Act

   - As a bank, we are required to deduct tax at source at applicable rates specified under the Act on dividend payments to shareholders, subject to Double Taxation Avoidance Agreement, where eligible. As per the provisions of section 80M of the Act, a resident corporate shareholder can claim a deduction of an amount equal to dividends received from another domestic company or a foreign company or a business trust. Such deduction shall be claimed from gross total income of the resident corporate shareholder and shall not exceed the amount of dividend distributed by it on or before the due date. The “due date” means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the Act.

3. Deduction under section 80JJAA of the Act

   - As per the provisions of Section 80JJAA of the Act, where the gross total income of an assessee, to whom provisions of section 44AB of the Act applies, includes any profit and gains derived from business, then such assessee shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.

4. Deduction under Sec 80LA of the Act

   - Under Section 80LA(1), subject to specified conditions, income earned by scheduled bank from an Offshore Banking Unit in a Special Economic Zone, or from the business referred to in sub-section (1) of section 6 of the Banking Regulation Act, 1949 with an undertaking located in a Special Economic Zone or; or from any Unit of the International Financial Services Centre from its business for which it has been approved for setting up in such a Centre in a Special Economic Zone is able to claim a deduction of an amount equal to-
   - 100% of such income for five consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission, under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949 or permission or registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or any other relevant law, as applicable was obtained, and thereafter;

   - 50% of such income for five consecutive assessment years.

5. Deduction for Bad and doubtful debts

- The Bank, being a Scheduled Bank, is entitled for accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1)(viia) of the Act in computing its income under the head “Profits and gains of Business or Profession”. The said deduction, which represents a timing difference for tax purposes, is available to the extent of 8.5% of the total income (computed before making any deduction under this section and Chapter VI -A) and 10% of the aggregate average advances made by rural branches of such bank, subject to the satisfaction of prescribed conditions.

- However, subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the Act shall be reduced to the extent of deduction already allowed under section 36(1)(viia) of the Act. Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii) of the Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the Act and is taxable accordingly to the extent the amount recovered exceeds the difference between the amount of debt or part thereof and the amount of deduction allowed earlier.

6. Deduction under Sec 36(1)(viii) -Transfer to Special Reserve

- The Bank also eligible for a deduction of 20% of the eligible profits or an amount transferred to the special reserve, whichever is lower, as per the provisions of section 36(1)(viii) of the Act in computing its income under the head “Profits and gains of Business or Profession” (computed before making any deduction under this section). However, where the aggregate amounts transferred to such special reserve from time to time, exceeds two hundred percent of the paid-up share capital and general reserves, the Bank shall not get a deduction for such excess.

7. Other deductions

- Interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income tax Rules, 1962, is chargeable to tax only in the year of receipt or credit to the Profit & Loss Account of the Bank whichever is earlier, in accordance with the provisions of Section 43D of the Act.
- Under Section 35D, 1/5th of specified expenses incurred towards capital raising is eligible for deduction for a period of five years.
- Section 36(1)(xv) allows taxpayers to claim a deduction for Security Transaction Tax (STT) paid on taxable securities transactions conducted in the course of their business. The deduction is applicable if the income arising from such transactions is included in the computation of income under the head "Profits and gains of business or profession."
- Any domestic company which was declaring/distributing dividend is required to pay DDT at the rate of 15% on the gross amount of dividend as mandated under Section 115O. However, W.e.f., Assessment Year 2021-22, the domestic company isn’t required to pay dividend distribution tax on any amount declared, distributed or paid by such company by way of dividend. Dividend received from domestic company is taxable in hands of shareholders now.

SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- The Bank is required to deduct tax at the source on the dividends paid to the shareholders at applicable rates specified under the Act, subject to the provisions of the Double Taxation Avoidance Agreement for eligible shareholders. For individual shareholders, Hindu Undivided Family, Association of Persons, Body of Individuals (whether incorporated or not), and every artificial juridical person, the surcharge would be restricted to 15% if the income exceeds INR 1 crore. However, if the income falls between INR 50 lakhs to INR 1 crore, a surcharge at the rate of 10% shall apply. The shareholders will be eligible to claim the credit of such tax in their income tax return.

- Under the provisions of section 80M of the Act, a resident corporate shareholder is entitled to claim a deduction equal to the dividends received from another domestic company, foreign company, or a business trust. This deduction can be claimed from the gross total income of the resident corporate shareholder and is limited to the amount of dividend distributed by the company on or before the due date. The term "due date" refers to the date that is one month prior to the date for furnishing the income tax return under sub-section (1) of section 139 of the Act.

- As per Section 112A of the Act, long-term capital gains arising from transfer of an equity share (Where Securities Transaction Tax (STT) was paid on the acquisition and transfer of such share), or a unit of an equity-oriented fund (where STT was paid on the transfer of such unit) or a unit of a business trust (w here STT was paid on the transfer of such unit) shall be taxed at 10% (plus applicable surcharge and cess) (without indexation) of such capital gains subject to fulfilment of prescribed conditions under the Act as well as per Notification No. 60/2018/F.No.370142/9/2017-TPL dated 1 October 2018. It is worthwhile to note that tax shall be levied where such capital gains exceed INR 1,00,000.

- As per Section 111A of the Act, short term capital gains arising from transfer of a listed equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 15% (plus applicable surcharge and cess) subject to fulfilment of prescribed conditions under the Act.

- The non-resident shareholders can offer the income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any, subject to eligibility and furnishing of requisite documents such as tax residency certificate, electronically filed Form 10F, No Permanent Establishment Certificate, etc (as may be applicable) Further, the non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the shareholder is the resident. Shareholders being Individual and HUF can opt to be taxed as per the new tax rates mentioned under section 115BAC of the Act.

Notes:

1. All the above benefits are as per current tax law. In view of the individual nature of tax consequence, each investor is advised to consult his/her own tax adviser with respect to specific consequences of his/her participation in the scheme.

II. Possible Tax benefits available to the Bank and its shareholders under indirect tax laws in India

STATEMENT OF INDIRECT TAX BENEFITS

A. *This statement covers only certain material aspects of indirect tax law benefits.*
B. *The law stated below is as per the Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, Central Goods and Services Tax Rules, 2017, respective State Goods and Services Tax Act, 2017, respective State Goods and Services Tax Rules, 2017, Integrated Goods and Services Tax Rules, 2017, Customs Act, 196, Customs Tariff Act, 1975 and notifications & circulars issued from time to time.*

STATEMENT OF SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE INDIRECT TAX LAWS IN INDIA

I. Special Tax benefits under GST law & Customs law to the Bank

Special tax benefits available to the Bank and the Shareholders of the Bank under the Central Goods and Services Tax Act, 2017 ("CGST Act"), Integrated Goods and Services Tax Act, 2017 ("IGST Act"), respective State Goods and Services Tax Act, 2017 ("SGST Act"), Customs Act, 1962 and Customs Tariff Act, 1975, as notified by the Central Government (collectively referred to as "Indirect Tax Laws") are as under:

A. Income earned by way of interest or discount:

As per Sl. No.27(a), Heading 9971 of Notification No. 12/2017- Central Tax (Rate) dated 28th June 2017, as amended from time to time, any services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempted from GST.
Interest income which covers the major portion of banks total income is hence exempt from GST.

B. Specific clarifications as per FAQ on Banking Sector
The definition of 'goods' and 'services' in Section 2(52) and Section 2(102) of the CGST Act, 2017 specifically excludes money and securities respectively. Transactions in securities does not come under the purview of GST. Definition of 'securities' includes 'derivatives. Transactions in instruments like interest rate swaps, and foreign exchange swaps would be excluded from the definition of 'supply' since such instruments are derivatives, being securities, based on contracts of difference and hence these does not come under the purview of GST.

Accordingly, transactions on securities and the profit arising therefrom, covered in the above clarifications are outside the purview of GST and hence not taxable under GST.

C. **Forex GST on sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange:**

Any inter-se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers is exempted from GST as per above referred Notification No. 12/2017- Central Tax (Rate) dated 28th June 2017, Sl. No. 27(b), Heading 9971.

The bank being an authorised dealer in foreign exchange is permitted to undertake sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange and in respect of such transactions, there is no GST incidence as explained above.

D. Services by business facilitator or a business correspondent:

Any services by business facilitator or a business correspondent to a banking company in respective capacities with respect to accounts in its rural area branch is exempted from GST as per the above mentioned Notification No. 12/2017- Central Tax (Rate) dated 28th June 2017, Sl. No. 39, Heading 9971/9985.

E. Services by an acquiring bank (banking company who makes the payment to any person who accepts card transaction through credit card, debit card, charge card or other payment card service):

Services by an acquiring bank, to any person in relation to settlement of an amount up to two thousand rupees in a single transaction transacted through credit card, debit card, charge card or other payment card service is exempted from GST as per the said Notification No. 12/2017- Central Tax (Rate) dated 28th June 2017, Sl. No. 34, Heading 9971.
Explanation: - "acquiring bank" is defined as per the said notification to mean any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card.

F. Incentives paid by Ministry of Electronics and Information Technology (MeitY) to acquiring banks under the Incentive scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions:

The CBIC vide Circular No. 190/02/2023- GST dated 13-01-2023, has clarified that incentives paid by MeitY to acquiring banks under the Incentive scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions are in the nature of subsidy and thus not taxable. The reasoning given in the above circular is as under:

Under the Incentive scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions, the Government pays the acquiring banks an incentive as a percentage of value of RuPay Debit card transactions and low value BHIM-UPI transactions up to Rs.2000/-.

The Payments and Settlements Systems Act, 2007 prohibits banks and system providers from charging any amount from a person making or receiving a payment through RuPay Debit cards or BHIM-UPI.

The service supplied by the acquiring banks in the digital payment system in case of transactions through RuPay/BHIM-UPI is the same as the service that they provide in case of transactions through any other card or mode of digital payment. The only difference is that the consideration for such services, instead of being paid by the merchant or the user of the card, is paid by the central government in the form of incentive. However, it is not a consideration paid by the central government for any service supplied by the acquiring bank to the Central Government. The incentive is in the nature of a subsidy directly linked to the price of the service and the same does not form part of the taxable value of the transaction in view of the provisions of section 2(31) and section 15 of the CGST Act, 2017.

G. Exemption from the levy of IGST on import of Gold:

Notification No. 77/2017-Customs dated 13th October 2017 issued by the Government of India to amend Notification No. 50/2017- Customs, dated 30th June 2017, which exempted certain goods specified therein from the levy of basic customs duty and/or IGST (as specified) on its imports into India, to the extent of duty/ tax specified therein.

As per the above Notification No. 77/2017- Customs read with Notification No. 50/2017-Customs, import of gold by specified banks and specified Public Sector Units are exempted from the levy of whole of IGST on such imports without any conditions specified. List of such banks also includes Federal Bank.

H. Option regarding reversal of Input Tax Credit

As per the provisions of sec.17 of the CGST Act, every registered person is required to reverse input tax credit attributable to the exempt income (arrived by determining the ratio of exempt income over total income). However, Sub section (4) of Sec.17 of the Act provides the Banks an option to reverse merely 50% of their total eligible input tax credit.

Further, as per the proviso to Section 17 of CGST Act 2017, the restriction of fifty per cent shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number. Accordingly, in respect of supplies made by a branch/office in one State to another in different State, ITC is eligible in full.

II. Special Indirect Tax Benefits available to the shareholders

There are no possible special indirect tax benefits available to the shareholders of the Bank.

For The Federal Bank Limited

Chief Financial Officer

Place: Kochi
Date: July 19, 2023

U.S. FEDERAL INCOME TAX CONSIDERATION

The following is a discussion of certain U.S. federal income tax consequences to U.S. Holders (*defined below*) of acquiring, owning and disposing of Equity Shares, but it does not purport to be a comprehensive discussion of all tax considerations that may be relevant to a particular person's decision to acquire Equity Shares. This discussion applies only to a U.S. Holder that acquires Equity Shares in the Issue and that owns Equity Shares as capital assets for U.S. federal income tax purposes. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, U.S. Treasury regulations promulgated under the Code, and administrative rulings and judicial interpretations thereof, in each case as in effect of the date of this Preliminary Placement Document. Except as expressly described herein, this discussion does not address the U.S. federal income tax consequences that may apply to U.S. Holders under the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Treaty**"). All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. No ruling will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, that a court will uphold such statement or conclusion.

In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including any U.S. state, local or non-U.S. tax law, the Medicare tax on net investment income, and any estate or gift tax laws, and it does not describe differing tax consequences applicable to U.S. Holders subject to special rules, such as:

(a) certain banks or financial institutions;

(b) regulated investment companies and real estate investment trusts;

(c) dealers or traders in securities that use a mark-to-market method of tax accounting;

(d) insurance companies;

(e) persons holding Equity Shares as part of a hedge, straddle, constructive sale, wash sale, or conversion, integrated or similar transaction;

(f) persons liable for the alternative minimum tax;

(g) persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to our Equity Shares as a result of such income being recognized on an applicable financial statement;

(h) persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

(i) entities or arrangements classified as partnerships or pass-through entities for U.S. federal income tax purposes or holders of equity interests therein;

(j) tax-exempt entities, "individual retirement accounts" or "Roth IRAs";

(k) certain U.S. expatriates;

(l) persons that own, directly, indirectly or constructively, ten percent (10%) or more of the total voting power or value of all of our outstanding stock; or

(m) persons owning Equity Shares in connection with a trade or business conducted outside the United States.

U.S. Holders should consult their tax advisors concerning the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of Equity Shares in their particular circumstances.

For purposes of this discussion, a "U.S. Holder" is a person that, for U.S. federal income tax purposes, is a beneficial owner of Equity Shares and is:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a United States person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes owns Equity Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the status and activities of the partnership. Partnerships owning Equity Shares and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the Equity Shares.

THE DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, OR DISPOSITION OF EQUITY SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS, INCLUDING THE TREATY, AND POSSIBLE CHANGES IN TAX LAW.

Taxation of Distributions

Subject to the discussion below under "—Passive Foreign Investment Company Rules," the gross amount of any distribution of cash or property paid with respect to our Equity Shares (including any amounts withheld in respect of Indian taxes), will generally be included in a U.S. Holder's gross income as dividend income on the date actually or constructively received to the extent such distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our current and accumulated earnings and profits will be treated first as a non-taxable return of capital, thereby reducing the U.S. Holder's adjusted tax basis in our Equity Shares (but not below zero), and thereafter as either long-term or short-term capital gain depending upon whether the U.S. Holder held our Equity Shares for more than one year as of the time such distribution is actually or constructively received. Because we do not prepare calculations of our earnings and profits using U.S. federal income tax principles, it is expected that distributions generally will be taxable to U.S. Holders as dividends, and taxable at ordinary income tax rates.

Dividends on our Equity Shares generally will not be eligible for the dividends-received deduction generally available to U.S. corporations with respect to dividends received from other U.S. corporations. With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to "qualified dividend income," provided that (i) the Bank is eligible for the benefits of the Treaty, (ii) the Bank is not a PFIC (as discussed below under "—Passive Foreign Investment Company Rules") for its taxable year in which the dividend is paid and the preceding taxable year, and (iii) certain holding period and other requirements are met. The amount of any dividend paid in Rupee will be the U.S. dollar value of the Rupee received calculated by reference to the spot rate of exchange in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss.

A U.S. Holder may be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or to a deduction, if elected, in computing its U.S. federal taxable income, for non-refundable non-U.S. income taxes withheld from dividends at a rate not exceeding the rate provided in the Treaty (if applicable). Recently issued U.S. Treasury regulations require non-U.S. income tax laws to meet certain requirements in order for taxes imposed under such laws to be eligible for credit. The Bank has not determined whether these requirements have been met with respect to any such non-U.S. withholding taxes. For purposes of the foreign tax credit limitation, dividends paid by the Bank generally will constitute foreign source income in the "passive category income" basket. The rules relating to the foreign tax credit or deduction, if elected, are complex and U.S. Holders should consult their tax advisors concerning their availability in their particular circumstances.

Sale or Other Taxable Disposition of Equity Shares

Subject to the discussion below under "—Passive Foreign Investment Company Rules," a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes on the sale, exchange or other taxable disposition of our Equity Shares in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the Equity Shares disposed of, in each case as determined in U.S. dollars. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period for the Equity Shares exceeds one year. Long-term capital gains of certain non-corporate U.S. Holders (including individuals) are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A U.S. Holder's initial tax basis in our Equity Shares will be the U.S. dollar value of the Rupee denominated purchase price determined on the date of purchase, and the amount realized on a sale, exchange or other taxable disposition of our Equity Shares will be the U.S. dollar value of the payment received determined on the date of disposition. If our Equity Shares are treated as traded on an "established securities market," a cash method U.S. Holder or, if it elects, an accrual method U.S. Holder, will determine the U.S. dollar value of (i) the cost of such Equity Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase, and (ii) the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other taxable disposition. Such an election by an accrual method U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accrual-method U.S. Holders that do not elect to be treated as cash-method taxpayers for this purpose may have a foreign currency gain or loss for U.S. federal income tax purposes, which in general will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their advisors as to the U.S. federal income tax consequences of the receipt of Rupee.

If any Indian tax is imposed on the sale or other disposition of our Equity Shares, a U.S. Holder's amount realized will include the gross amount of the proceeds of the sale or other disposition before deduction of the Indian tax. U.S. Holders should consult their own tax advisors concerning the creditability or deductibility of any Indian income tax imposed on the disposition of Equity Shares in their particular circumstances.

Passive Foreign Investment Company Rules

In general, a corporation organized outside the United States will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes in any taxable year in which (a) 75% or more of its gross income is passive income (the "**income test**") or (b) 50% or more of its assets by value either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the "**asset test**"). For this purpose, "gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. For purposes of the PFIC income test and asset test described above, if the Bank owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Bank will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation.

Based on the nature of our business, the composition of our income and assets, the value of our assets, our intended use of the proceeds from the Equity offering, and the price of our Equity Shares, we do not believe that we were a PFIC for the taxable year ended March 31, 2023, or expect that we will be a PFIC for our current taxable year or in the foreseeable future. However, because a determination of whether a company is a PFIC must be made annually after the end of each taxable year and the Bank's PFIC status for each taxable year will depend on facts, including the composition of Bank's income and assets and the value of Bank's assets (which may be determined in part by reference to the market value of the Equity Shares) at such time, there can be no assurance that the Bank will not be a PFIC for the current or any future taxable year. If the Bank is a PFIC for any taxable year during which a U.S. Holder holds Equity Shares and any of the Bank's non-U.S. subsidiaries is also a PFIC, such U.S. Holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors about the application of the PFIC rules to any of the Bank's subsidiaries.

Generally, if the Bank is a PFIC for any taxable year during which a U.S. Holder holds Equity Shares, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized by a U.S. Holder upon a disposition (including, under certain circumstances, a pledge) of Equity Shares by the U.S. Holder would be allocated rateably over the U.S. Holder's holding period for such Equity Shares. The amounts allocated to the taxable year of disposition and to years before the Bank became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount. Further, to the extent that any distribution received by a U.S. Holder on the Equity Shares exceeds 125% of the average of the annual distributions on such Equity Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments of the Equity Shares if the Bank was a PFIC.

If the Bank was a PFIC for any year during which a U.S. Holder owned Equity Shares, the Bank would generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder held the Equity Shares, even if the Bank ceased to meet the threshold requirements for PFIC status.

If a U.S. Holder owns our Equity Shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 annually with respect to the Bank, generally with the U.S. Holder's U.S. federal income tax return for that year unless specified exceptions apply.

U.S. Holders should consult their tax advisors regarding our PFIC status for any taxable year and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds from a sale, exchange or other taxable disposition (including redemption) of our Equity Shares that are made within the United States, by a U.S. payor or through certain U.S.-related financial intermediaries to a U.S. Holder generally are subject to information reporting, unless the U.S. Holder is a corporation or other exempt recipient, and if required, demonstrates that fact. In addition, such payments may be subject to backup withholding, unless (1) the U.S. Holder is a corporation or other exempt recipient or (2) the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding in the manner required.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will generally be allowed as a credit against the U.S. Holder's U.S. federal income tax liability or may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals or certain specified entities that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold) may be required to report information relating to the Equity Shares by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets (which requires U.S. Holders to report "foreign financial assets," which generally include financial accounts held at a non-U.S. financial institution, interests in non-U.S. entities, as well as stock and other securities issued by a non-U.S. person), to their tax return for each year in which they hold our Equity Shares, subject to certain exceptions (including an exception for our Equity Shares held in accounts maintained by U.S. financial institutions). U.S. Holders should consult their tax advisors regarding their reporting obligations with respect to their acquisition, ownership, and disposition of the Equity Shares.

LEGAL PROCEEDINGS

Our Bank and its Subsidiaries and Associates are, from time to time, involved in various litigation proceedings in the ordinary course of our business. These legal proceedings are primarily in the nature of, amongst others, civil suits, criminal proceedings, writ petitions and tax proceedings. These legal proceedings may have been initiated by us or by customers, business partners, regulators, or other parties, and are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals. Our Bank believes that the number of proceedings and disputes in which our Bank and our Subsidiaries are involved is not unusual for a Bank of our size in the context of doing business in India. These proceedings are primarily in the nature of recovery proceedings initiated by us in respect of advances made, being proceedings initiated under the SARFAESI Act, pending before civil courts or the debts recovery tribunal(s), as the case may be,

Except as disclosed in this section, there are no outstanding legal proceedings which have been considered material in accordance with the "Policy for Determination of Materiality of Events/Information for Disclosure to the Stock Exchanges" of our Bank, framed under the SEBI Listing Regulations and materiality threshold adopted by our Board pursuant to its resolution dated July 19, 2023. The following legal proceedings have been disclosed in this section:

(a) All outstanding criminal proceedings involving our Bank, its Subsidiaries and the Directors;

(b) all outstanding actions taken by regulatory and statutory authorities against our Bank, its Subsidiaries, and the Directors;

*(c) all outstanding civil/arbitration proceedings and tax proceedings involving our Bank, its Subsidiaries and the Directors, which are quantifiable matters and involve an amount equivalent to or above 5% percent of the average of absolute value of profit or loss after tax, as per the Consolidated Financial Statements, which is equivalent to 1,133.14 million ("**Materiality Threshold**");*

(d) Any other outstanding civil/arbitration proceedings and tax proceedings involving our Bank, its Subsidiaries and its Directors, where the aggregate amount involved is not quantifiable or lower than the Materiality Threshold, but which, in the view of our Bank, could have a material adverse effect on the business or operations of our Bank;

*(e) any proceedings involving our Associates, which, in the view of our Bank, could have a material adverse effect on the business or operations of our Bank. (together the "**Material Legal Proceedings**")*

This Preliminary Placement Document also discloses (i) any inquiries, inspections or investigations initiated or conducted (for which notices have been issued) under the Companies Act, 2013 or the Companies Act, 1956 in the last three years preceding the year of this Preliminary Placement Document involving our Bank or its Subsidiaries, and any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document for our Bank or Subsidiaries; (ii) any material fraud (being any fraud involving amount equal to or above ₹ 10.00 million) committed against our Bank in the last three financial years and three months ended June 30, 2023, and if so, the action taken by our Bank; (iii) any significant and material order passed by the regulators, courts and tribunals impacting the going concern status of our Bank or its future operations; (iv) any default by our Bank including therein the amount involved, duration of default and present status, in repayment of: (a) statutory dues; (b) debentures and interest thereon; (c) deposits and interest thereon; or (d) loan from any bank or financial institution and interest thereon; and (v) any default in annual filing of our Bank under the Companies Act, 2013 or the rules made thereunder.

It is clarified that for the above purposes, pre-litigation notices received by any of our Bank, its Subsidiaries or Directors from third parties (excluding notices issued by statutory or regulatory or taxation authorities shall not, unless otherwise decided by our Board, be considered material until such time that the relevant party, as the case may be, is impleaded as a defendant in litigation before any judicial or arbitral forum.

Litigation involving our Bank

Criminal litigation involving our Bank

Criminal litigation against our Bank

1. A criminal complaint under Section 156(3) of CrPC was filed before the Court of Chief Judicial Magistrate, Gurgaon by Balwinder Kaur ("**Complainant**") against our Bank and two of its employees alleging criminal breach of trust and thereby requesting to initiate proceedings under Sections 323, 406, 420, 467, 468, 471 and 506 read with Section 34 of the Indian Penal Code, 1860. The Complainant had obtained a loan of ₹1.01 million and had pledged gold ornaments as a security towards the loan for a period of one year upto July 22, 2015 however, the loan was not received by our Bank and therefore the pledged gold ornaments were auctioned. Aggrieved by the aforesaid complaint, our Bank has filed an application under Section 482 of CrPC before the High Court of Punjab and Haryana seeking the quashing of the criminal proceedings. By way of its order dated October 30, 2018, the High Court of Punjab & Haryana stayed the proceedings before the Court of Chief Judicial Magistrate, Gurgaon. The matter is currently pending.

Criminal litigation by our Bank

For details about certain actions taken by our Bank in relation to certain material frauds committed against our Bank, see "*- Material frauds committed against our Bank in the last three years and actions taken by our Bank*" on page 770.

Civil matters above the materiality threshold

Civil matters against our Bank

1. Zoom Developers Private Limited ("**ZDPL**") and others filed a suit before the High Court of Judicature at Bombay, against certain banks including our Bank who had extended credit facilities to ZDPL ("**Defendants**"), seeking (i) damages arising out of the wilful negligence, misfeasance, malfeasance, nonfeasance and general misconduct by the Defendants; (ii) damages for an aggregate amount of ₹109,207.60 million along with 18% interest per annum from the date of filing the suit till full payment/ realization towards loss of estimated future profits and loss of goodwill and (iii) restrain by a permanent order and injunction from taking possession of any of its moveable and immoveable properties. It was alleged that due to the failure of the consortium banks, the bank guarantees and stand-by letter of credits were invoked on technical grounds. The Defendants filed their written statement in response to the suit filed before the High Court of Judicature at Bombay challenging the allegations raised by ZDPL. The matter is currently pending.

2. State Bank of India, Hyderabad branch filed an original application before the Debts Recovery Tribunal – I, Hyderabad against, *inter alia,* KSK Mahanadi Power Company Limited for recovery of approximately ₹50,068 million, along with interest thereon. The State Bank of India along with certain other banks including our Bank had extended credit facilities to KSK Mahanadi Power Company Limited. The matter is currently pending.

Civil matters by our Bank

1. Our Bank along with other banks who had extended credit facilities to M/s. Loha Ispat Limited and others ("**Defendants**") filed an original application before the Debts Recovery Tribunal – I, Mumbai to recover dues aggregating to ₹120.09 million towards the working capital facility and ₹2,580.61 million towards the term loan facility along with an interest of 15.80% and 16% per annum, respectively, with monthly rests from the date of the original application till payment or realisation, payable by the Defendants along with the enforcement of security. Additionally, our Bank also prayed for an injunction against the Defendants and their associates, restraining them from selling, encumbering, dispossessing of or creating any third-party interest in the collateral security. It was alleged that due to various breaches of the terms and conditions of the facilities documents by the Defendants, the aforesaid credit facilities were declared as a non-performing asset by the consortium banks. The matter is currently pending.

2. M/s. Edelweiss Asset Reconstruction Company Limited along with our Bank and other banks and financial institutions who had extended credit facilities to PSL Limited and others ("**Defendants**") filed an original application before the Debts Recovery Tribunal – I, New Delhi to recover dues aggregating to ₹59,324.20 million along with interest thereon. The matter is currently pending.

Outstanding actions by statutory or regulatory authorities against our Bank

Nil

Litigation involving our Subsidiaries

Criminal litigation involving our Subsidiaries

Criminal litigation against our Subsidiaries

1. A criminal complaint was filed by Anandraj before the Chief Metropolitan Magistrate Court, Bangalore under section 200 of the CrPC read with sections 406 and 420 of the Indian Penal Code, 1860 ("**IPC**") against Fedfina and Binny Shibu. Fedfina has not received any notice, summons or copy of any first information ("**FIR**") in this matter yet.

2. G. Panduranga Kamath, R. Lalitha, K.C.S. Nair and others (collectively, the "**Petitioners**") had filed a criminal revision petition ("**Petition**") under sections 397 and 399 of the CrPC against Fedfina and other respondents ("**Other Respondents**", and collectively "**Respondents**") before the City Civil and Sessions Judge at Bengaluru to set aside an order dated March 16, 2021 ("**Order**") passed by the XXXVII Additional Chief Metropolitan Magistrate Court, Bengaluru ("**Authority**"). Pursuant to the Order, the Authority allowed the interim application filed by Fedfina under Section 14 of the SARFAESI Act for taking possession of property ("**Property**") of the Other Respondents. The Petitioners have alleged that they had purchased Property from the Other Respondents and that the Property was not under any encumbrance at the time of sale. The Petitioners have further alleged *inter alia* that Fedfina has not followed due process and procedure under the SARFAESI Act. The matter is currently pending.

3. It has come to our attention that a criminal complaint has been filed by Zaveri Constructions ("**Zaveri**") and others before the Chief Metropolitan Magistrate, Esplanade Court, Mumbai under section 420 of the IPC and sections 193, 200 and 340 of the Essential Commodities (Special Provisions) Act, 1981 ("**Essential Commodities Act**"), against 7

parties, which includes Fedfina. Fedfina has not received any notice, summons or copy of any first information report in this matter as yet.

Criminal litigation by our Subsidiaries

Nil

Civil matters above the materiality threshold

Civil matters against our Subsidiaries

Nil

Civil matters by our Subsidiaries

Nil

Outstanding actions by statutory or regulatory authorities against our Subsidiaries

1. A show cause notice dated February 22, 2023 ("**SCN**") was issued by the RBI to Fedfina, pursuant to an inspection conducted by the RBI. The SCN alleged a delay by Fedfina in reporting a fraudulent transaction involving an amount of ₹38 million, within the period of three weeks, in accordance with, *inter alia*, the Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016. Fedfina responded to the SCN by way of a letter dated March 15, 2023 ("**Reply**"), stating that the aforesaid transaction, which had come to the notice of Fedfina in December 2020, had required detailed enquiries to be conducted before arriving at a conclusion of fraud detection and that the COVID-19 pandemic had caused delays in arriving at the final conclusion, on account of irregular and untimely access to the developer's office. As on the date of this Preliminary Placement Document, there has been no further correspondence from the RBI in this regard.

Litigation involving our Directors

Criminal litigation involving our Directors

Criminal litigation against our Directors

(i) Sujith A.K. ("**Complainant**") filed a complaint against the managing director and chief executive officer of our Bank and others before the Judicial First Class Magistrate Court, Kunnamangalam under Sections 499 and 500 of the Indian Penal Code, 1860, alleging that the letter issued by the head of the loan collection and recovery department division, Kozhikode of our Bank to the District Medical Officer requesting him to undertake an enquiry in relation to the Complainant's qualifications as a doctor, was defamatory in nature. The Complainant had availed an education loan from our Bank for which our Bank had initiated recovery proceedings as it had been declared as non-performing assets. An application has been filed under Section 482 of the Criminal Procedure Code, 1973, before the High Court of Kerala, for quashing the proceedings against the managing director and chief executive officer of our Bank. The matters are currently pending.

Civil matters above the materiality threshold

Nil

Outstanding actions by statutory or regulatory authorities against our Directors

Nil

Inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 in the last three years preceding the year of this Preliminary Placement Document involving our Bank and its Subsidiaries, and prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document for our Bank and its Subsidiaries

There have been no inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 or the Companies Act, 1956 and prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document for our Bank and its Subsidiaries.

Material frauds committed against our Bank in the last three years and actions taken by our Bank

Our Bank reports on an individual basis all material frauds equal to or above ₹10 million to RBI. During Fiscals 2021, 2022, 2023 and the three-month period ended June 30, 2023, there are a total of 56 material frauds equal to or above ₹10 million committed against our Bank, involving an aggregate amount of ₹12,060 million. Typically, these frauds are in the nature of (a) misappropriation and criminal breach of trust; (b) cheating and forgery; and (c) diversion of funds, etc. and are conducted by members of staff, customers and in some cases, other third parties. Our Bank has initiated various actions against these frauds, including inter alia criminal proceedings such as police complaints and filing petitions.

Significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Bank and its future operations

There are no significant and material orders that have been passed by the regulators, courts and tribunals impacting the going concern status of our Bank and its future operations.

Defaults by our Bank in repayment of statutory dues, dues payable to holders of any debentures and interest thereon, dues payable in respect of deposits and interests thereon, or in repayment of any loan obtained from any bank or financial institution and interest thereon

As on the date of this Preliminary Placement Document, our Bank has no outstanding defaults in relation to repayment of statutory dues, dues payable to holders of any debentures and interest thereon, or in respect of deposits and interest thereon, or in repayment of loans obtained from any bank or financial institution and interest thereon.

Defaults in the annual filings of our Bank under the Companies Act, 2013

As on the date of this Preliminary Placement Document, our Bank has not defaulted in annual filings under the Companies Act, 2013.

Tax Claims above the materiality threshold

Direct Tax

1. Our Bank has filed income tax returns upto assessment year 2022-23 and the assessment of our Bank was completed upto assessment year 2020-21. Up to assessment year 2020-21, certain assessment years, due to audit comments, Assistant Commissioner of Income Tax, Kochi has re-opened the assessment and made certain disallowance. Various disallowances made in the course of assessments/ re-assessment has been contested by our Bank on appeal before the Commissioner of Income Tax (Appeals). After disposal of appeal by the Commissioner of Income tax (Appeals), in respect of issues decided against it, our Bank has filed further appeals before the Income tax Appellate Tribunal, Cochin Bench ("**ITAT**"). In respect of issues decided in favour of our Bank, the Income Tax Department had also gone on second appeal before the ITAT. In respect of certain years where the ITAT has disposed the appeals, Bank and Income Tax Department have also preferred further appeals before the High Court of Kerala. The Bank and Income Tax Department have also preferred appeals before the Supreme Court of India against the orders of High Court of Kerala in favour of the Income Tax Department and Bank. Our Bank has made full provision in respect of the tax demands relating to issues decided against our Bank after taking into account the favourable decisions of the judicial/ appellate authorities in respect of such issues. A disputed demand amounting to ₹115,821 is shown as contingent liability in books due to various judicial decisions obtained in settled cases or on the basis of the facts as the case be. In respect of years where the assessments have not been completed, provision has been made in the accounts as per the computation of our Bank.

Indirect Tax

1. A show cause notice dated January 16, 2020 was issued by Additional Director General, Directorate General of GST Intelligence, Kochi disallowing the ineligible Central Value Added Tax ("**CENVAT**") credit along with interest and penalty. It was alleged that (i) our Bank had wrongly availed CENVAT credit (during the period December, 2014 to August, 2015 and April, 2016 to June, 2017) of service tax on ATM fee paid to other banks, in respect of transactions undertaken by the cardholders of the bank on the ATMs of other banks, through the settlement mechanism of NPCI, (ii) our Bank had wrongly availed CENVAT during the period, April, 2014 to June, 2017, December, 2014 to August, 2015 and April, 2016 to June, 2017, in respect of fees paid to NPCI attributable to facilitation of free cross bank transactions undertaken by card-holders of our Bank and (iii) short-payment of the liability under Rule 6(3A)(d) of CENVAT Credit Rules, 2004. Thereafter, by way of an order dated October 21, 2022, the Commissioner, Central Board Of Indirect Taxes and Customs, Kochi ("**Order**") levied service tax and penalty of ₹1,229.94 million. Aggrieved by the Order, our Bank filed a writ petition before the High Court of Kerala to stay the operation and implementation of the Order which is currently pending.

OUR STATUTORY AUDITORS

In terms of the RBI guidelines the Bank is required to appoint a minimum of two statutory auditors*. Pursuant to the approval of our Shareholders at the annual general meetings held on July 16, 2020 and July 9, 2021, the Bank has appointed Varma & Varma, Chartered Accountants, and Borkar & Muzumdar, Chartered Accountants, for a period of three years, as its Joint Statutory Auditors, in accordance with the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines prescribed by the RBI.

The Audited Consolidated Financial Statements and Audited Standalone Fiscal Statement for Fiscal 2021, 2022 and 2023 have been prepared in accordance with the IGAAP and Companies Act, 2013, and have been audited by our Joint Statutory Auditors.

The Unaudited Interim Consolidated Financial Statements and Unaudited Interim Standalone Financial Statements of the Bank as of and for the three-month period ended June 30, 2023, have been subjected to a limited review by our Joint Statutory Auditors.

* *Our Bank has appointed Suri & Co, Chartered Accountants, and M S K A & Associates, Chartered Accountants as its joint statutory auditors for a period of three years from the Fiscal 2024 pursuant to the Board resolution dated May 27, 2023 and the RBI approval dated June 27, 2023, which is subject to the approval of the Shareholders' at the ensuing AGM of our Bank.*

GENERAL INFORMATION

- Our Bank was incorporated as The Travancore Federal Bank Limited Nedumpram on April 23, 1931 under the Travancore Companies Regulation, 1916. Our Bank's name was changed to "The Federal Bank Limited" on December 2, 1949. Our Bank was registered under the Indian Companies Act, 1956 on April 1, 1956. Our Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and is a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

- Our Registered and Corporate Office is located at Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India.

- The CIN of the Bank is L65191KL1931PLC000368.

- The Equity Shares are listed on BSE and NSE since June 3, 1994.

- The Issue was authorised and approved by our Board of Directors pursuant to a resolution dated June 30, 2022, and by our Shareholders pursuant to a special resolution dated July 27, 2022.

- Our Bank has received in-principle approvals under Regulation 28(1) of the SEBI Listing Regulations to list the Equity Shares to be issued pursuant to the Issue, on BSE and NSE, on July 19, 2023.

- Copies of our Memorandum of Association and Articles of Association will be available for inspection between 10:00 am to 5:00 pm on any weekday (except Saturdays and public holidays) during the Issue Period at our Registered Office and Corporate Office.

- Our Bank has obtained all consents, approvals and authorisations required in connection with the Issue.

- There has been no material change in the financial or trading position of our Bank since June 19, 2023, the date of the Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with applicable accounting standards included in this Preliminary Placement Document, except as disclosed herein.

- Except as disclosed in this Preliminary Placement Document, there are no litigation or arbitration proceedings against or affecting us, or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which in either case are or might be material in the context of this Issue. For further details, see "*Legal Proceedings*" on page 768.

- The Floor Price is ₹132.59 per Equity Share, calculated in accordance with the provisions of Chapter VI of the SEBI ICDR Regulations, as certified by the Joint Statutory Auditors. Our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 176(1) of the SEBI ICDR Regulations.

- Samir Pravinbhai Rajdev is the Company Secretary and Compliance Officer of our Bank. His details are as follows:

  Samir Pravinbhai Rajdev
  Federal Towers, P B No. 103, Aluva
  Ernakulam 683 101
  Kerala, India
  Tel: +91 484 2622 263
  E-mail: secretarial@federalbank.co.in

PROPOSED ALLOTTEES

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotments of Equity Shares pursuant to this Issue shall be made by our Bank, in consultation with the BRLMs, to Eligible QIBs only, on a discretionary basis.

The names of the proposed Allottees and the percentage of post-Issue capital that may be held by them is set forth below. These details of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, will be included in the Placement Document to be sent to such proposed Allottees.

S. No.	Name of the proposed Allottees	Percentage of the post-Issue share capital held (%) ^
1.	[●]	[●]
2.	[●]	[●]
3.	[●]	[●]

^ *Based on beneficiary position as on [●], 2023.*

Note: The above table has been intentionally left blank and shall be updated in the Placement Document.

THE FEDERAL BANK LIMITED

Registered Office and Corporate Office:
Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India

Website: www.federalbank.co.in; **CIN**: L65191KL1931PLC000368
Contact Person: Samir Pravinbhai Rajdev, Company Secretary and Compliance Officer

Address of Chief Compliance Officer:
Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
Tel: +91 484 2622 263; **Fax**: +91 484 2623 119; **E-mail:** secretarial@federalbank.co.in; Website: secretarial@federalbank.co.in

BOOK RUNNING LEAD MANAGERS

AXIS CAPITAL LIMITED

1st Floor, Axis House, C-2 Wadia International Centre, P. B. Marg, Worli, Mumbai 400 025
Maharashtra, India

BOFA SECURITIES INDIA LIMITED

Ground Floor, "A" Wing, One BKC, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
Maharashtra, India

J.P. MORGAN INDIA PRIVATE LIMITED
J.P. Morgan Tower, Off. C.S.T. Road Kalina, Santacruz (East) Mumbai 400 098
Maharashtra, India

KOTAK MAHINDRA CAPITAL COMPANY LIMTIED
1st Floor, 27 BKC Plot No. 27, 'G' Block, Bandra Kurla Complex, Bandra (East) Mumbai 400 051
Maharashtra, India

JOINT STATUTORY AUDITORS OF OUR BANK

VARMA & VARMA, CHARTERED ACCOUNTANTS
Kerala Varma Tower, Kunjanbava Road, Vyttila, Kochi, Ernakulam, 682 019, Kerala, India

BORKAR & MUZUMDAR, CHARTERED ACCOUNTANTS
21/168, Anand Nagar Om CHS, Anand Nagar Lane, Off Nehru Road, Santacruz – (East), Mumbai 400 055,
Maharashtra, India

LEGAL COUNSEL TO OUR BANK
As to Indian law
Cyril Amarchand Mangaldas

Prestige Falcon Tower
3rd Floor, 19, Brunton Road, Off MG Road
Bengaluru 560 025, Karnataka, India

5th Floor, Peninsula Chambers
Peninsula Corporate Park,
Ganpatrao Kadam Marg Mumbai 400 013
Maharashtra, India

Advisor to the Bank
Equirus Capital Private Limited
12th Floor, C Wing,
Marathon Futurex,
N.M. Joshi Marg, Lower Parel
Mumbai 400 013
Maharashtra, India

LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS
As to Indian law
IndusLaw
2nd Floor, Block D,
The MIRA, Mathura Road,
New Delhi 110 065

INTERNATIONAL LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS
White & Case LLP
88 Market Street #41-01
CapitaSpring
Singapore 048 948

DECLARATION

Our Bank certifies that all relevant provisions of Chapter VI read with Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations and that all approvals and permissions required to carry on our Bank's business have been obtained, are currently valid and have been complied with. Our Bank further certifies that all the statements in this Preliminary Placement Document are true and correct.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

Shyam Srinivasan
Managing Director and Chief Executive Officer
DIN: 02274773

Date: July 19, 2023
Place: Aluva

DECLARATION

We, the Board of the Bank, certify that:

(i) the Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the Issue shall be used only for the purposes and objects indicated in this Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

Shyam Srinivasan
Managing Director and Chief Executive Officer
DIN: 02274773
Date: July 19, 2023
Place: Aluva

I am authorized by the Credit, Investment and Raising Committee, a committee of the Board of the Bank, vide resolution number 10/2023-24 dated July 19, 2023 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

Shyam Srinivasan
Managing Director and Chief Executive Officer
Date: July 19, 2023
Place: Aluva

APPLICATION FORM

An indicative format of the Application Form is set forth below:

<table>
<tr><td>FEDERAL BANK
YOUR PERFECT BANKING PARTNER</td><td>APPLICATION FORM</td></tr>
<tr><td>THE FEDERAL BANK LIMITED
(Incorporated in the Republic of India under the provisions of the Companies Act, 1956 and licensed under the Banking Regulation Act, 1949)

Registered and Corporate Office: Federal Towers, P O Box No. 103, Aluva, Ernakulam 683 101, Kerala, India
Telephone: +91 484 2622 263 | E-mail: secretarial@federalbank.co.in | CIN: L65191KL1931PLC000368 | Website: www.federalbank.co.in
Bank Legal Entity Identifier Code: 335800J8VWGE2HGWF417 | ISIN: INE171A01029</td><td>Name of the Bidder: __________

Form No. __________

Date: _________</td></tr>
</table>

QUALIFIED INSTITUTIONS PLACEMENT OF [●] EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH (THE "EQUITY SHARES") FOR CASH, AT A PRICE OF ₹[●] PER EQUITY SHARE (THE "ISSUE PRICE"), INCLUDING A PREMIUM OF ₹[●] PER EQUITY SHARE, AGGREGATING TO ₹[●] MILLION IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THERUNDER, EACH AS AMENDED, (THE "COMPANIES ACT"), AND CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT BY THE FEDERAL BANK LIMITED (THE "ISSUER" OR THE "BANK", AND SUCH ISSUE OF EQUITY SHARES, THE "ISSUE"). THE APPLICABLE FLOOR PRICE OF THE EQUITY SHARES IS ₹132.59 PER EQUITY SHARE AND OUR BANK MAY OFFER A DISCOUNT OF UPTO 5% (AS APPROVED BY ITS SHAREHOLDERS) OR SUCH PERCENTAGE AS PERMITTED UNDER THE SEBI ICDR REGULATIONS ON THE FLOOR PRICE.

Only Qualified Institutional Buyers ("QIBs") as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and which: (a) are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; (b) hold a valid and existing registration under the applicable laws in India (as applicable); (c) are not restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws ("Eligible QIBs"); are eligible to submit this Application Form. In addition to the above, with respect to the Issue, Eligible QIBs shall consist of (i) QIBs which are resident in India; (ii) Foreign portfolio investors participating through Schedule II of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended ("FEMA Rules"), the SEBI FPI Regulations and any other applicable law (other than individuals, corporate bodies and family offices), that are eligible to participate in the Issue ("Eligible FPIs"); and (iii) multilateral and bilateral development financial institutions eligible to participate in the Issue under applicable laws, including the FEMA Rules. However, except as provided in (ii) and (iii) above, other non-resident QIBs, in terms of the FEMA Rules, are not permitted to participate in the Issue. Further, in terms of the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended, foreign venture capital investors ("FVCIs") are not permitted to participate in the Issue. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws of the United States and, unless so registered, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) ("U.S. QIBs") in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (b) outside the United States in "offshore transactions" as defined in and in reliance upon Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. There will be no public offering of the Equity Shares in the United States. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under the applicable Indian regulations and referred to in the PPD as "QIBs". You should note and observe the selling and transfer restrictions in respect of the Issue contained in the sections of the accompanying preliminary placement document dated July 19, 2023 (the "PPD") titled "Selling Restrictions" and "Transfer Restrictions" on pages 741 and 748, respectively.

ELIGIBLE FPIs ARE PERMITTED TO PARTICIPATE THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER SCHEDULE II OF THE FEMA RULES READ WITH THE RESTRICTION SPECIFIED IN THE "ISSUE PROCEDURE" SECTION OF THE PRELIMINARY PLACEMENT DOCUMENT, IN THE ISSUE, SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS, AND SUCH THAT THE SHAREHOLDING OF ELIGIBLE FPIs IN THE BANK DOES NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS AND THE PRELIMINARY PLACEMENT DOCUMENT IN THIS REGARD. PURSUANT TO PRESS NOTE NO. 3 (2020 SERIES), DATED APRIL 17, 2020, ISSUED BY THE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, GOVERNMENT OF INDIA, INVESTMENTS BY AN ENTITY OF A COUNTRY WHICH SHARES LAND BORDER WITH INDIA OR WHERE THE BENEFICIAL OWNER OF SUCH INVESTMENT IS

SITUATED IN OR IS A CITIZEN OF SUCH COUNTRY, MAY ONLY BE MADE THROUGH THE GOVERNMENT APPROVAL ROUTE, AS PRESCRIBED IN THE FEMA RULES AND SHALL HAVE TO BE IN CONFORMITY WITH THE APPLICABLE PROVISIONS OF THE FEMA RULES. ALLOTMENTS MADE TO AIFs AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO EACH OF THEM RESPECTIVELY. OTHER ELIGIBLE NON-RESIDENT QIBS SHALL PARTICIPATE IN THE ISSUE UNDER SCHEDULE I OF THE FEMA RULES. FVCIs ARE NOT PERMITTED TO PARTICIPATE IN THE ISSUE.

To,

The Board of Directors
The Federal Bank Limited
Federal Towers, P O Box No. 103, Aluva, Ernakulam 683 101, Kerala, India

Respected All,
On the basis of the serially numbered PPD of the Bank and subject to the terms and conditions contained in the other sections of the PPD, and in this Application Form, we hereby submit our Bid for the Allotment of the Equity Shares in the Issue on the terms and price indicated below. We confirm that we are an Eligible QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not: (a) excluded from making an application in the Issue pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, (b) hold a valid and existing registration under the applicable laws in India (as applicable) and (c) restricted from participating in the Issue under the SEBI ICDR Regulations and other applicable laws, including foreign exchange related laws.

STATUS (Please ✓)			
FI	Scheduled Commercial Banks & Financial Institutions	**AIF**	Alternative Investment Fund*
MF	Mutual Funds	**NIF**	National Investment Fund
FPI	Eligible Foreign Portfolio Investors**	**IF**	Insurance Funds
VCF	Venture Capital Funds*	**SI-NBFC**	Systemically Important Non-Banking Financial Companies
IC	Insurance Companies	**OTH**	Others ______________ (*please specify*)

* *Sponsor and Manager should be Indian owned and controlled.*
** *Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended, other than individuals, corporate bodies and family offices who are not allowed to participate in the Issue*

We confirm that we are either a QIB which either (a) is resident in India, or (b) an Eligible FPI or (c) a multilateral or bilateral development financial institution. We confirm that we are not an FVCI. We confirm that the bid size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon will not exceed the relevant regulatory or approved limits and further confirm that our Bid does not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended ("**Takeover Regulations**"). We further understand and agree that (i) our names, address, contact details, PAN number and bank account details will be recorded by the Bank in the format prescribed in terms of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended ("**PAS Rules**"); (ii) in the event that any Equity Shares are Allocated to us in the Issue, our names (as proposed Allottees) and the percentage of our post-Issue shareholding in the Bank will be disclosed in the Placement Document pursuant to the requirements under Form PAS-4 of the PAS Rules; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Bank will place our name in the register of members of the Bank as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Bank with the Registrar of Companies, Kerala at Ernakulam (the **"RoC")** as required in terms of the PAS Rules.

Further, we are aware and agree that if we, together with any other Eligible QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in the Issue, the Bank will disclose our name, along with the name of such other Allottees and the number of Equity Shares Allotted to us and to such other Allottees, on the website of National Stock Exchange of India Limited and the BSE Limited (together referred to as the "**Stock Exchanges**"), and we consent to such disclosure. In addition, we confirm that we are eligible to invest in Equity Shares under the SEBI ICDR Regulations, Reserve Bank of India circulars and other applicable laws. We specifically confirm that our Bid for the Allotment of the Equity Shares is not in violation to the amendment made to Rule 6(a) of the FEMA Rules by the Central Government on April 22, 2020.

We confirm, that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations and the terms and conditions mentioned in the Preliminary Placement Document and this Application Form. We confirm that, in relation to our application, each Eligible FPI has submitted separate Application Forms and asset management companies or custodians of mutual funds have specified the details of each scheme for which the application is being made along with the price and number of Equity Shares Bid for under each such scheme. We undertake that we will sign and/or submit all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We confirm that the signatory is authorized to apply on behalf of the Bidder and the Bidder has all the necessary approvals for applying in the Issue. We note that the Board of Directors of the Bank, or any duly authorized committee thereof, is entitled, in consultation with Axis Capital Limited, BofA

Securities India Limited, J.P. Morgan India Private Limited and Kotak Mahindra Capital Company Limited **(together, the "BRLMs")**, in their sole discretion, to accept or reject this Application Form without assigning any reason thereof. We hereby agree to accept the Equity Shares that may be Allocated to us pursuant to the Confirmation of Allocation Note **("CAN")** and request you to credit the same to our beneficiary account as per the details given below, subject to receipt of this Application Form and Bid Amount towards the Equity Shares that may be Allocated to us. The Bid Amount payable by us for the Equity Shares applied for in the Issue has been/will be remitted to the designated bank account set out in this Application Form only through electronic mode, along with this duly completed Application Form prior to or on the Issue Closing Date and such Bid Amount has been/will be transferred from a bank account maintained in our name. We acknowledge and agree that we shall not make any payment in cash, demand draft or cheque. We are aware that Allocation and Allotment in the Issue shall be at the sole discretion of the Bank, in consultation with the BRLMs; and in the event that (i) Equity Shares that we have applied for are not Allotted to us in full or at all, and/or (ii) the Bid Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or (iii) the Bank is unable to issue and Allot the Equity Shares offered in the Issue or (iv) if we withdraw the Bid before Issue Closing Date, or (v) if there is a cancellation of the Issue, the Bid Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Bid Amount has been paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in and transferability requirements. In this regard, we authorize the Bank to issue instructions to the depositories for such lock-in and transferability requirements, as may be applicable to us.

By signing and/or submitting this Application Form, we hereby confirm and agree (i) that the representation, warranties, acknowledgments and agreements as set forth in the sections of the PPD titled *"Notice to Investors", "Representations by Investors", "Issue Procedure", "Selling Restrictions" and "Transfer Restrictions"* and (ii) the terms, conditions and agreements mentioned herein are true and correct and acknowledge and agree that these representations and warranties are given by us for the benefit of the Bank and the BRLMs, each of which are entitled to rely on and are relying on these representations and warranties in consummating the Issue.

By signing and/or submitting this Application Form, we hereby further represent, warrant, acknowledge and agree as follows: (1) we have been provided a serially numbered copy of the PPD and the Application Form and have read them in their entirety including in particular, the section titled *'Risk Factors'* therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Bank, the BRLMs or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document (when provided), this Application Form, the CAN, when issued, and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares, otherwise than on the floor of a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges; (6) Equity Shares shall be Allocated and Allotted at the sole and absolute discretion of the Bank in consultation with the BRLMs and the submission of this Application Form and payment of the corresponding Bid Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, upon Allocation, the Bank will be required to disclose our names and the percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the BRLMs; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Allottees that belong to the same group or are under common control as us, shall not exceed 50% of the Issue. For the purposes of this representation and warranty: The expression 'belong to the same group' shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations i.e. entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, amongst the Eligible QIBs, its subsidiary or holding company and any other Eligible QIB; and 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations; (9) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Bank, applicable laws and regulations, the terms of the PPD and the Placement Document, this Application Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

We acknowledge that the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States, and unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. By signing this Application Form and checking the applicable box above, we hereby represent that we are either (i) located within the United States and are a U.S. QIB purchasing the Equity Shares in transactions meeting the requirements of Rule 144A or another exemption from the registration requirements of the Securities Act, or (ii) located outside the United States and purchasing Equity Shares in an "offshore transaction" as defined in and in reliance upon Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. We confirm that we have read and agree with the representations, warranties and agreements contained in the sections entitled *"Selling Restrictions" and "Transfer Restrictions"* of the PPD.

By signing and/or submitting this Application Form, we further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares. We acknowledge that once a duly filled Application Form, whether signed or not is submitted by an Eligible QIB, and the Bid Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and this Application Form is unsigned, we confirm that we are authorized to submit this Application Form and provide necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of such Eligible QIB.

APPLICANT DETAILS (in block letters)			
NAME OF APPLICANT*			
NATIONALITY			
REGISTERED ADDRESS			
CITY AND CODE			
COUNTRY			
PHONE NO.		**FAX NO.**	
MOBILE NO.			
EMAIL ID			
FOR FPIs**	**Registration Number:**	**For AIFs***/ MFs/ VCFs***/ SI-NBFCs/ ICs/OTH**	**Registration Number:**

* *Name should exactly match with the name in which the beneficiary account is held. Bid Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund Bidders are requested to provide details of the Bids made by each scheme of the Mutual Fund. Each Eligible FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Issuer and the BRLM.*

** *In case you are an Eligible FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.*

*** *Allotments made to AIFs and VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. AIFs and VCFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.*

We are aware that the number of Equity Shares in the Bank held by us, together with the number of Equity Shares, if any, Allotted to us in the Issue will be aggregated to disclose our percentage of post-Issue shareholding in the Bank in the Placement Document in line with the requirements under the form PAS-4 of the PAS Rules, as amended. For such information, the BRLMs have relied on the information provided by the registrar for obtaining details of our shareholding and we consent and authorize such disclosure in the Placement Document.

DEPOSITORY ACCOUNT DETAILS			
Depository Name (Please ✓)	National Security Depository Limited		Central Depository Services (India) Limited
Depository Participant Name			
DP – ID	I N		
Beneficiary Account Number			(*16 digit beneficiary account. no. to be mentioned above*)

The demographic details like address, bank account details etc., will be obtained from the Depositories as per the beneficiary account given above. However, for the purpose of refund, if any, only the bank details as mentioned below, from which the Bid Amount has been remitted for the Equity Shares applied for in the Issue, will be considered.

We are responsible for the accuracy of the bank details mentioned below and are also aware that the successful processing of refunds if, any, shall be dependent on the accuracy of the bank details provided by us. The Bank and the BRLM shall not be liable in any manner for refunds that are not processed due to incorrect bank details.

ESCROW ACCOUNT - BANK ACCOUNT DETAILS FOR PAYMENT OF BID AMOUNT - REMITTANCE BY WAY OF ELECTRONIC FUND TRANSFER	
BY 1 P.M. (IST), [●], being the Issue Closing Date	
Name of the Account	**THE FEDERAL BANK LIMITED QIP ESCROW ACCOUNT 2023**
Name of Bank	The Federal Bank Limited
Address of the Branch of the Bank	32/34, Church Gate House, Veer Nariman Road, Fort, Mumbai, Mumbai, Maharashtra, 400001
Account Type	Operative account
Account Number	10990200093482
IFSC code	FDRL0001099
Tel No.	912226566661

E-mail	TREASURY@FEDERALBANK.CO.IN

The Bid Amount should be transferred pursuant to the Application Form within the Issue Period. Payment of the entire Bid Amount must be made along with the Application Form, only by way of electronic fund transfers in favor of "***THE FEDERAL BANK LIMITED QIP ESCROW ACCOUNT 2023***", on or before the closure of the Issue Period i.e. within the Issue Closing Date. **The payment for subscription to the Equity Shares to be allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.**

RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)			
Bank Account Number		IFSC Code	
Bank Name		Bank Branch Address	

NO. OF EQUITY SHARES BID FOR		**PRICE PER EQUITY SHARE (RUPEES)**	
(*in figures*)	(*in words*)	(*in figures*)	(*in words*)

BID AMOUNT (RUPEES)	
(*in figures*)	(*in words*)

DETAILS OF CONTACT PERSON			
NAME			
ADDRESS			
MOB. NO.		**FAX NO.**	
EMAIL			

OTHER DETAILS	
PAN**	
Legal Entity Identifier Code	
Signature of Authorised Signatory (may be signed either physically or digitally)	

ENCLOSURES ATTACHED

Attested/ certified true copy of the following:

(a) Copy of PAN Card or PAN allotment letter
(b) Copy of FPI / MF / AIF / VCF Registration Certificate from SEBI
(c) Certified copy of the certificate of registration issued by the RBI as an SI-NBFC/ a Scheduled Commercial Bank
(d) FIRC
(e) Copy of notification as a public financial institution
(f) Copy of IRDAI registration certificate
(g) Certified true copy of Power of Attorney
(h) Other, please specify: ___________________________ ____

* *The Application Form is liable to be rejected if any information provided is incomplete or inadequate at the discretion of the Bank and the BRLMs.*

** *It is to be specifically noted that the applicant should not submit the GIR number or any other identification number instead of the PAN as the applications are liable to be rejected on this ground, unless the Bidder is exempted from the requirement of obtaining a PAN number under the Income-tax Act, 1961*

A physical copy of the Application Form and relevant documents as required to be provided along with the Application Form shall be submitted as soon as practicable.

Note:

- ☐ Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD and Placement Document, unless specifically defined herein.
- ☐ The Application Form is liable to be rejected if any information provided is incomplete or inadequate.

The Application Form, the PPD and the Placement Document sent to you, either in physical or electronic form or both, are specific to you and you may not distribute or forward the same and are subject to disclaimer and restrictions contained in or accompanying these documents.