

**FEDERAL BANK**

YOUR PERFECT BANKING PARTNER



**RISHTA  
AAP SE HAI,  
SIRF APP SE  
NAHI.**

#HumanisingBanking

**ANNUAL REPORT 2022-2023**

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Market Capitalisation	: ₹ 27,943 Crore (as on March 31, 2023)
CIN	: L65191KL1931PLC000368
BSE Code	: 500469
NSE Symbol	: FEDERALBNK
AGM Date	: August 18, 2023
AGM Mode	: Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM")





# ABOUT THE REPORT

## Approach to Reporting

Through this Report, we, at Federal Bank, aim to offer our stakeholders a comprehensive view of the organisation's capacity to create value. The Report presents a glimpse into our Bank's key achievements, strategies, marketing initiatives and material issues emanating from stakeholder engagements and their respective mitigation strategies. It also highlights the risks and opportunities our Bank faces, our governance structure, and our approach to ensuring long-term sustainability.

## Reporting Period, Scope and Boundary

The reporting period for this Annual Report is April 1, 2022 to March 31, 2023. It offers a comprehensive overview of our Bank's significant milestones, a diverse range of offerings, and strategic marketing endeavours that contribute to immense value creation. The Company has not sought any external assurance for the Report.

## Approach to Materiality

This report includes information that is material to all stakeholders of our Bank and provides an overview of our business and related activities. The Report discloses matters that substantially impact or affect our Bank's ability to create value and could influence decisions of providers of financial capital. In FY 2022-23, our Bank conducted a materiality assessment

in line with GRI requirements through consultations with internal stakeholders.

## Forward-looking Statements

Certain statements in this Report regarding our business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations. Forward-looking statements can be identified by words such as 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'outlook' and other words of similar meaning in connection with a discussion of future operating or financial performance.

Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable

of being realised and as such, are not intended to be a guarantee of future results, but constitute our current expectations based on reasonable assumptions. Actual results could differ materially from those projected in any forward-looking statements due to various events, risks, uncertainties and other factors. We neither assume any obligation nor intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Feedback Channel

For any suggestions, views and opinions related to this Report, please reach out to [secretarial@federalbank.co.in](mailto:secretarial@federalbank.co.in)





# RISHTA AAP SE HAI, SIRF APP SE NAHI.™

At Federal Bank, we firmly believe that banking is more than just transactions; it is about building lasting relationships. We are wholeheartedly dedicated to ensuring this principle remains at the core of everything we do. Embodying our brand's ethos of '**Digital at the Fore, Human at the Core**', we have centred our approach on replicating the personal experience in the digital realm while preserving the true essence of customer relationships.



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As technology continues to shape every aspect of our lives, we have relentlessly strengthened our digital capabilities to provide an unparalleled value proposition to our customers. By incorporating cutting-edge technologies such as Artificial Intelligence (AI) and Machine Learning (ML), we have created unique avenues to engage with our customers. Our range of innovative offerings enables a complete banking experience without the need to visit physical branches.

Nevertheless, our relentless pursuit of digital advancement has not diminished our commitment to building strong relationships with our customers, who remain the cornerstone of our success. We are unwaveringly dedicated to ensuring that our relationships with them are prioritised and never compromised. The idea of #HumanisingBanking resonates deeply with each member of the Federal Bank family, as we work together harmoniously to provide exceptional customer service. We go beyond merely offering products and generating revenues; we strive to foster genuine connections with our customers, creating a bond that transcends traditional banking.

## Key Numbers that Define Us

**13,457**

Total Workforce

**41%**

Women Workforce

**1.6 Crore+**

Customers

**7,36,000+**

Shareholders

**1,355**

Branches

**1,916**

ATM/Recyclers (Including  
2 Mobile ATMs)

**25**

States, Delhi NCT and  
4 Union Territories

As on March 31, 2023



## ACHIEVING NEW HEIGHTS WITH ROBUST ASPIRATION

At Federal Bank, we have achieved strong operating performance across all fronts, notwithstanding the challenging business environment. Our relentless commitment to diversifying across customer segments and delivering unmatched customer experiences has led to sustained and robust growth. We prioritise maintaining a human touch in everything we do, ensuring that personal connections and meaningful interactions remain at the core of our approach.



### Delivering Solid Performance

↑ 17%

₹ 213,386 Crore

Total Deposits

↑ 18%

₹ 95,791 Crore

Retail Credit Book

↑ 22%

₹ 81,585 Crore

Wholesale Credit Book

↑ 20%

₹ 174,447 Crore

Net Advances

↑ 19%

₹ 387,833 Crore

Total Business





↑ 38%

₹ 2,066 Crore

Total Fee Income

↑ 21%

₹ 7,232 Crore

Net Interest Income

↑ 28%

₹ 4,794 Crore

Operating Profit

↑ 59%

₹ 3,011 Crore

Net Profit

↑ 15%

₹ 21,419 Crore

Net Worth

↑/↓ : Y-o-Y Growth/Degrowth

### Growing Market Share

1.29%<sup>1</sup>

Advance Market Share

1.12%<sup>2</sup>

Deposit Market Share

19.30%<sup>3</sup>

Individual Inward Remittance

<sup>1</sup> Disclaimer: Market share calculated based on March 31, 2023 data of (i) Federal Bank's gross advances, and (ii) RBI Quarterly Statistics on Deposit and Credit of Scheduled Commercial Banks

<sup>2</sup> Disclaimer: Market share calculated based on March 31, 2023 data of (i) Federal Bank's Deposits (excluding interbank deposits), and (ii) RBI Quarterly Statistics on Deposit and Credit of Scheduled Commercial Banks

<sup>3</sup> Data derived from RBI Statement II: Standard Presentation of India's Balance of Payments - Private Transfer in INR

### Fortifying Business Granularity

99%

Core Deposit Ratio

85%

CASA + Deposits  
≤ 2 Crore (% of  
Total Deposits)

54:46

Retail Credit Book:  
Wholesale Credit Book





### Strengthening Key Ratios

↑ 34 bps

**1.28%**

Return on Assets

↑ 415 bps

**15.02%**

Return on Equity

↑ 11 bps

**3.31%**

Net Interest Margin

↓ 346 bps

**49.86%**

Cost to Income

↑ 54%

**₹ 22.94 Lakh**

Profit Per Employee

### Enhancing Asset Quality and Stability

↓ 44 bps

**2.36%**

GNPA

↓ 27 bps

**0.69%**

NNPA

↑ 448 bps

**70.02%**

PCR (Excl Tech W/O)

↓ 5 bps

**0.40%**

Credit Cost

↑ 289 bps

**83.49%**

PCR (Including Tech W/O)





### Expanding Digital Prominence

**78.77%**

of New Accounts Booked From FinTech Partnerships

**₹ 18,018 Crore**

Mobile Banking Volume for the Month of March 2023

**139%**

Y-o-Y Growth in UPI Transactions

**90%**

of Transactions Executed Digitally

**₹ 37,322 Crore**

of Monthly Corporate Digital Products Volume

**80%**

Accounts Opened Digitally

### Strengthening Our ESG Commitments

**0.76%**

Coal Related Sub-Project Exposure

**₹ 32.22 Billion**

Green Loans Outstanding

**41%**

of the Workforce is Women

**84,000 Litres**

Rainwater Harvesting Capacity

**107.81 Lakh**

Sheets of Paper Saved

**3.90 Lakh**

Total Person-hours of Training

**29 hours**

Average training hours per employee

**₹ 43.88 Crore**

CSR Allocation

**98%**

Committee Meeting Attendance

**31,50,156+**

Lives Impacted through CSR Initiatives

**95%**

Board Meeting Attendance





# UNVEILING KEY MILESTONES OF THE YEAR

## 01 Amplifying Our Brand



- The RBI Governor, Shri Shaktikanta Das, at the 17<sup>th</sup> K.P. Hormis Memorial Commemorative, delivered a thought provoking lecture titled 'G20 for a Better Global Economic Order during India's Presidency'
- Federal Bank instituted for the first time Federal Bank Literary Award, to be awarded to the best book published in Malayalam every year starting from FY 2022. K Venu was conferred with the Federal Bank Literary Award 2021-22 for his autobiography 'Oranweshanathinte Katha'. The best book was selected after undergoing a rigorous process of selection.
- Launched a mint fresh brand campaign, 'Rishta Aap Se Hai, Sirf App Se Nahi™' which brings alive our work ethic – 'Digital at the Fore, Human at the Core.'
- Celebrated 15 years of presence in United Arab Emirates (UAE), bringing together employees, partners and customers.
- Unveiled the 'Football Fiesta' campaign to celebrate the FIFA World Cup 2022. Included an AR filter on Instagram for soccer fans to win prizes. This won us Runner-up for 'Best Use of AR Filters' on Instagram awarded by Mad Over Marketing's Social Media Awards.
- Introduced a video campaign aimed at inspiring individuals to set and achieve their financial goals with the help of our Bank.
- Released an advertisement for Non-Resident Keralites, being their most preferred banking partner. The ad beautifully portrayed the excitement and anticipation of families eagerly awaiting the return of their loved ones from various corners of the globe during the festive season. It showcased the emotions of excitement, love, care, and concern among people of all ages and relationships, speaking different dialects in the state.

- Strengthened our branch network by adding 75 new branches, equipped with ATMs, safe deposit lockers, and state-of-the-art platforms such as Fed-e-Studio, among others.
- Opened our Digital Banking Unit (DBU) in the District of North 24 Parganas, West Bengal, as part of Azadi Ka Amrit Mahotsav to provide various Digital Banking Services to the public and we are currently providing more than 20 Do-It-Yourself (DIY) Banking services via DBU.







## 02 Strengthening Scale and Scope

- Having disbursed an impressive USD 332.9 Million, we were awarded the Certificate of Achievement by the International Finance Corporation (IFC), a member of the World Bank Group. This recognition highlights our leadership in climate financing in the South Asia Region (CSA), reflecting our significant accomplishment as one of its clients.
- Enabled utility bill payment services through the Bharat Bill Payment System (BBPS) for our cross-border remittance platform.
- Launched a pilot programme for the Instant Kisan Credit Card (KCC), a revolutionary digital loan scheme developed by the Reserve Bank Innovation Hub. It provides a new and convenient lending experience to farmers, offering significant improvements in terms of turn around time and accessibility, compared to traditional methods.
- Introduced a Group Credit Shield in partnership with Ageas Federal Life Insurance, providing a unique life cover benefit to our esteemed Credit Card holders by offering coverage equal to their credit limit for a duration of one year. The digital product can be purchased within three minutes and offers a quick and convenient way for customers to secure their credit card debt.
- Signed a Memorandum of Understanding with JCB India to provide financing solutions for JCB's customers in India. Thus, enabling them to avail loans from us at competitive interest rates for purchasing a wide range of equipment from the product line of JCB.



## 03 Growing Our Digital Universe

- Collaborated with Tamil Nadu Startup and Innovation Mission (StartupTN) and MindEscapes to provide collateral-free low-cost loans and grants to startups in Tamil Nadu.
- Celebrated the first anniversary of our digital command centre, FedHive. It monitors our digital presence, including social media, with features such as social listening, brand monitoring, and sentiment analysis. It captures data on brand activity, customer sentiment, and online behaviour, among others, to help our Bank engage with users in real time.
- Became the first bank to list payment gateway on the new tax platform, leveraging digital technology to offer a superior user experience and transaction convenience.
- Launched our Bank's mobile banking vehicle 'BankOnTheGo' to help the public to carry out various banking functionalities.
- Became the first bank to launch cross border BBPS services in association with NBBL to facilitate NRIs to undertake utility, education and other bill payments.
- Launched a technology Platform 'FEDMI' for facilitating micro lending through business correspondents.
- Launched FedGold@Home, a product to offer gold loans at the customers' door step through Banking Correspondents.



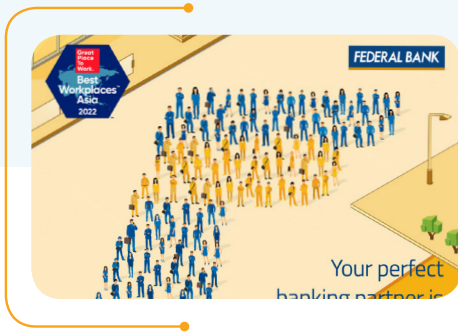


## 04 Sustainable Approach

- Inaugurated a new 100KWp on-grid solar power plant at our corporate office, Federal Towers, located in Aluva. Additional 30 KWp solar plant was installed and energised in Varapuzha branch premises, taking the total capacity at Varapuzha to 40 KWp.
- A total of 310 students were selected for Federal Bank Hormis Memorial Foundation Scholarship 2022-23 across 6 states viz Gujarat, Karnataka, Kerala, Punjab, Maharashtra and Tamil Nadu. Eligible students will be reimbursed 100% of tuition fees and other educational expenses paid as per the fee structure of the college, subject to a maximum of ₹ 1 Lakh per year.
- Launched a 3-month skilling programme through Federal Skill Academy, Kochi aimed at empowering economically disadvantaged women aged 18-35. The objective is to improve their livelihood through self-employment, which includes mobilisation, identifying eligible beneficiaries, skill development, assessment, and employment/self-employment. Our Bank inaugurated our 4<sup>th</sup> Federal Skill Academy in Faridabad.
- Unveiled the 16<sup>th</sup> batch of the Federal Skill Academy's free course on 'Tally' at our Coimbatore branch. The aim is to enhance students' employability and career growth. This programme is focussed on providing training in Financial Accounting and Tally Pro, in addition to offering employment opportunities for the participants, thus facilitating their transition into the workforce.
- Supported MANN, centre for people with disabilities, situated at Goregaon, Mumbai, for setting up a stitching unit at Goregaon for the differently abled youth with Intellectual Developmental Disability for providing self-employment and livelihood opportunities.
- Supported Project Thulir in association with United Way of Chennai to train 10 differently abled women belonging to economically weaker section and to setup 10 Aavin bunk shops for them. The project was implemented through employee volunteering.
- First Aid & CPR (Cardiopulmonary Resuscitation) - Basic Life Supports skilling program was conducted at educational institutions in Ernakulam/Thrissur districts to skill 8015 youth in First aid & CPR. The programme was conducted through the implementing partner of Federal Skill Academy viz M/s SB Global Educational Resources Pvt Ltd.
- Extended support to 'Drug Rehabilitation Education and Mentoring' (DREAM) programme by Bangalore Rural Educational and Development Society (BREADS), an awareness programme among youth against substance abuse being conducted across 10 districts of Kerala.
- Extended support to the Kovalam Football Club, affiliated with the Kadaloram Society for Empowering Youth in Vizhinjam. Our assistance included providing a bus for the team's transportation, as well as covering expenses for sports equipment and accessories, reinforcing their growth and development in the sport.
- Introduced the 'Joy of Freedom' campaign to celebrate 75 years of Indian Independence. The campaign felicitated 75 farmers from the State of Kerala with a cash reward of ₹10,000/- each. The Department of Agriculture and Farmers' Welfare, Govt. of Kerala selected the beneficiaries. Apart from this, 75 solar lights were installed, 75 wheel chairs were donated and 75 girl children were supported across 9 Zones.



## Key Recognitions



Ranked 63<sup>rd</sup> on the Best Workplaces™ in Asia 2022. Became the only Indian bank to be listed by **Great Place to Work®**, the global authority on workplace culture



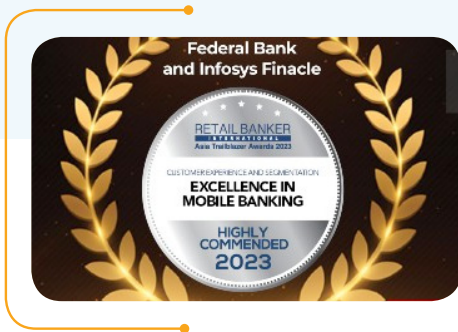
Federal Bank & Rupeek partnership bagged the award for '**Best FinTech Partnership/Start-up Alliance Initiative of the Year**' for '**Gold Loan**'



Received the **Certificate of Merit from South Asian Federation of Accountants (SAFA)** for **Best Presented Annual Report (BPA) Awards FY 2021** under the category '**Private sector banks**'



Won the **Silver Shield in the ICAI Award in Category II(A)** for Financial Reporting for the year ended March 31, 2022. Became the winner for the second consecutive year for an award in this category, having won the **Plaque** in the previous year



Federal Bank was recognised in the category, **Excellence in Mobile Banking**, at the **Retail Banker International Asia Trailblazer Awards 2023**



Federal Bank was honoured by **Banking Frontier** at its **Finnoviti 2023 Awards** for our '**BYOM (Be Your Own Master) Top-up Home Loans**' product





## DIGITAL AT THE FORE, HUMAN AT THE CORE.

At Federal Bank, we have achieved consistent growth and recognition since our inception. With a legacy of over nine decades, we have evolved into an institution of national prominence, characterised by our strong values and principles. Our principal ambition is to become one of the most admired banking institutions in the country. We strive to achieve this by embracing a powerful proposition that places 'Digital at the Fore, Human at the Core.'



Our constant pursuit of redefining human experience in the digital age has led to various digital innovations poised to transform the banking paradigm of tomorrow. We are committed to scaling up this mantra and serve an increasing number of customers in a meaningful and impactful manner. Our continuous focus on people, both within and outside the organisation, has earned us the recognition as a 'Great Place to Work'. Our ultimate aspiration is to become the FIRST CHOICE for all Indians. With robust dedication, we are fully committed to driving this journey forward and achieving our goal.

With a forward-looking approach, we have evolved and founded our performance on a solid digital infrastructure established over the past decade. Commensurate with our expertise, we lead the digital-banking space owing to our cutting-edge digital & technological capabilities. Our strategic leap in launching digital products and marketing initiatives has enabled us to capitalise more effectively on new market realities, leading to 90% share of digital transactions. Furthermore, our strategy involves putting in place a robust risk architecture that will allow us to grow our high margin credit portfolio duly balancing risk & ensuring our liabilities remain organic and granular to conserve capital. Making tough decisions have been necessary to realise our ambition of becoming the Most Admired Bank. And we remain steadfast in our commitment to accelerating our progress towards achieving that goal.

At Federal Bank, we are committed to using digital innovation to transform the banking industry. In line with our people-first approach, we are also deeply committed to reaching India's underbanked and underserved populations. Through strategic FinTech partnerships and our purpose of 'inclusive finance', we aim to extend our services to those who have limited access to traditional banking. Additionally, the Bank is co-creating digital enablers for small businesses to make them more sustainable and efficient. We remain committed to democratising financial services using hybrid digital instruments for small businesses to deliver







### Our Vision

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

tangible results. As a responsible corporate entity, Federal Bank places a strong emphasis on addressing pressing issues such as environmental sustainability and economic inequality.

Our scrips are widely held and are listed on the BSE and National Stock Exchange of India. Our global depository receipts are listed on the London Stock Exchange. With pan-India branches and ATMs/cash recyclers and a committed, experienced & energetic workforce, we now have a presence across the nation. To service the NRIs, who have been our pillars of strength, we operate Representative Offices in Dubai and Abu Dhabi in the UAE. We handle 19.3% (as of March 31, 2023) of the total NR remittance to the country, which is testimony to our relationship with the NR diaspora. Our Bank also has an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City).

At Federal Bank, we have firmly established our empire on the foundation of ethics and excellence, which have been the guiding principles throughout our journey. In addition, we integrate a people-centric approach into everything we do. We believe in placing our customers, employees, and stakeholders at the forefront of our operations, ensuring that their needs and well-being are prioritised.



### Our Mission

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

- **Customers**  
Meet and even exceed expectations of target customers by delivering appropriate products and services, employing as far as feasible, single window and 24-hour-seven-day-week concepts, leveraging a strengthened branch infrastructure, ATMs, other alternative distribution channels, cross-selling a range of products and services to meet customer needs varying over time, and ensuring the highest standards of service at all time, guided by our principle of being 'Digital at the fore, human at the core'.
- **Shareholders**  
To achieve consistent growth in shareholder value.
- **Employees**  
Develop in every employee a high degree of pride and loyalty in serving the Bank.



### Core Values

C	Commitment To Excellence
A	Agility
R	Relationship Orientation
E	Ethics
S	Sustainability

### Our Credit Ratings

# Crisil A1+

Fixed Deposit (Short-term)

# Crisil A1+

Certificate of Deposit

# IND AA CARE AA

Tier-2 (Capital) Bonds

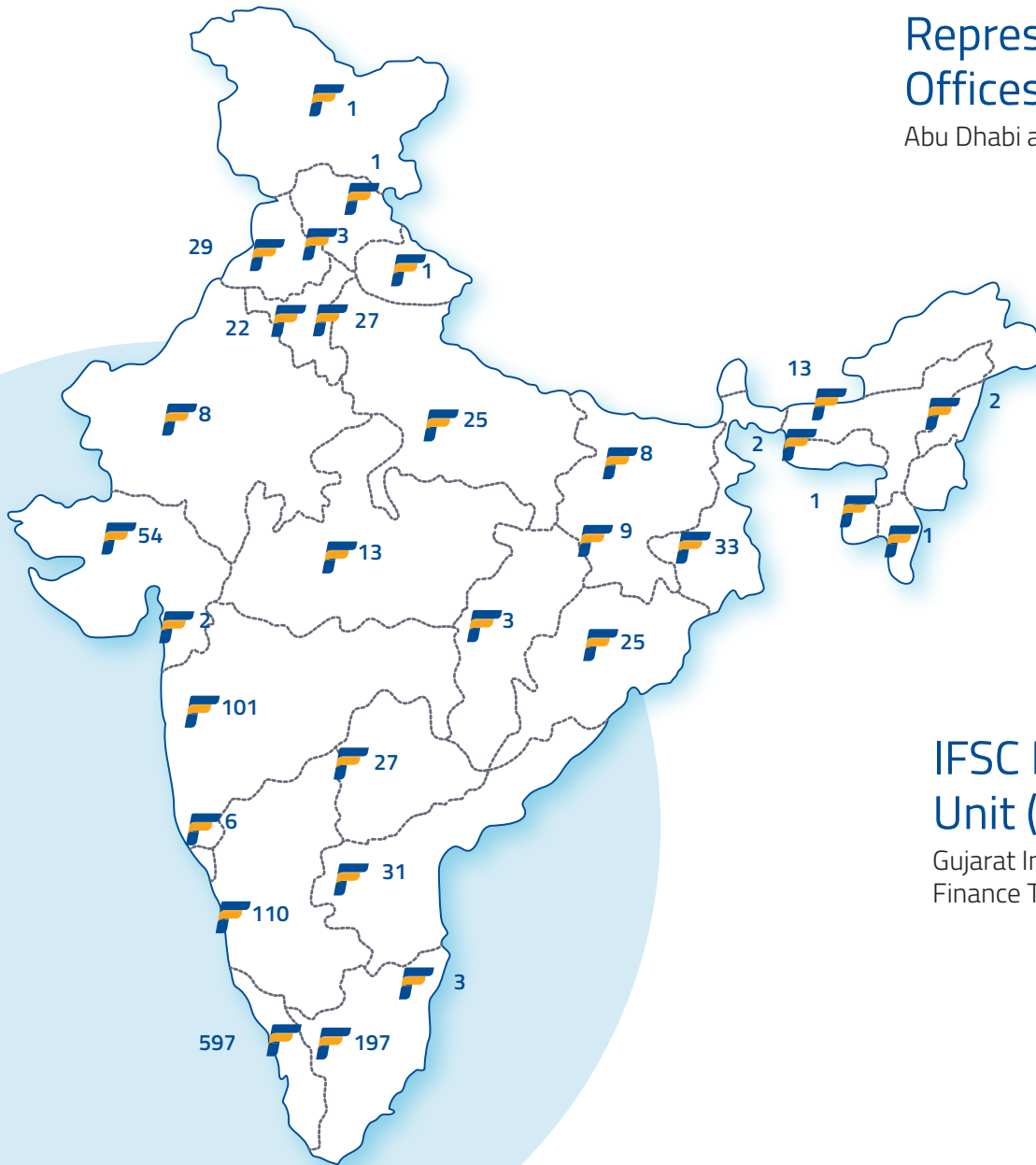
*Fixed Deposits and Certificates of Deposits enjoy highest rating in that class.*





# PROGRESSING WITH PAN-INDIA PROMINENCE

## Presence across India



## Representative Offices

Abu Dhabi and Dubai

## IFSC Banking Unit (IBU)

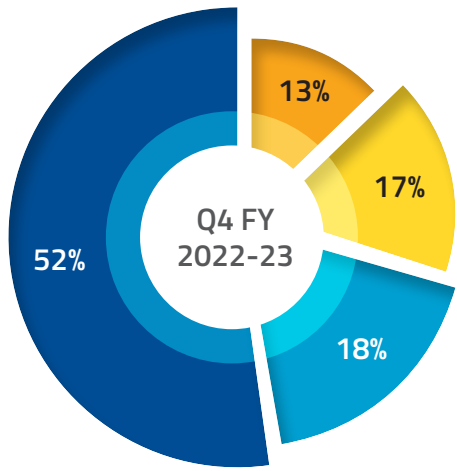
Gujarat International Finance Tec-City (GIFT City)

**Disclaimer:** This map is a generalised illustration only for the ease of the reader to understand the locations, and it is not intended to be used for reference purposes. The representation of political boundaries and the names of geographical features/states do not necessarily reflect the actual position. The Company or any of its directors, officers or employees, cannot be held responsible for any misuse or misinterpretation of any information or design thereof. The Company does not warrant or represent any kind of connection to its accuracy or completeness.



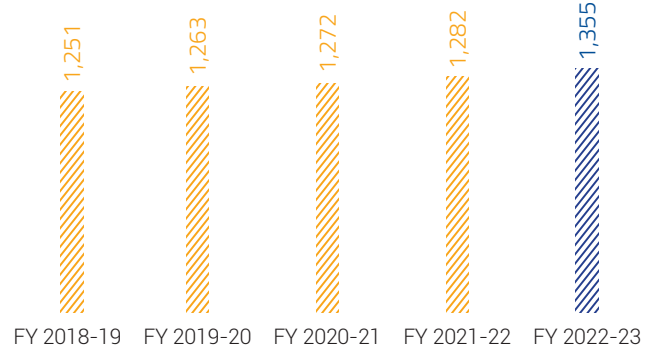


### Region-Wise Branch Spread

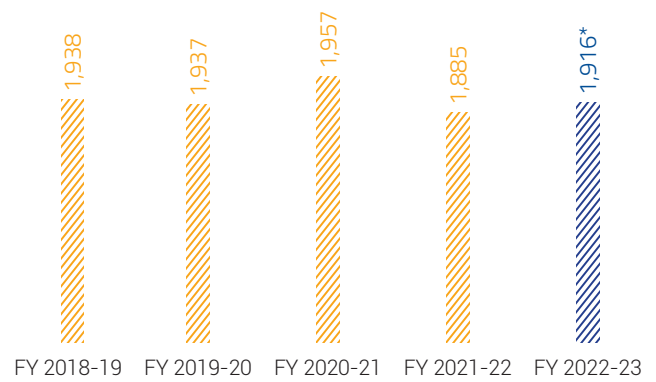


Metro Urban Semi-Urban Rural

### Growing Branch Network

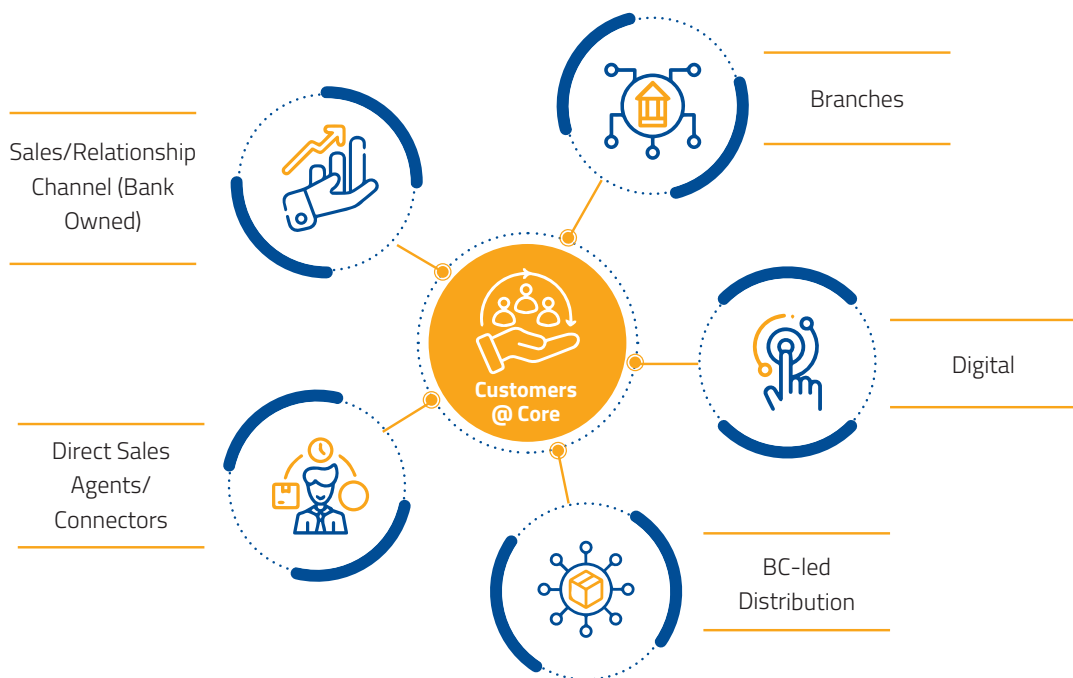


### ATMs/Recyclers



\*Including 2 Mobile ATMs

### Our Customer Touchpoints





## OFFERING A HOLISTIC RANGE OF BANKING SOLUTIONS

As a Bank, we are dedicated to providing a universal banking platform that meets the needs of both our retail and wholesale customers. We leverage our customer insight to create personalised and integrated products and services that cater to their unique financial requirements. This enables us to deliver a diverse value proposition basket that is built upon the foundation of trust that we have earned from our customers across the sectors. Our ultimate goal is to craft exceptional customer experiences by nurturing long-lasting relationships, and delivering comprehensive banking solutions.



### Retail Banking

Our retail banking segment is dedicated to serving the diverse needs of individual clients and businesses. We offer a comprehensive range of products and services tailor-made to meet their specific requirements. Our offerings include CV/CE financing, agri, business, and retail banking. Within the retail banking segment, we offer deposits, mortgage-backed housing loans, retail loans against property (Retail LAP), auto loans, cards and payments, non-resident banking, and wealth management services. Our business banking segment primarily provides business loans to Micro, Small and Medium Enterprises (MSMEs). Whereas our CV/CE segment finances the purchase of new and used Commercial Vehicles and Construction Equipment for single-unit owners, fleet operators, and strategic clients. Additionally, our agri-banking segment provides financing solutions for agriculture and the priority sector.







## Retail Banking Dashboard

↑ 18%

₹ 95,791 Crore

Retail Credit Book

↑ 17%

₹ 56,077 Crore

Retail Advances

↑ 71%

₹ 2186 Crore

CV/CE Advances

↑ 21%

₹ 23,355 Crore

Agri Advances (Including MFI)

↑ 13%

₹ 14,173 Crore

Business Banking Advances

↑ 15%

₹ 19,841 Crore

Gold Loan

↑ 27%

₹ 16,242 Crore

Debit card spends

85%

CASA + Deposits <=2 Crore  
(% of Total Deposits)

↑/↓ : Y-o-Y Growth/Degrowth

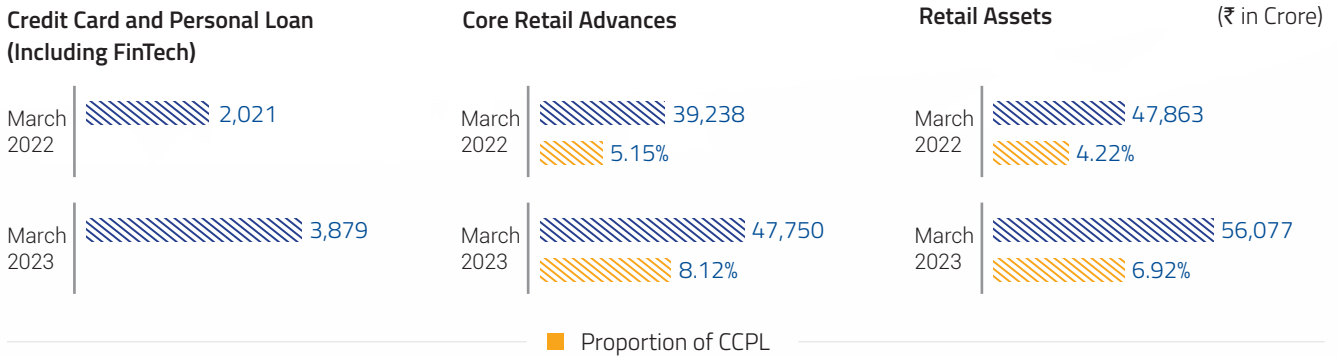




## Key Focus Areas

Retail banking maintains its focus on credit cards and personal loans as the primary drivers of its higher-margin portfolio. There has been a notable increase in the sales of these products, in both organic and FinTech channels, indicating a growing interest in these products.

To provide more information on the performance of personal loans and credit cards in relation to core retail advances and total retail assets, the following figures for FY 2021-22 and FY 2022-23 are presented:



The figures presented clearly illustrate the growing contribution of credit cards and personal loans to the overall portfolio of retail banking, thus highlighting the growth potential of these products in the future.





## Achievements of Retail Banking



### Data & Analytics

At Federal Bank, we believe that data is essential to our success in the retail industry. To this end, our analytics team implements various initiatives aimed at enriching our data. These initiatives have proven highly beneficial to our Company in multiple ways, including improvements in cross-sell ratios, increased debit card spending, and enhanced insurance penetration.



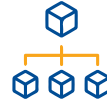
### Digitalisation

In the past year, we have made a concerted effort to prioritise digitalisation as a key strategic initiative. As a result of our focussed efforts, an impressive 90% of our transactions are now conducted through digital channels. Our progress in this area is further demonstrated by the significant improvements made to our chatbot, Feddy, which can now effortlessly handle on an average over 5,000 queries per day.



### Deep Relationship with Customers

- Launched industry-leading CX Customer Relationship Management System, in collaboration with Oracle and Infosys, which has given us a significant edge over competitors. CX system has enhanced our understanding of customers' needs and helped us to cater to them better, strengthening our position in the market.
- Introduced new products such as Personal Loans via Paisa Bazaar and implemented cross-selling strategies to existing customers. These include offering credit cards to Jupiter and Epifi customers, and Personal Loans to One Card customers, among others.



### Distribution

Our commitment to expanding our market presence is demonstrated by several initiatives. These include the following:

- Added 75 new branches during FY 2023, which has pushed us beyond the 200-branch milestone in the Chennai Zone.
- Opened a Digital Banking Unit (DBU) in the District of North 24 Parganas, West Bengal as part of Azadi Ka Amrit Mahotsav to provide various Digital Banking Services to the public.
- Implemented various alternative distribution channels, such as co-lending and increasing the number of Relationship Managers, in addition to traditional branches to cater to the diverse needs of our customers.
- Launched our unique 'BankOnTheGo' initiative, where a bus equipped with state-of-the-art technology travels across the city to provide banking services to customers. This service has been successfully launched in Madurai and Lucknow.
- Collaborated with FinTechs to expand our reach in the market. We have established partnerships with over 75 partners and developed more than 400 APIs to enable these collaborations. We believe in co-working with FinTechs rather than competing with them.



### Retail Growth Strategy

Our Retail Banking business holds a formidable position, well-poised to significantly increase its contribution towards the overall growth of our Bank. Moving ahead, our primary objective will be to optimise deposit generation, with a specific focus on acquiring low-cost Current Account and Savings Account (CASA) deposits. Additionally, we will strategically prioritise high-margin assets like credit cards and personal loans, while simultaneously aiming to boost our fee-based income.





## Wholesale Banking

Our wholesale banking segment comprises Commercial Banking (CoB), Corporate and Institutional Banking (CIB) and Government & Institutional Business (GIB). CoB provides a comprehensive financing solution to mid-market and MSMEs, while CIB caters to large business houses and corporates, MNCs, capital market clients, PSUs and financial institutions. GIB caters to the Government departments and various Government institutions, largely focussing on liability business.

Our wholesale banking segment offers an extensive array of solutions tailored to meet the diverse needs of our esteemed clientele. These incorporate a comprehensive suite of offerings, including working capital loans, term loans, trade finance, cash management, supply chain finance, foreign exchange services, treasury products, structured offerings, gold metal loans, liability products and digital solutions.



## Wholesale Banking Dashboard

↑ 18%

**₹ 17,274 Crore**

Commercial Banking Advances

↑ 23%

**₹ 64,311 Crore**

Corporate Banking Advances

**214**

New Clients Added in Corporate Banking

**334**

New Clients Added in Commercial Banking

↑ 105%

**₹ 3,255 Crore**

SCF Business

↑ 25%

**₹ 397 Crore**

Fee Income

↑/↓ : Y-o-Y Growth/Degrowth



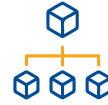


## Achievements of Wholesale Banking



### Data & Analytics

Data-driven insights have played a pivotal role in propelling the growth of Federal Bank. By harnessing vast amount of data, we have identified the most promising areas for growth and effectively targetted the right customers. This strategic approach has facilitated substantial expansion of our customer base. Moreover, leveraging data has allowed us to optimise both client and product profitability and have enabled us to closely monitor credit levels and mitigate risks effectively.



### Distribution

During FY 2022-23, Federal Bank successfully onboarded 548 new clients spanning various sectors and geographies. Moving ahead, we are keen on exploring opportunities in some identified sectors such as hospitality, education, healthcare and green asset funding. Additionally, we aim to attract reciprocal businesses, such as trade, treasury, and transaction products that provide the opportunity to be a major banking partner to our clientele and increase the overall returns of the organisation.



### Digitalisation

At Federal Bank, we are swiftly propelling our digital transformation, harnessing our strong digital capabilities. Our Bank has taken significant strides towards a paperless environment by embracing digitised Escrow account solutions and commercial paper issuance. Furthermore, we have commenced with the Trade Finance Digitalisation Project, which is a step forward towards upgrading our digital capabilities allowing for reduced transaction time, while ensuring compliance with regulatory guidelines in an efficient manner. This empowers us to elevate our offerings within the wholesale banking space.



### Wholesale Growth Strategy

At Federal Bank, wholesale banking remains a prime driver of our growth trajectory. Some of the key strategic initiatives undertaken by the wholesale banking division are as mentioned below:

- Established strategic partnerships with major corporates/ OEMs for funding their ecosystem.
- Collaborated with TReDS exchanges to facilitate efficient factoring of invoices for large corporates.
- Forged key alliances with fintech companies, enabling seamless end-to-end digital transaction sourcing and processing.

At Federal Bank, we have set our sights on expanding our mid-market client base and nurturing stronger relationships with our valued clients. Our strategic approach focusses on increasing the range of products available to each customer and positioning ourselves as their trusted banking partner. Additionally, we remain committed to achieving meaningful self-funding and Priority Sector Lending (PSL) self-sufficiency within the wholesale vertical.

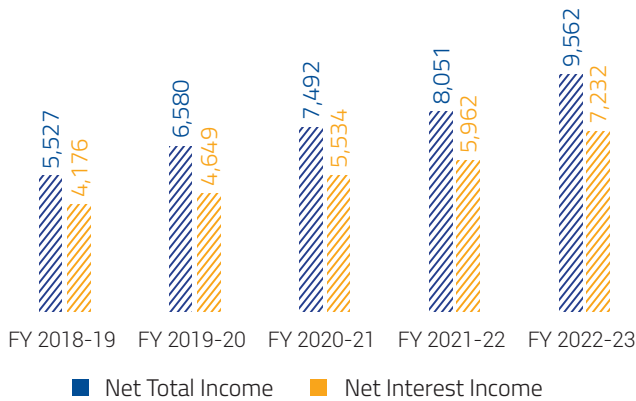




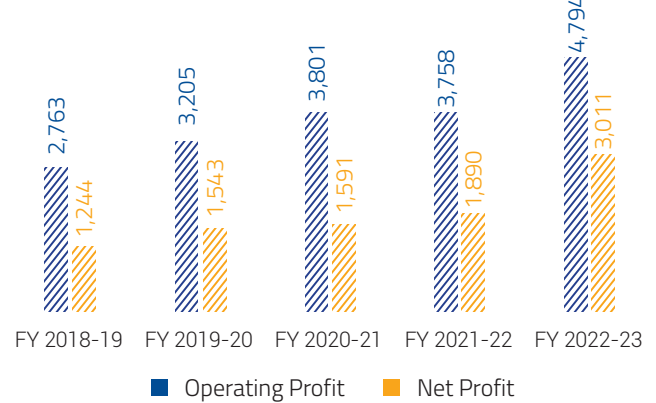


# PROGRESSING WITH POWERFUL PERFORMANCE

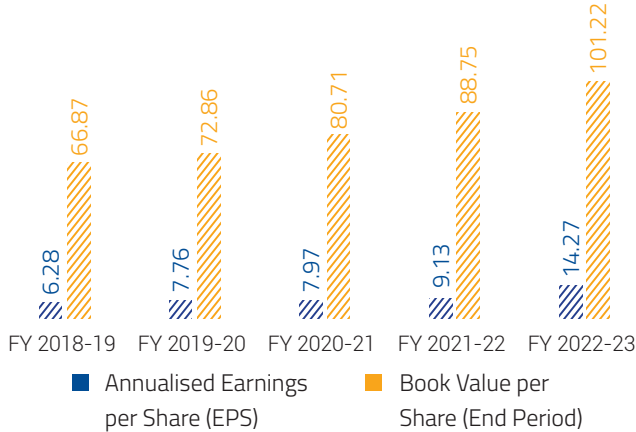
**Income Growth** (₹ in Crore)



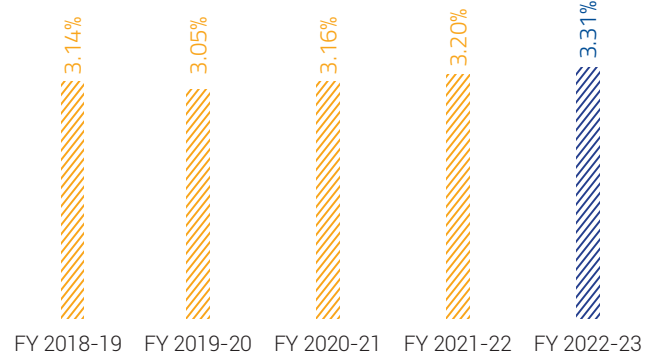
**Increasing Profitability** (₹ in Crore)



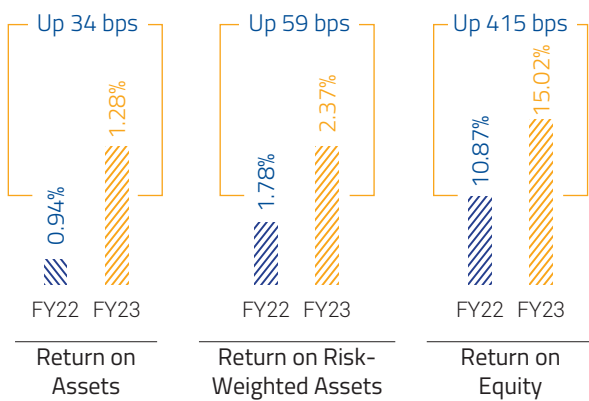
**Growing Shareholder Value** (₹)



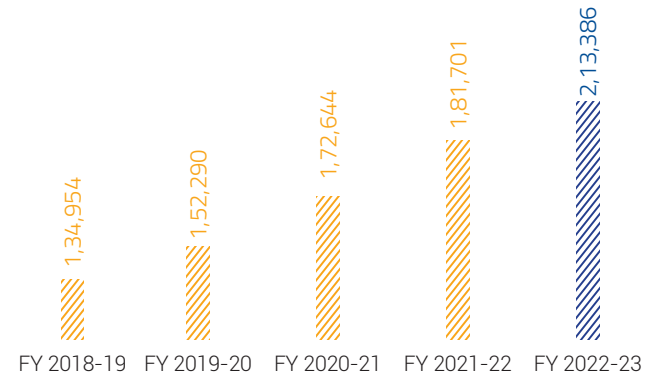
**Net Interest Margin** (%)



**Key Return Ratios**

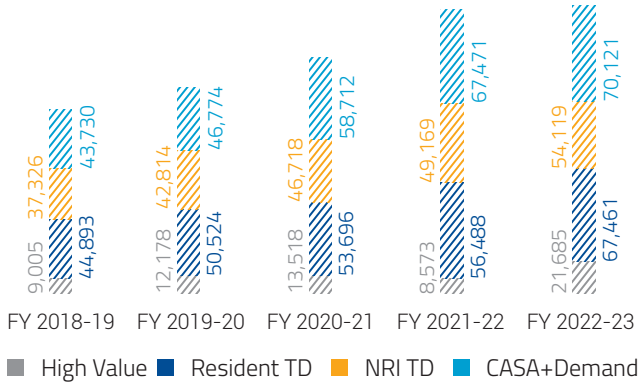


**Deposits Growth** (₹ in Crore)

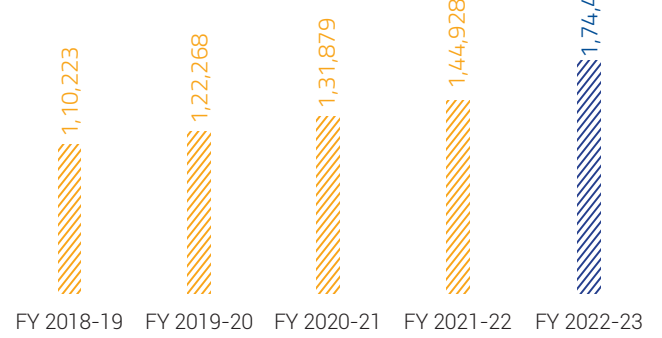




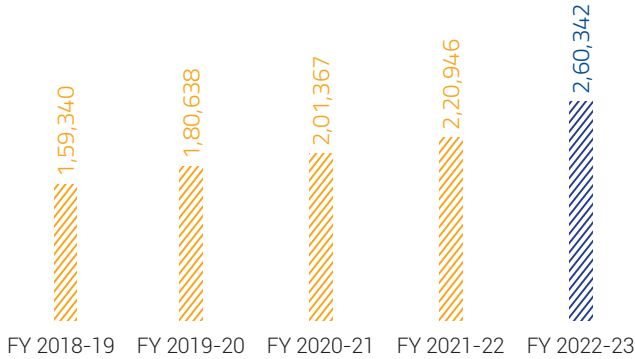
**Deposit Mix** (₹ in Crore)



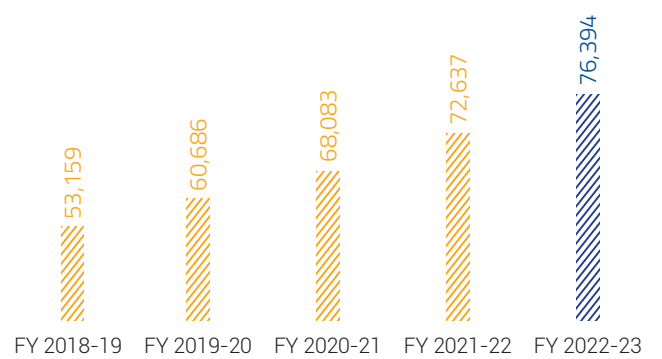
**Advances (Net) Growth** (₹ in Crore)



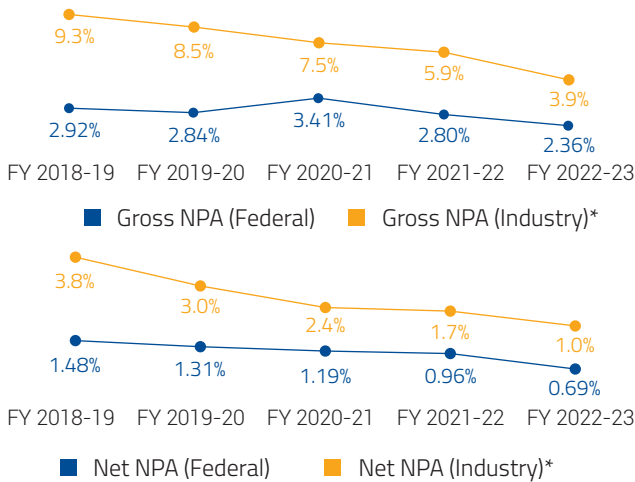
**Total Assets** (₹ in Crore)



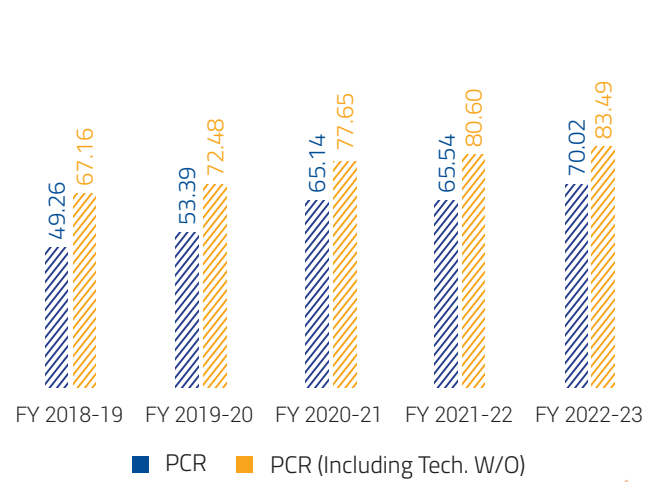
**NR Deposits** (₹ in Crore)



**Asset Quality** (%)



**Provision Coverage Ratio (PCR)** (%)



\*(Source: Financial Stability Report by RBI)





## SHAPING A FUTURE-READY FEDERAL BANK



Beyond our consistent performances on the financial and operational front, we strive to be a responsible organisation cognisant of its impact on the broader society. With this in mind, our unwavering dedication persists in paving a more promising and environmentally conscious trajectory moving forward.





## Dear Stakeholders,

I am deeply honoured to have received the opportunity to lead a dedicated organisation such as Federal Bank on its course be 'The Most Admired Bank'. In my first year as the Chairman of Federal Bank, I take great pleasure in presenting the Annual Report for the fiscal year 2022-23.

Allow me to emphasise the paramount importance Federal Bank places on the relationships we forge with our esteemed customers and other stakeholders. Driven by an unwavering dedication to serve the nation's growing population, your Bank has wholeheartedly embraced the global wave of digital transformation, expanding its offerings to meet the demands of an ever-evolving landscape.

Reflecting on the macroeconomic landscape of FY 2022-23, it is evident that the Indian economy has demonstrated resilience and agility in navigating uncharted waters. Despite formidable obstacles such as geopolitical tensions, escalating inflation, and disruptions in supply chains, policymakers demonstrated resolute determination to steer us through these testing times and alleviate their repercussions by maintaining financial stability through prudent measures and effective communication.

Notably, the Indian economy is rebounding strongly and becoming one of the fastest-growing large economies. The conducive economic climate fostered by India has attracted investments from across the globe, underscoring the nation's appeal as an investment destination. Moreover, the strengthened indigenous capabilities of our nation have diminished reliance on global economic counterparts, further boosting our self-sufficiency.

Ignited by this 'India Positive' story, your Bank continues to soar on an upward trajectory, concluding yet another triumphant year. Grounded in the philosophy of 'Digital at the Fore, Human at the Core,' your Bank leverages the power of technology, while cherishing the essence of human connections. The relationship campaign 'Rista App Se Hai, Sirf App Se Nahi' which was launched recently is demonstrative of the same. The aim is to capture the essence of humanised banking in digital format through the implementation of various digital transformation initiatives, harnessing technologies such as Artificial Intelligence (AI), Machine Learning (ML), and Robotic Process Automation (RPA). Additionally, your Bank's relentless enhancement of analytical capabilities has played a crucial role in gaining valuable insights into customer behaviour and significant trends. As a result, your Bank could create tailored products and deliver an unparalleled personalised experience to our customers.

As we march ahead with our digital transformation, we have gained further momentum through collaborations with diverse FinTech companies, enabling us to extend our reach to previously underserved segments. This has empowered your Bank to deliver a compelling value proposition and make a meaningful contribution to democratising financial services in the country.

One of our key strategic priorities has been to enhance your Bank's nationwide presence to capitalise on lucrative opportunities beyond the home state of Kerala. With a primary focus on vibrant regions such as Gujarat, Maharashtra, Tamil Nadu, and Karnataka, we aim to establish 80-100 new branches annually over the next three years. Your Bank's expansion plans are fuelled by the success of our recent branches, which are achieving break-even status at an accelerated pace.

## Charting the Path to Excellence

FY 2022-23 witnessed Federal Bank accomplishing significant milestones in terms of a variety of parameters, including revenue, profitability, asset quality, and shareholder value creation. Your Bank surpassed previous records in terms of deposits, advances, total business, total income, net interest income, other income, operating profit, and net profit, establishing new benchmarks for future endeavours. This exceptional performance can be attributed to customer-centric strategies, effective utilisation of digital capabilities, robust financial management practices, and a prudent risk management culture.

## Leading with Vision

Federal Bank is guided by an exceptional leadership team that consistently establishes new benchmarks of excellence for the organisation to emulate. I consider myself fortunate to work alongside some of the most brilliant minds I have ever encountered as they shape a promising future for your Bank.

In the last 5-6 years, we have onboarded some of the most talented people from across the banking system. Their expertise has played a pivotal role in instigating a strategic transformation in the underwriting process. A central component of this strategy revolves around the segregation of loan origination and underwriting processes, which has led to us conducting underwriting through various credit hubs.







Your Bank's pursuit of innovation and forward-thinking strategies have garnered numerous recognitions. To name a couple of them, we are proud to be the only Commercial Bank in India to be recognised by 'Great Place to Work' among 'Top 50 India's Best Workplaces™ - Building a Culture of Innovation by All'.

Our efforts towards digital advancement have led to us being awarded 'The Best Digital Banking Product – Private Sector Bank' at the Lentra Digital Lending Transformation Global Summit 2022 for 'Federal Insta Loans' - a digital lending platform for availing instant in-principal loan sanction digitally for MSMEs in less than 30 minutes.

The total income for the year reached an all-time high of 19,134 Crore, demonstrating a robust growth of 21.48% YoY. This growth was primarily fuelled by a 23.01% increase in interest income and an 11.53% increase in other income.

**Awarded**



**The Best Digital Banking Product – Private Sector Bank**

Lentra Digital Lending Transformation Global Summit 2022 for 'Federal Insta Loans'

We aim to Establish

# 80-100 New Branches

Annually over the Next Three Years

We also achieved a 51-basis points improvement in yield on advances (YoA), taking it to 8.56%. This was a result of your Bank's consistent efforts to increase the high-yielding book without compromising risk tolerance. This improvement was also influenced by the rise in average advances and the impact of repo rate hikes announced by the Reserve Bank of India (RBI).

Your Bank's Net Interest Income (NII) grew commendably by 21.31% during FY 2022-23, supported by the increase in YoA and the establishment of a granular and stable low-cost deposit franchise. The NIM showed remarkable improvement, reaching 3.31% after an 11 basis points increase during FY 2022-23.

↑ 21%

# ₹ 19,134 Crore

Total Income for the Year

**10 new branches, in a single day.**





## Expression of Gratitude

As we stride forward, we eagerly anticipate the plethora of promising opportunities that lie ahead in the future. As we seek to address these opportunities as and when they arise, we simultaneously remain committed to maintaining our rapid growth trajectory, leveraging the power of the 4Ds - Data, Digitalisation, Distribution, and Depth of Relationship.

Furthermore, your Bank remains deeply dedicated to spacing newly established value framework – Commitment to Excellence, Agility, Relationship Orientation, Ethics, and Sustainability. This framework will serve as the guiding principle for all actions and interactions between our employees and stakeholders, ensuring that we uphold the highest standards of conduct and foster strong and meaningful relationships.

In conclusion, I express deepest gratitude for the unrelenting support of our esteemed stakeholders, whose invaluable contributions have been vital in navigating challenging times.

On behalf of the Board, I extend my heartfelt appreciation for their continued trust and partnership. I am confident that the tireless efforts of our exceptional team will propel us to even greater heights as we work towards our vision of becoming the Most Admired Bank.

With best wishes,

**A P Hota**  
Chairman





## HARNESSING TECHNOLOGY, NURTURING RELATIONSHIPS.



With a focus on tapping into this growth story of India, Federal Bank has ensured that we balance the tripod of Technology, People and Processes and be truly guided by our mantra – Digital at the fore; Human at the core.

**Kyunki #Rishta Aap se He,  
Sirf App se Nahi.**







Hello All,

As I sit down to write this message for the Annual Report, the last credit of the funds of our well-received QIP exercise has come into our Escrow account. This marks the end of a very demanding process but establishes the beginning of a new and exciting phase in our engagement with you. Let me begin by extending my sincerest gratitude to all our existing shareholders, whose unwavering belief in the 'Federal Journey' has been the bedrock of our progress. I am delighted to also welcome our new investors, whose trust in us has added momentum to our journey. We recognise that the faith presented to us always demands us to exceed expectations.

Esteemed Shareholders, it is with great pride that I present to you yet another Annual Report, my 13th as the MD & CEO of Federal Bank. While the general notion is to fear associating anything with the number 13, I am happy to differ on this count, as this was one of the best years for our Bank. We achieved the highest annual profits, the highest quarterly profits, the highest-ever net operating profit and much more.

**We crossed the milestone figure of ₹ 3,000 Crore net profit in the Financial Year, while the total business crossed the ₹ 3.8 Lakh Crore mark, with strong ROA (1.28) and ROE (15.02) outcomes**

While it was an overall positive year for us, the global markets have been tumultuous, experiencing a series of challenging events such as wars, the failure of some global banks, sovereign defaults, high inflation, and acute tightening of monetary policy. As a result, the world economy did witness a slowdown, and at times it seemed like an incomprehensible environment was emerging around us. Though many countries continue to battle the aftermath of the pandemic and face additional challenges as an outcome of stringent economic policies and rate hikes, India has demonstrated remarkable resilience.

The Indian economy is perceived as a bright spot in the global economy by supranational organisations such as IMF – clearly expected to grow faster than many large economies. By the end of the calendar year 2022, India had grown to become the 5th largest economy in the world by GDP. Aided by a strong domestic demand, focussed long-term investments by the Government and encouragingly upbeat services export, the provisional GDP growth for the Financial Year reached 7.2%, one of the highest among large economies. Also mentioned by the RBI governor,

Shri Shaktikanta Das, in his address as chief guest of the Federal Bank Hormis Memorial Lecture 2023, 'International confidence on India's capacity to contribute constructively to reshape the global economic order is rising' – India is slowly but steadily progressing towards a distinct position in the global stage.

From the above narrative, I have come to believe that the Building of A New India (BANI) is steadily taking place in this Brittle, Anxious, Non-Linear and Incomprehensible world – **B A N I in a B.A.N.I. WORLD**. While India was not insulated from events around the world, however from the point of intersection, as a nation, we are showing the world –The India Way. Be it geopolitical relations, financial sector stability, currency exchange rates, the Government, regulators, and even citizens of the nation have kept the ball in play through purposeful resilience.

As India gears up for take-off, it is imperative that organisations have the force and direction vectors aligned with that of the country's growth path. This new India in the making is a synthesis of many concepts – a digital India, an inclusive India, a sustainable India, and more. To participate in this growth story requires organisations such as ourselves to sharpen our digital prowess, take great strides in harnessing our human potential and refine all our operational processes using new-age technology. Also, as we strive to resonate with the ideals projected by the new India, prioritising ESG becomes equally important. We take immense pride in Federal Bank's ESG strides, evident not only in the improvement of our Refinitiv score (**Globally our Bank ranks 74th out of 934 Banks and 25th out of 723 Indian Companies in India, under Refinitiv Rankings**), but also in our association with an esteemed institution like IFC, a world bank entity. IFC's stake in our Bank serves as a significant recognition of our commitment to ESG and our significant role in shaping India's story.

## #Rishta with Digital Prowess

In this exciting juncture, technology takes the centre stage in almost all aspects of our lives, ushering in a wave of possibilities with AI, blockchain, and other innovations. Embracing the generative AI era, our Bank has forged strong partnerships with tech companies to revolutionise the banking experience for our customers.

Our model, partnering with many new-age tech firms, has magnified our reach, establishing Federal Bank as the first choice for any technology innovators in the country to collaborate with. Currently, we proudly offer over 13 API bundles and 400+ APIs, ensuring seamless integration with multiple systems. An impressive 90% of our transactions are now conducted through digital means, while our AI Digital Assistant, Feddy, handles 70%





of customer queries. Our Bank has taken proactive strides to promote digital initiatives, such as Soft Pos, transforming mobile devices into POS machines for easy payment settlements. Furthermore, our Digital Banking Unit offers more than 20 services available through kiosks, while BAAP - Bus as a Branch Platform - brings banking to mobile branches on buses. We have also launched groundbreaking projects like the Instant Kisan Credit Card, providing record TAT loan sanctions in collaboration with RBiH. Our state-of-the-art digital micro-lending platform, Fedmi, delivers exceptional TAT, enhancing the banking experience for our valuable customers. Remarkably, our 1,355 branches, combined with these digital enablers and partnerships, extend our reach to almost 18,000 of the 19,000+ pin codes in India – enabling us to serve customers across the nation. Our blue and yellow colours paint a vibrant and innovative banking landscape, spanning from the serene valleys of Munnar to the majestic palaces of Jaisalmer, and from the bustling streets of Assam to the vibrant plains of Indore.

**90%**

Transactions conducted digitally

**70%**

Of customer queries handled by Feddy

### #Rishta with Human Progress

Our Bank's strong commitment to both people and society lies at the core of our approach to play a prominent part in the incredible India growth story. We actively empower communities and contribute to social well-being through extensive CSR programmes spread across the country. Additionally, our skill academies bridge gaps in formal education, empowering individuals with valuable knowledge and skills. The country-wide debating platform, Speak for India, serves as a catalyst for discovering bright talent from all corners of the nation.

Education holds a special place in our heart, as exemplified by the Federal Hormis Memorial Scholarships, which support 500 students annually in pursuing their academic dreams



Notably, we have been honoured with the Great Place to Work award three times in a row, a significant achievement that reflects our dedication to creating a positive and engaging work culture. Our Bank actively fosters a deep and vibrant employee talent pool through multiple programmes, with Coursera, E-academies, Certification Support, Upskilling Scholarships, Daksha Webinars, and more. In the fiscal year, I am pleased that 3.9 Lakh person-hours of training were imparted, with 99% of our officers participating in self-learning programmes. We further enhanced employee engagement through our in-house built app, 'Pulse of Federals', which facilitates building connections and ensures employee well-being through its various features. A direct result of the focus on people, we ensure our committed workforce continues to enjoy being Federals for Life. Our relatively low attrition rates, testify this. As we march forward, we firmly believe that the success of our Bank is intricately linked to the growth and well-being of society. By nurturing a talented workforce and actively contributing to social upliftment, we endeavour to co-create a brighter future where everyone can partake in India's Growth story and thrive!

**3.9 Lakh**

Person-hours of training imparted

### #Rishta with Operational Processes

In our unwavering quest to become the Most Admired Bank, we have embraced industry-leading standards and processes to deliver great customer experiences. Our pursuit of excellence is seen through strategic measures that we are taking to help deliver our ambition of being a bank with an NPS that sets industry benchmarks.

- Automation with AI: The implementation of an AI-based remote monitoring process not only ensures the safety and security of our Bank's premises but also enables simultaneous monitoring of a large number of locations.
- Centralised Crisis Management: The adoption of centralised monitoring for crisis management prepares our Bank for potential eventualities that may impact business continuity, facilitating quick and effective remedial actions.
- Continuous Surveillance: The 24/7 operation of the Security Operations Centre allows for constant tracking of our Bank's network, leading to improved detection and response to breaches or hacks.

- Social Media Monitor: The Social Media Command Centre – Federal Hive – monitors social media activity related to our Bank round-the-clock, enabling timely responses to any emerging issues.
- Streamlined Loan Processing: The utilisation of the Financial Statement Analysis Module, an automated system for analysing Balance Sheet and P&L of MSME borrowers, contributes to faster loan processing and more efficient decision-making.

These are just a few examples of the strides we have taken towards being the best in class. We are committed to creating an exceptional banking experience, setting new industry benchmarks and inspiring admiration from all.

## #Humanizing Banking

The theme of our annual report is about Humanizing Banking. We chose this because, in a BANI world, we believe that by synthesising our Bank’s technological capabilities with a human touch, we will confidently waltz through a new India in the making as we work our way into the list of the country’s top 5 private sector banks.

As I bring this message to a close, I would like to express my heartfelt gratitude to all our esteemed Board Members for their guidance, support, and confidence in us. I take this opportunity to thank Mr. C. Balagopal, the Ex-Chairman of our Board, for his invaluable insights, constructive feedback and support. I also wish to congratulate and welcome Mr. A. P. Hota for taking on the role of chairman of Federal Bank. I extend my sincere thanks to all our stakeholders for their continued support and patronage. Your trust in us has been the driving force behind our achievements, and we are honoured to have your backing. To my team in the Bank, I can’t thank you enough – Keep Shining!

**I remain Proud to be Federal.**

**Shyam Srinivasan**

Managing Director & Chief Executive Officer

**Digital at the Fore and  
Human at the Core.**







## THRIVING WITH SHARP DIGITAL EDGE

In today's banking landscape, the modern banking customer is actively seeking an enhanced digital experience. In order to thrive in the digital age, banks are constantly pushing the boundaries to identify innovative ways to distinguish themselves and provide a compelling value proposition, while maintaining a human touch. Banks that have effectively harnessed the power of technology are capable of operating on a larger scale, while consistently surpassing customer expectations through ongoing innovation of their services and offerings.

At Federal Bank, we have always been a step ahead in providing an unmatched customer experience, whether through our branches or in the digital space. Federal Bank leverages the latest technologies such as artificial intelligence, machine learning, blockchain and biometric capabilities to gain faster and deeper insights as a bank of tomorrow. This enables us to be agile in our approach and offer a personalised experience. We successfully navigate the digital landscape by embracing cutting-edge technologies and nurturing genuine connections with customers.

As part of our evolved digital strategy, Federal Bank aims to redefine the customer experience by implementing the following measures:



Embracing Open Banking through the use of Application Programming Interfaces (APIs)



Collaborating with FinTech companies to expand the scope of banking services



Providing digital loans and credit cards through strategic partnerships



Prioritising the use of cloud-based technology for a wide range of product offerings



Implementing Robotic Process Automation (RPA) across various product categories

Through innovation and class leading products that include mobile banking offerings, omni-channel transaction banking solutions, 24x7 digital service availability and a lot more, Federal Bank has evolved into a Bank with a Digital Edge.



## The Digital Customer Life Cycle

The customer undergoes a seamless online account opening process, powered by our advanced video KYC capabilities.

Additionally, we offer the customer a Digital Credit Card and Digital Personal Loan through our innovative Digital Platform. We strongly encourage customers to utilise these digital channels for all their banking needs, ensuring convenience and efficiency in their financial interactions.



Once onboarded, the customer gains access to our comprehensive mobile banking App (FedMobile) and internet banking portals (FedNet, FedCorp & Fed-e-Biz). These channels provide a convenient and secure platform for the customer to perform 99% of their transactions, including bill payments and investment subscriptions.

Our range of digital solutions is designed to address the unique requirements and preferences of various customer segments throughout their life cycle. Some of our innovative offerings are outlined in the table below.

Product/Service	Description
Point of Sale (POS)/Payment Gateway (PG)/Quick Response (QR)	Digital infrastructure for meeting the payments and acceptance needs of customers
Fed-e-Biz	Transaction banking platform for corporate and SME clients, powered by state-of-the-art technology
Careerbook	Fee management solution for educational institutions, handling student fee collection and internal management
BankOnTheGo	Vehicles wherein the banking facilities are taken to the doorsteps of customers
FedGold@Home	Doorstep gold loan facilities to the customers through banking correspondents ensuring an end-to-end digital journey for loan processing, disbursement and collection
Digital Kisan Credit Card (Digital KCC)	End-to-end digital journey is ensured for assessment, documentation and disbursal of the loan, offered to farmers
Cross-border BBPS system	Payment solutions for utility bills aimed at Non-Resident customers from abroad
FedMi	Micro-lending through banking correspondents for customers belonging to the micro-category, featuring automated loan origination and loan management





## Digitally Ensuring Safety and Security

At Federal Bank, ensuring the safety and security of digital transactions and payment products is of supreme importance. We prioritise the implementation of robust measures and cutting-edge technologies to safeguard our customers' interests through a range of Board-approved policies. These include the Information System Security Policy, Digital Payment Product and Services Policy, Fraud Risk Management Policy, Cyber Security Policy, and Operational Risk Management Policy. These policies serve as comprehensive guidelines for our development and product teams, outlining the necessary measures to be adopted to safeguard our customers' interests.

## Safety in Digital Products

The development and rollout of the digital products are done under proper testing and security checks. Our Bank also conducts comprehensive vulnerability assessments and penetration testing at regular intervals to ensure our applications' utmost safety and security.

## Security in Digital Transactions

At Federal Bank, we employ strong encryption for end-to-end security, ensuring that all digital transactions are protected against unauthorised access. Furthermore, we have implemented a robust 2-Factor Authentication mechanism to strengthen customer authentication.

Additionally, to stay ahead of evolving cyber threats, our Bank ensures continuous training for our officials. Regular sessions on cyber security aspects are conducted, equipping the team with the necessary knowledge and steps to combat and prevent cyberattacks.





### Feddy at your Service

Feddy is our AI-based virtual personal assistant. An omnichannel platform, it has been at the forefront of seamlessly resolving customer queries with efficiency.

Feddy's role has undergone a systematic evolution since its inception. Initially, it primarily served as a reliable resource for answering general inquiries, related to banking products, specific to our Bank. However, Feddy has now advanced to a level where it can efficiently handle customer-specific queries, offering real-time responses to inquiries such as checking the account balance. This allows for a more personalised and efficient customer experience, empowering individuals to access relevant information promptly and conveniently.

Furthermore, to ensure utmost customer satisfaction, we have incorporated a 24 X 7 live agent chat facility on channels such as Whatsapp, Google Maps + Search , Bank's Corporate Website as an extension to the Chatbot service. If a customer finds the responses provided by Feddy unsatisfactory or if Feddy is unable to answer a specific query, the customer is seamlessly connected to a live agent for personalised assistance. This integration of human support with the convenience of automated service ensures that our customers receive the best of both worlds.

### Transaction through Digital Channels (in Lakh)



### Digital Share (%)



# 1 Crore

Mobile Banking Transactions during March 2023

# 18,018 Crore

Mobile Banking Volume during March 2023







## AMPLIFYING BRAND PROMINENCE FOR STRONGER CONNECTIONS

At Federal Bank, we believe in engaging with our customers in a meaningful way by creating a banking experience that resonates with them. Their satisfaction and success are at the heart of everything we do. Through our journey of excellence, we intend to power the brand 'Federal' identity to go from Presence to Prominence and from Prominence to Dominance. Through our marketing initiatives we strive to hyper-accentuate the 'Federal' brand across the country. We build further on our Bank's philosophy that revolves around the distinctive 3S structure, representing the segment-centric, scalable and sustainable nature of our initiatives.

### Segment | Scale | Sustainable



Micro: Retail



ESG: Environment,  
Social & Governance



IAAS™: Corporates



CSR: Communities

Serving **भारत** with India's Trust™



**We evaluate every idea by asking ourselves three integral questions.**



**Are we committed to this initiative over the long-term?**

**Can this initiative be delivered at a notable scale?**

**Does the initiative appeal to at least one of our customer segments?**

With a lens of this kind, we can't help but be conscious of the need to create initiatives that are run all around the year across various spectrum, including retail and corporate customer segments.

As we forge a stronger future ahead, we take pride in our young teams who have a pulse on the next generation of customers and are focussed to serve their evolving needs. The digital platforms developed through our Digital Centre of Excellence are arguably top of the charts and have redefined the new-age customer's experience. On the other hand, our long-term clients find the personal touch irreplaceable. After all, there is no parity between two individuals working in banking - they are unique, and human empathy is unmistakable.

Amidst the digital transformation we are witnessing all around, we remain committed to ensuring our digital prowess is sufficiently complemented by our efforts to maintain lasting relationships, that form the foundation of Federal Bank.





## Relationships that Matter

At the forefront of our marketing strategy this year was the highly impactful **'Rishta Aap Se Hai, Sirf App Se Nahi™'** brand campaign. With the objective of bringing alive our core work ethic, 'Digital at the Fore, Human at the Core', the Rishta campaign aimed to exemplify the value we place on building lasting relationships with our customers.

This campaign embodies a two-pronged approach, aiming to enhance our appeal and relevance to younger customers, while simultaneously nurturing the existing relationships that have been a pillar of our Bank's enduring success. Our efforts have been aligned with our desire to demystify the banking experience and make it more approachable for all. By showcasing the importance of personal touch and human interaction in conjunction with our digital capabilities, we sought to reinforce our commitment to providing a holistic banking experience that combines convenience, innovation, and a warm personal touch.

Over a period of three months, this campaign was heavily promoted across numerous media channels that strategically complement each other. The brand campaign triggered multiple activities amongst the employees and customers, turning it into a 360° campaign, resonating with the commitment of Federal Bank.

### Activity 01

#### Federal Standard

Our branches were entrusted with the responsibility of creating the right first impressions and reflect the organisations' branding through a rejuvenated look.

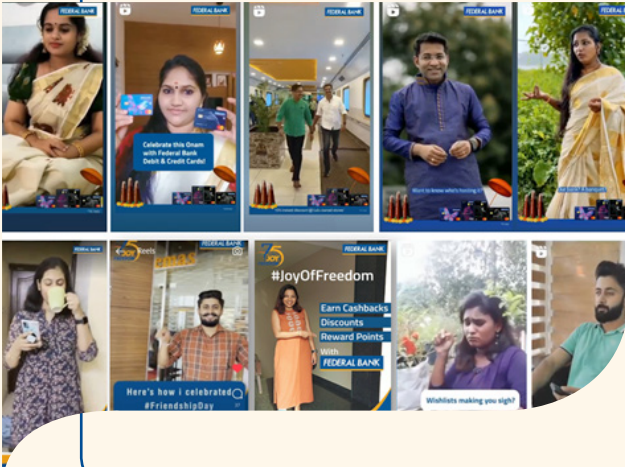




### Employee Testimonials

Activity 02

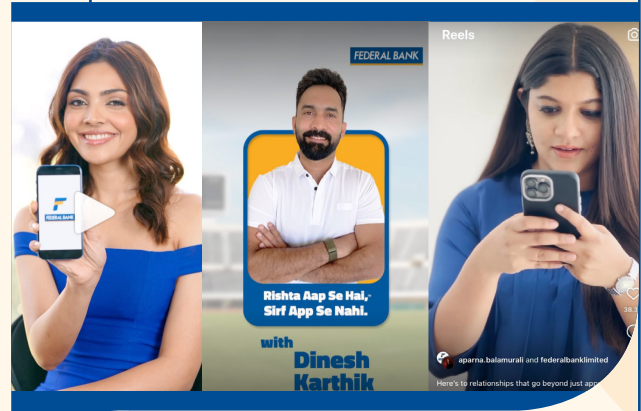
Our employees were encouraged to share their experience working with Federal Bank and several employee engagement activities were conducted to boost morale.



### Celebrity Customers as Influencers

Activity 04

Our celebrity influencers across the country were happy to share the brand's value and messaging, allowing us to communicate with newer audiences.



### Customer Testimonials

Activity 03

Our customers' willingness to share their positive experiences with the brand served as a testament to the credibility we have established and the brand loyalty we have garnered over the years.



### PR Stories

Activity 05

By crafting compelling narratives and messaging around the campaign, our PR stories have enabled us to capture the attention of journalists, bloggers and influencers and significantly enhance our media coverage.

### Slice of Life Micro Films

Activity 06

Our multiple 'slice of life' micro films captured the beauty and meaning of the everyday moments of life.







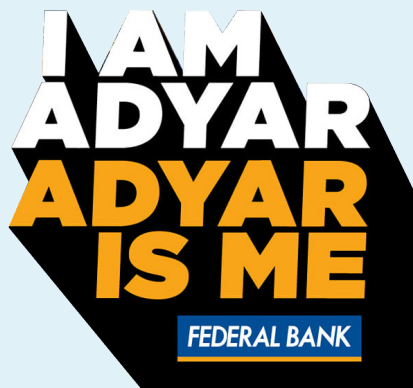
## Micro Marketing

At Federal Bank, we recognise the diversity of our wide customer base, and are committed to serving them all. With this in mind, we have made dedicated micro-marketing efforts to effectively communicate our Rishta campaign and celebrate our special relationship with each of our customer groups. Our goal is to foster a sense of inclusivity and personalisation, affirming our dedication to serving and enriching the lives of all our customers.

Some of our integral micro-marketing initiatives are listed below

### Adyar Project Rishta with Every Pin code

The Adyar project aims to celebrate the unique identity and culture of the Adyar neighbourhood in Chennai. The project aims to showcase the stories and experiences of local residents, businesses and organisations, thus creating a compelling narrative around what makes Adyar special.



Featuring a series of short videos, images and social media posts that capture the spirit and character of Adyar. This project celebrates the diverse people, rich history and vibrant traditions of the place.



## Harnessing the Potential of Partnerships

### Rishta to Power Entrepreneurial Growth

We have strategically collaborated with StartupTN (Government of Tamil Nadu's nodal agency for startups and innovation) and MindEscapes (India's premier thought-led innovation centre) to address the challenge that startups face in obtaining loans or investments to build a sustainable business. StartupTN identifies the startups, which then pitch their ideas through curated sessions facilitated by MindEscapes and supported by knowledge partners across the state. Federal Bank provides loans and grants to these startups, eliminating the hassles of fundraising.

Collateral free Loans,  
lower-cost loans and  
grants to eligible startups

Empowering startups with access  
to a network of industry experts  
and potential investors

Opportunity for startups to  
work on real-world projects  
and increase visibility

## Federal Bank enshrined in a Hill of Flowers

### Rishta to Better the Environment

In collaboration with Random Acts of Kindness Forum (RAOK), we initiated a project called 'Hill of Flowers' aimed at restoring the ecological balance and improving the air quality of the Nilgiris biosphere. The project is dedicated to creating mini miracles and uplifting the lives of the disadvantaged communities in and around the Nilgiris.

The 'Hill of Flowers' project involves the co-creation of a 1 km tract at Nilgiris, which is currently a bare hill. As a symbol of environmental stewardship, this project envisages the hill to be transformed into a picturesque and sustainable flower garden. It aims to utilise native plants, establish a food forest, and promote organic cultivation practices, using zero pesticide and chemicals, thus helping the plants to grow independently and sustainably.





## Reinforcing our Brand Prominence

### Festive Campaigns

To celebrate the cultural diversity of the country, we rolled out several campaigns to merge with the festive spirit and promote the 'Federal' Brand. Using Gold Loan and Car Loan products as an anchor strategy, we leveraged the network of several promotion channels to amplify our coverage.

Some of the festive campaigns that we rolled out across different geographies include:



Onam Campaign – Kerala



Ganesh Chaturthi Campaign – Mumbai



Diwali Campaign – Pan-India



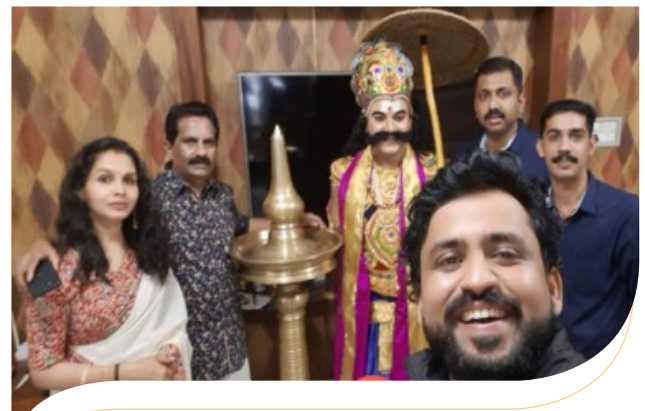
Durga Puja Campaign – Kolkata



Navratri Campaign – Gujarat

### NRI Campaign

The NRI campaign was launched with a special focus on Non Resident Keralites (NRKs) who were returning to Kerala after a two-year hiatus. To effectively engage with our target audience, we employed a multi-faceted approach that included film promotions in cinemas across Kerala as well as the use of innovative hoardings. In addition, we partnered with Red FM to launch a heart-warming activity in which the RJs visited the homes of NRKs to wish them a Happy Onam and recreate the warmth and nostalgia of the past.



## Direct Tax Campaign

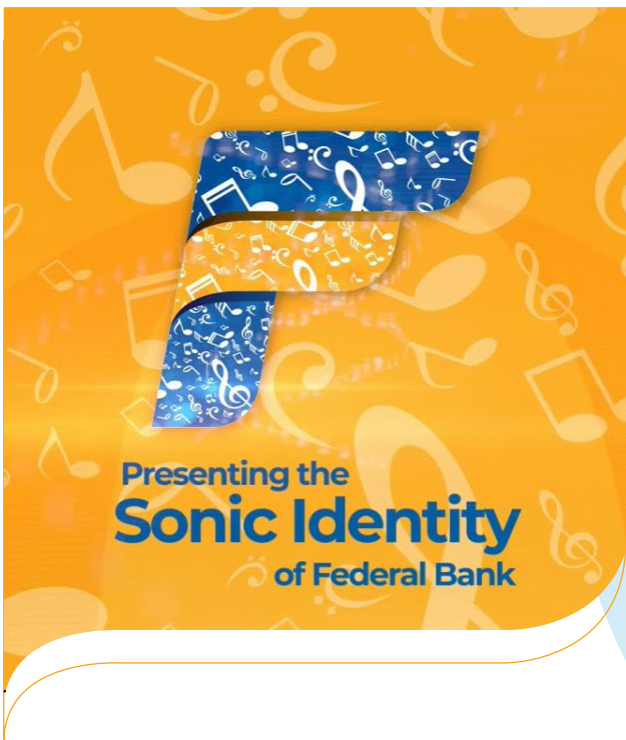
The 'Direct Tax' campaign was a targeted product campaign designed to raise awareness and promote our mandate to collect direct taxes on behalf of the Government. We executed this campaign through a combination of print and social media channels, reaching our intended audience with clear messaging and compelling visuals. This campaign reinforced our commitment to supporting the nation's economic growth and development.

## Moment Marketing

Our awareness of the latest trends, coupled with our proactive approach, has enabled us to craft relevant campaigns that effectively capitalise on emerging opportunities. Our social media marketing and influencer marketing strategies have significantly contributed to enhancing our reach and strengthening our brand presence.

## Sonic Branding

MOGO is the sonic essence of the 'Federal' brand in musical terms. It evokes the core values, emotions and persona of the organisation. In line with this, we developed eight unique adaptations of the MOGO for various campaigns/festivals. The impact of this initiative was remarkable as the campaign created 7.6 Million impressions across social media platforms in 10 days.



## IAAS – At the Onset

### Rishta to Prime Corporate Growth

At Federal Bank, client engagement has been a strategic imperative of ours and we aspire to foster client growth through innovation and collaboration. In pursuit of this goal, we have partnered with the KPMG innovation centre to offer a programme aimed at enhancing relationships with our esteemed corporate and commercial banking clients.

### Our Objective



To assist clients in creating better business models and contributing to the nation's economic growth, with the assistance of knowledge partners and top clients' participation.

### Our Approach



We have designed a programme consisting of customised workshops conducted by KPMG consultants. The idea is to enable our clients gain valuable insights into addressing market growth, exploring new product or service lines, identifying ESG and digitalisation needs, developing EV capabilities, addressing customer segments, or setting up frameworks for corporate governance.







## ESG DASHBOARD FOR FY 2022-23

Our 'Sustainability Strategy' is underpinned by a clear roadmap - to create a more inclusive, resilient, and sustainable future for our stakeholders. This ESG dashboard showcases our achievements for the year and establishes a set of ambitious targets and milestones to assess our progress continually.

**72.72%**

Non-Executive Directors

**2,29,000** kWh

Solar Power Generated

**2** Lakh Litres

Water Saved

**1,074** MWh

Energy Saved through  
Efficient AC and LED Lights

**107.81** Lakh

Paper Sheets Saved

**152.09** Lakh Litres

Fuel Saved

**Green Finance**

**₹ 32.22 Billion** Balance Outstanding as of March 2023



Governance



Environment





41%

Women Representation in the Workforce

3.75%

Voluntary Attrition Rate of Permanent Employees

99.63%

Return to Work Ratio

3.90 Lakh

Total Person-hours Training Provided



Only Indian Bank to Feature in Best Workplaces in Asia - 2022



Social



Targets

Solar Power Capacity To Reach **500 KW** by March 2025

Rainwater Harvesting Capacity To Reach **1 Lakh Litres** by March 2025

**Coal Phase out Policy** by December 2030

At Least **10%** of our Bank Branches are to be **Green-Certified** by March 2028

**₹ 130 Billion** Targeted Green Finance Loans by December 2025

Aim to Maintain a Women Employee Ratio of **≥40%** on an On-going Basis

Finance at Least **10 Lakh Women Entrepreneurs** through BC Channel by March 2028





# NURTURING GROWTH WITH EFFECTIVE GOVERNANCE



Federal Bank’s governance is shaped by purpose-driven leadership exhibited by the Board and the Management and the values and behaviours expected from all employees. Our Bank’s top leadership actively encourages the development of new leadership mindsets and capabilities necessary to navigate the agile, digital, and disruptive financial landscape.

Federal Bank is deeply committed to upholding the highest governance, ethics, and integrity standards. To ensure the security and stability of our banking services, our Bank embraces world-class banking practices and maintains robust institutional governance and risk frameworks. These practices and frameworks undergo regular review, taking into consideration the dynamic nature of their operating environment.



**Commitment to Excellence**



**Agility**



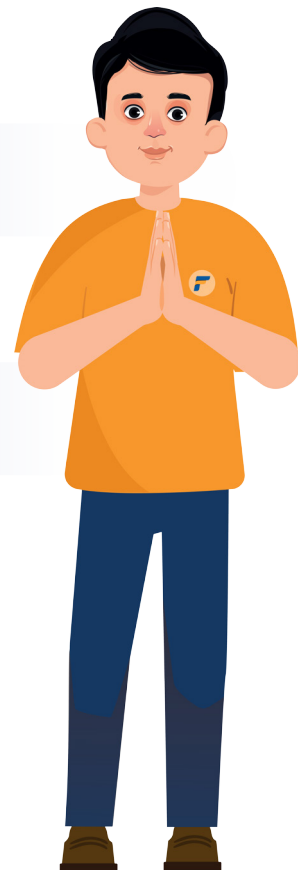
**Relationship Orientation**



**Ethics**



**Sustainability**





## Governance Framework

At Federal Bank, we have established resilient systems and practices that place accountability, transparency, and fairness at the forefront of all our transactions. Our Bank's organisational culture deeply embodies an unwavering dedication to ethics and a robust Code of Conduct.

Our Bank has implemented a Code of Corporate Governance and Code of Conduct for the Board of Directors and the Management. All members of the Board and the Senior Management Personnel shall affirm compliance with it on an annual basis.

Our Bank also has a Code of Ethics and Business Conduct for employees, which provides guidelines on standards of business conduct. The primary focus of the Code of Ethics and Business Conduct is achieving business success in ways that demonstrate respect for people and the planet and uphold the values and high standards of ethics.

We maintain a steadfast zero-tolerance policy towards any instances of unethical behaviour. To ensure adherence to ethical standards, our Bank ensures that all employees and Directors are well-versed with our Code and strictly adhere to its principles. Moreover, we have implemented a range of policies to effectively address crucial areas such as anti-bribery and corruption, fraud prevention, protection for whistleblowers, and the prevention of insider trading, among other significant concerns.

We have a Board-approved Whistle Blower Policy named Protected Disclosure Scheme (PDS), where various stakeholders can lodge complaints/disclosures under the policy. The Whistleblower is assured secrecy of identity and confidentiality of the complaint/disclosure lodged under the policy. The Policy aims to establish an efficient vigil mechanism in our Bank to quickly spot any irregularities and deal with them as soon as possible.

## Board Structure and Diversity

# 11

Total Board Members

# 72.72%

Non-Executive Directors

# 18.18%

Women on Board

Federal Bank has always believed in the strength that diversity offers, and this belief has resonated throughout our organisational structure. Our Bank's Board comprises diverse individuals from various professional backgrounds and age groups, collectively encompassing a wide range of skill sets. The richness of experience and varied perspectives our Board members bring to the table hold immense value for the organisation.

As on March 31, 2023, Federal Bank's Board comprised 11 Directors, of which two were women. Apart from the MD & the CEO and two Executive Directors, all other members of the Board are Independent Directors, including one female Independent Director. As on March 31, 2023, the average tenure of Directors on Board was 4.74 years.

## Board Training

# 9

Total Number of Training and Awareness Programmes held for the Board

# 100%

Directors in Respective Categories Covered by the Awareness Programmes







● ● ● GOVERNANCE

To enhance the collective knowledge, skills, and expertise of the highest governance body on sustainable development, our Bank organised various familiarisation programmes for our directors. The initiatives undertaken during the fiscal year 2022-23 included:

- DAKSHA Webinar: A session conducted by Prof. Aswath Damodaran from NYU Stern School of Business, was attended by all Directors.
- Certification Programme in IT and Cyber Security: Independent Directors Mr. Sankarshan Basu and Mr. Ramanand Mundkur participated in an online certification programme focussing on IT and Cyber Security.
- Programme on Corporate Governance by Excellence Enablers
- Online Certification Programme in IT and Cyber Security by IDRBT Virtual Workshop on Emerging Compliance Landscape
- Virtual Conference on Green and Sustainable Finance by CAFRAL

Additionally, several familiarisation sessions were conducted for the Board and the Committee members in other areas, such as:

- Sustainable Finance Dialogue: Training the Board of Directors on IFC Performance Standards, Regulatory Guidance on Sustainable Finance across various countries, and Climate Governance by International Finance Corporation (IFC).
- Treasury Activities Information Sharing: An information-sharing session to all Board members, covering various Treasury activities.

## Board Performance Evaluation

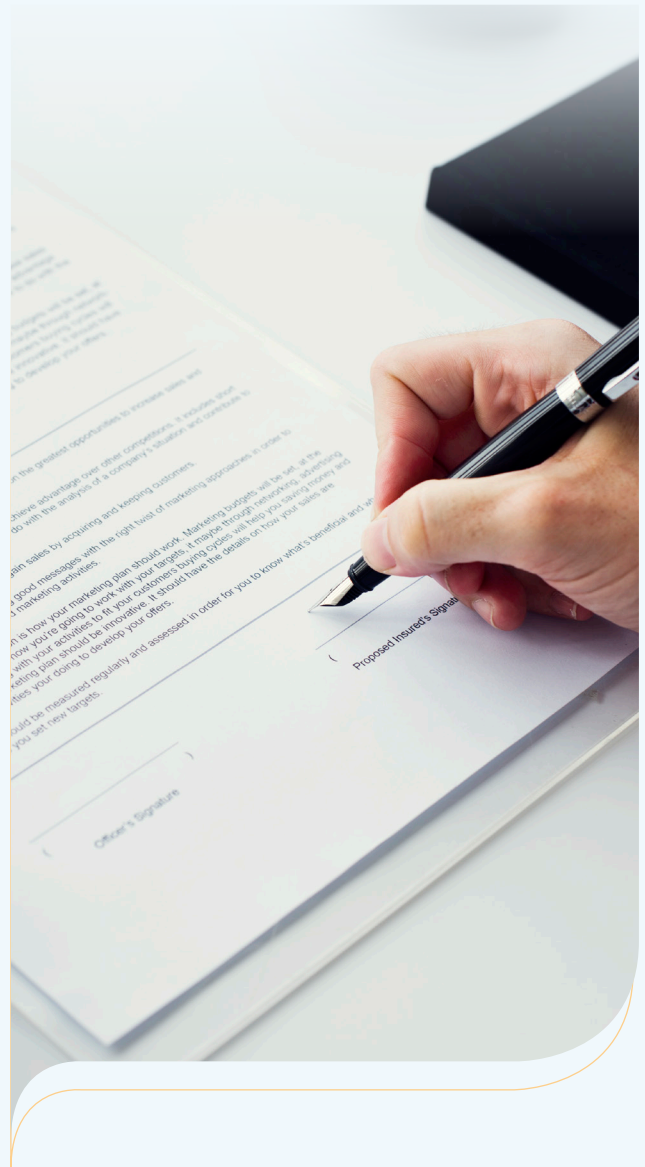
In accordance with the provisions of the Companies Act, 2013, Regulation 17 (10) and other applicable regulations of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Board is mandated to conduct an annual performance evaluation. This evaluation encompasses the performance of the Board as a whole, individual directors, and the functioning of its various committees for the relevant year.

To initiate the evaluation process, a structured questionnaire is developed, considering inputs from the Directors. The questionnaire covers various aspects of the Board's functioning, including the adequacy of its composition and committees, Board culture, and the execution of specific duties, obligations, and governance. The evaluation is carried out internally. The outcome of the Board evaluation is treated with utmost confidentiality.

Please refer to Page No. 114 of the Board's report for details regarding the evaluation process and the Directors' views.

## Board Remuneration Policies

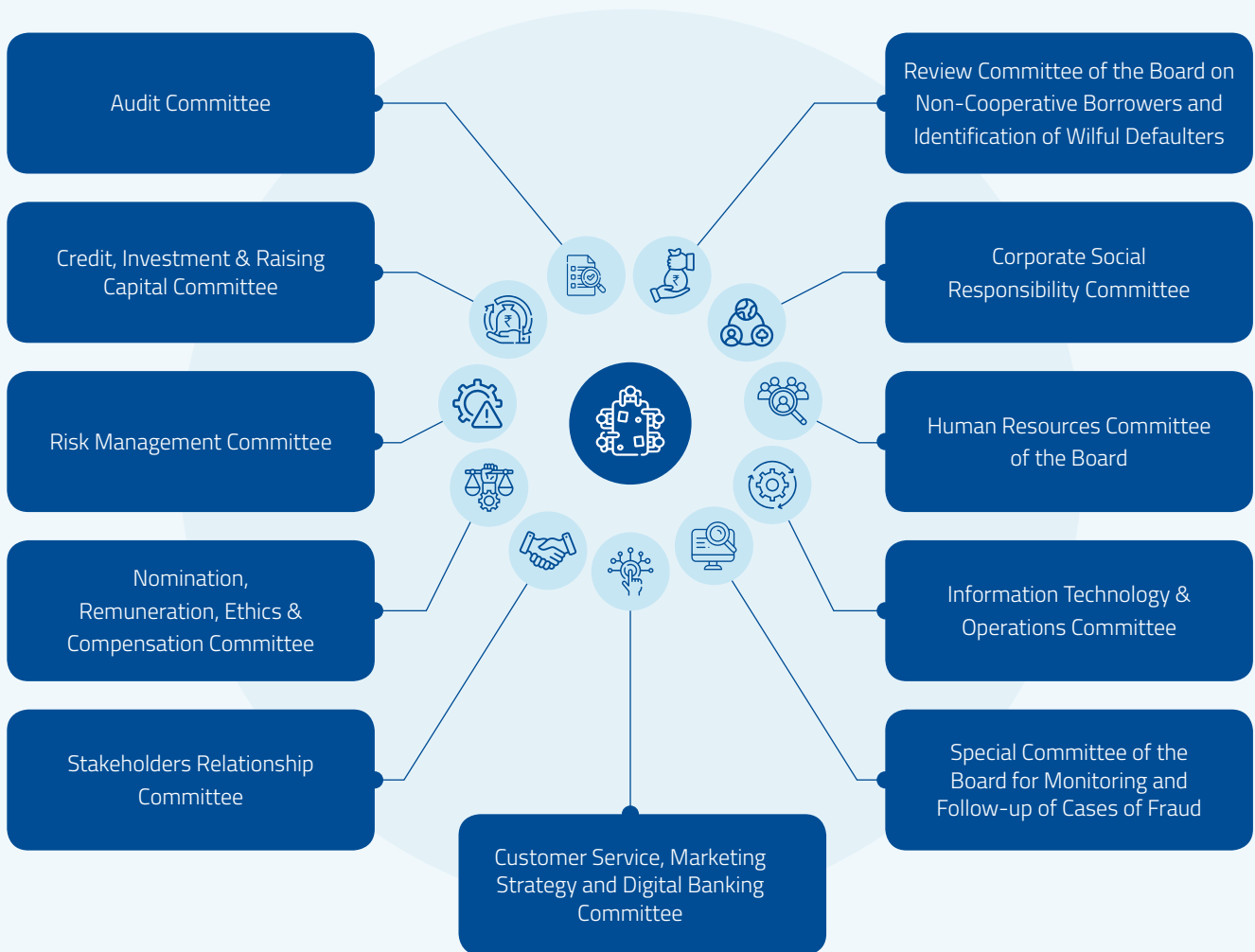
The remuneration proposed for Executive Directors (EDs) by the Nomination, Remuneration, Ethics and Compensation Committee (NRC) and Board, undergoes a two-step approval process. It is approved by the Reserve Bank of India (RBI) and the shareholders of our Bank. The voting results of the General Meeting/Postal Ballot, including the remuneration approvals, can be accessed on our Bank's website and stock exchanges. Furthermore, in the case of Independent Directors, any proposed fixed remuneration must also receive approval from the shareholders. The NRC and Board put forward this proposal, and it is subject to the shareholders' scrutiny and endorsement.



## Board Committees

To work on making informed decisions and specific recommendations in our Bank's best interests, Federal Bank has established various Committees of Directors to monitor the activities falling within their terms of reference, including all the amendments made in the regulatory laws from time to time and presented it to the Board. These committees are responsible for making informed decisions in their scope.

The details of the Committees are noted in the 'Board Committee and its Terms of Reference' in the Corporate Governance Report Section of this Annual Report.



\*Note: The Committees are established as per relevant provisions of the Companies Act, 2013 (the Act) and relevant rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Banking Regulation Act, 1949, the guidelines issued by the Reserve Bank of India, as amended, from time to time and the Articles of Association of the Bank ('the extant laws').





## BOARD OF DIRECTORS



**A P HOTA**

Part Time Chairman &  
Independent Director



**SHYAM SRINIVASAN**

Managing Director & Chief  
Executive Officer



**SIDDHARTHA SENGUPTA**

Independent Director



**MANOJ FADNIS**

Independent Director



**SUDARSHAN SEN**

Independent Director



**VARSHA PURANDARE**

Independent Director





**SANKARSHAN BASU**  
Independent Director



**RAMANAND MUNDKUR**  
Independent Director



**SHALINI WARRIER**  
Executive Director



**HARSH DUGAR**  
Executive Director







# KEY MANAGEMENT TEAM



**SHYAM SRINIVASAN**  
Managing Director & Chief Executive Officer



**SHALINI WARRIER**  
Executive Director



**HARSH DUGAR**  
Executive Director



**VENKATRAMAN VENKATESWARAN**  
Group President & CFO



**ASHUTOSH KHAJURIA**  
Chief Mentor & off.on spl. duty



**AJITH KUMAR K K**  
Chief Human Resources Officer



**NANDAKUMAR V**  
EVP & Head - Branch Banking



**JOHNSON K JOSE**  
EVP & H-OS & CNTLR-TXNBKG & Fedserv



**DIVAKAR DIXIT**  
Head-Credit (CB, BUB, RTL & Agri)



**KAPIL BHATIA**  
EVP & Country Head - CIB



**PITCHAI MAHALINGAM**  
EVP & Chief Internal Auditor



**SANJESH KUMAR**  
Head - Credit (CIB)





**LAKSHMANAN V**  
EVP & Head-Treasury (Treasurer)



**SUNIL KUMAR K N**  
EVP - Chief Legal &  
Compliance Officer



**BIJU K**  
SVP & Chief Vigilance Officer



**DAMODARAN C**  
SVP & Chief Risk Officer



**SAMIR PRAVINBHAI RAJDEV**  
SVP & Company Secretary



**M V S MURTHY**  
Chief Marketing Officer



**SOUVIK ROY**  
AEVP & Head-Investor Relations



●●● GOVERNANCE

## ESG Governance

At Federal Bank, we align our business strategies with a Board-approved ESG Policy for sustainable development and responsible banking. The Board oversees our approach, targets, and impacts on the Environment, People, and Economy. ESG information is reviewed and approved by the Board, including material topics. A dedicated ESG team, headed by a senior executive, coordinates and implements our Bank's initiatives and strategies.

We closely monitor ESG scores from different rating agencies and actively engage in assessments. Our goal is to make progress across all E, S, & G aspects and practices to create positive impacts and mitigate risks, thus ensuring overall growth and development.

**Board of Directors**

**Risk Management Committee/CSR Committee of the Board**

**ESG Committee**

**Controller of ESG/Chief Risk Officer**

**Head of ESG**

**ESG Team/Functional Owners**

**Risk Management Committee**

Board-level Committee to oversee preparedness for managing ESG risks in operations and portfolio

**CSR Committee**

Board-level Committee to oversee CSR initiatives and projects aimed at promoting sustainability

**E&S/ESG Committee**

Executive-level Committee, headed by the MD & the CEO, provides focussed guidance on material aspects related to ESG and coordinates all ESG initiatives in alignment with the Board-approved strategies and policies. The Committee also addresses risks associated with lending operations as mentioned in the ESMS Policy. It also assesses the organisation's business practices and performance on sustainability and ethical issues based on the ESG Policy. The Committee reports to the RMC of Board.



## Responsible Business Conduct

At Federal Bank, we ensure the highest standards of responsible business conduct and have defined our commitments in our ESG Policy. Our policy commitments align with the National Guidelines on Responsible Business Conduct (NGRBC) issued by the Ministry of Corporate Affairs, the Business Responsibility and Sustainability Reporting Framework (BRSR) issued by SEBI, and IFC Performance Standards issued by the World Bank Group.

We have established policies, controls, and procedures to embed responsible business conduct commitments throughout our activities and business relationships. We allocate responsibilities across different levels to ensure compliance with these commitments. Our Bank's senior management is crucial in integrating these commitments into our overall strategies, operational policies, and procedures. However, we conduct due diligence to identify, prevent, and mitigate any adverse impacts on human rights, environment, and society.

## Human Rights

In alignment with our ESG Policy, we endeavour to champion human rights through responsible lending and through our agreements with our partners for sustainable practices, encompassing issues related to human rights, child labour, forced labour, environmental considerations, and more. The service-level agreements with approved agencies, through which all security personnel are employed, contain covenants regarding human right standards, labour standards, forced labour, child labour, non-discrimination, and harassment, including sexual harassment.

Our Diversity, Equity, and Inclusion (DE&I) Policy aims to support our focus to uphold human rights and provide a workplace free from discrimination. To demonstrate firm commitment and reverence for the human rights of our workforce and stakeholders, we arrange awareness sessions for our employees regarding human rights matters. Additionally, we aim to maintain a female employee ratio of more than 40%. Although our commitments are not designed specifically around human rights standards, we ensure upholding all human rights.

We are committed to mitigating complaints and grievances by fostering an increasingly positive work environment and implementing a comprehensive review mechanism. This is done to facilitate the timely resolution of issues on human rights. We have established a well-defined procedure enabling employees to submit written complaints, queries, suggestions, or grievances concerning any human rights violation occurring within our premises or operations.

Our Environment and Social Management System (ESMS) Policy offers comprehensive guidelines for conducting thorough due diligence to identify and evaluate potential risks and impacts associated with human rights violations within the lending portfolio. Likewise, the sustainable procurement policy serves as the authoritative document to govern the necessary due diligence process for assessing potential risks and impacts related to human rights violations concerning our vendors and suppliers.

Policies and Codes of our Bank can be accessed at

 <https://www.federalbank.co.in/our-commitments>







●●● GOVERNANCE

## Building Trust through Ethics


At Federal Bank, we firmly believe that the ethical values that our Bank demonstrates reflect the honesty and integrity with which we serve our customers. We recognise that ethics cannot be limited to a one-time event but must be embedded into the fabric of our organisation. By cultivating a culture that values ethics and transparency, we strive to create an environment where ethical considerations are at the forefront of decision-making.

The Code of Corporate Governance and the Code of Conduct for the Board of Directors and the Management speaks about conflict of interest. The Code details do's and don'ts to be followed by the Directors and Management of our Bank to avoid conflict of interest with our Bank.

During FY 2022-23, our Bank did not enter into any materially significant transactions with our related parties, which could lead to a potential conflict of interest between our Bank and these parties, other than transactions entered into with them in the ordinary course of our business. A statement giving details of all related party transactions, entered pursuant to the omnibus approval so granted, is placed before the Audit Committee of the Bank for their review on a quarterly basis. No transactions were entered into with related parties, which were not in the ordinary course of the business of our Bank, or which were not on an arm's length basis. The approved policy of our Bank on Related Party Transactions is available on our website. We adhere to a policy of half-yearly disclosure of related party transactions to the stock exchanges, demonstrating our commitment to transparency, accountability, and good corporate governance practices.

All our governance body members are duly aware of our Anti-Bribery and Corruption Policy (ABC) and its procedures. This policy emphasises the importance of conducting thorough risk assessments and due diligence when engaging with new partners, vendors, and contractors. It is imperative that we establish suitable contractual terms and governance arrangements tailored to the level of risk involved. Therefore, all third-party partners are required to complete a comprehensive due diligence questionnaire during the onboarding process. This

questionnaire, section-wise, covers every aspect of our ABC policy. Some sections specifically address the party's interactions with government entities, their anti-corruption opinions, and any prior legal infractions they may have encountered. Our policy on combating financial crimes affirms our commitment to refrain from making any political contributions. This policy is publicly available online and can be accessed through the given link:

 <https://www.federalbank.co.in/documents/10180/412885500/FCC+Policy--+Abridged.pdf/defa58dd-c090-a997-36be-23c0aa415318?t=1680584816373>

## Grievance Handling and Risk Management Mechanisms

### Employees

Our Bank has established a Federal Bank Employee's Grievance Redressal Forum to address employee grievances, allowing direct submission of concerns by employees at all levels. An external expert ensures impartiality within the forum. We have also implemented the Protected Disclosure Scheme (PDS), also known as the Whistle Blower Policy which enables various stakeholders including directors, employees, customers, and the public to report irregularities. Genuine complaints are accepted through various channels, ensuring confidentiality.

Whistleblowers are protected, and their identity remains confidential, safeguarded against adverse actions. We promote awareness of the PDS through preventive vigilance classes and internal communication. Facility to provide information is unrestricted for all personnel, and our Bank's PDS policy is easily accessible online. The Vigilance Department conducts thorough investigations into PDS complaints and reports the findings to the Managing Director & CEO. Quarterly reports are presented to the Audit Committee of the Board, ensuring transparency and accountability.



## Customers

At Federal Bank, we have a robust grievance redressal mechanism. Through this, our customers can approach us, and we address customer concerns, queries, and service requests. Our Bank's Grievance Redressal Policy\*, which is publicly available, outlines various escalation options for addressing customer concerns. Additionally, in accordance with regulatory guidelines, a Grievance Redressal Procedure\*\* is displayed at all branch outlets and is accessible to the public.

Our customers can report any negative impacts or issues they encounter in our Bank's processes and services through the procedures outlined in the Grievance Redressal Policy. We promptly address these reported issues by internally escalating them to the relevant teams or departments for necessary corrections, remedial measures, and compensation. We determine customer compensation based on our Bank's Customer Compensation Policy\*\*\*.

We have established effective grievance mechanisms to address customer grievances, queries, and suggestions. A dedicated team analyses these concerns, identifies root causes, and implements necessary improvements in processes and products. A quarterly root cause analysis is conducted and shared with the Customer Service Committee of the Board, showcasing examples of grievances and corresponding remedial measures. To evaluate customer satisfaction and measure our Bank's Net Promoter Score (NPS), we have been conducting annual Customer Satisfaction Surveys since 2019. As per regulatory requirements, the results of the same are communicated to our Board members for informational purposes.

Our Bank's Marketing Department mitigates risks associated with negative media coverage and rumours across various media channels such as print, electronic, and social media. The Marketing Department collaborates with an external PR agency to effectively handle potential crises. Furthermore, we utilise a social media monitoring tool called 'FedHive' to actively monitor and address real-time issues on online platforms. This approach enables our Bank to:

- Anticipate and prevent adverse media comments whenever possible
- Disseminate our Bank's official response in cases where the news has already been published or aired

\*<https://www.federalbank.co.in/documents/10180/45777/Customer+grievance+redressal+policy.pdf/60eb733b-3d5b-40ee-9c7f-6cb2fc1b26ee?t=1632316238491>

\*\*<https://www.federalbank.co.in/grievance-redressal>

\*\*\*<https://www.federalbank.co.in/documents/10180/45777/Customer+compensation+policy.pdf/c6ea6498-8ba0-42c2-9ae3-a63e2ac72180?t=1636608580668>





●●● GOVERNANCE

## Shareholders

The Stakeholders Relationship Committee of our Bank is responsible for addressing any significant concerns raised by shareholders. Upon receiving these concerns, the Committee takes appropriate actions to redress the complaints and prevent the recurrence of similar issues in the future. There were no investor complaints pending as on April 01, 2022. During fiscal 2022-23, our Bank received eight (8) complaints from the members. Our Bank attended to all the complaints, and none were pending or remained unsolved to the satisfaction of the members as of March 31, 2023.

## Fraud Risk Management and Controls

Federal Bank has responsibly set up a Committee of the Board for monitoring and follow up of cases of fraud. The major functions of this Committee would be to monitor and review all frauds of ₹100 Lakh and above. Fraud Risk is managed by our Bank, methodically in line with the robust Fraud Risk Management Policy of the Bank, which covers all significant aspects like various mitigation measures, and the surveillance mechanism which complements prevention, detection, investigation and monitoring of internal and external frauds. The public and employees are made aware about different fraud prevention techniques.



Preventive Vigilance Workshop is a flagship programme designed flawlessly by Vigilance Department for employees. The Programme explicates different gaps that miscreants exploit to perpetrate fraud in the banking industry. It also ensures the delivery of strategies to avert such frauds. Customer awareness of fraudulent activities is another area that our Bank covers through various effective communication channels, including SMS, E-Mails, Posters at branches, Ribbon Messages on the Bank's website, and the Internet Banking Webpage.

## Internal Control Mechanisms

Our Bank, through the years, has developed and stabilised an effective internal control system. This system is calibrated to our Bank's risk appetite and aligned with our operations' scale, size and complexity. The scope and authority of the internal audit function are defined in the Audit and Inspection Policy of our Bank, duly approved by the Board of Directors. We have a robust system towards escalating the audit findings to appropriate levels in the hierarchy of the Management. This system also ensures that discussions are held in various committees, covering corrective actions to reduce the incidence of audit findings, with adequate implementation follow up.

## Tax Strategy

At Federal Bank, our priority is to ensure regular and effective communication with the tax authorities we operate with. We understand that transparency is crucial in addressing general tax concerns, and we seek guidance from reputable organisations, such as the Indian Bank Association, whenever necessary.

Stakeholders are encouraged to direct tax implementation inquiries to their respective tax team managers and escalate matters to the Head of the Taxation Department or Chief Financial Officer for further assistance. Our organisation's anonymous Whistle Blower reporting system allows individuals to report any potential misconduct without fear of retaliation.

While our Board of Directors and Audit Committee monitor the policy execution, specific responsibilities are assigned to the executives within the organisation to ensure effective oversight of the tax policy implementation. Our integrated tax approach strongly emphasises transparency, risk management, and compliance through appropriate planning, controls, and dispute resolution.

We strategically leverage the opportunity to pay income tax at a reduced rate of 22% by forgoing specific exemptions\*, choosing 25.168% instead of the higher 34.944%. In FY 2021-22, Bank claimed a deduction of Rs. 3.89 Crore under section 80LA, but only 50% was eligible as it was the 7th year of claiming. In FY 2022-23, our International Banking Unit (IBU) at Gift City

\* In accordance to 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019.







recorded a loss, making it ineligible for any deduction. While we received no government financial assistance, we were honored to receive a financial incentive of Rs. 19.10 Crores from the Ministry of Electronics & Information Technology for UPI & Rupay Debit Card Transactions during FY 2022-23. These strategic financial choices exemplify our commitment to optimising benefits while complying with regulations, delivering exceptional services to our valued customers.

### Strong Corrective Action Mechanism

Federal Bank operates under strict regulatory framework to ensure financial stability and protect consumer interests. We have a strong Corrective Action Mechanism to provide a structured approach for instances of non-compliance. By adhering to it, we aim to reinforce our commitment to regulatory compliance and maintain the trust and confidence stakeholders. We strongly address all issues with resilience by implementing solid corrective measures, which include:

- Certification requirements and review of employee qualifications
- Evaluation of staff accountability
- Enhancement of e-mail surveillance and transaction monitoring
- Establishment of a value framework for clear compliance reporting
- Conduction of 'Conduct and Ethics' workshops for the top management

### Information Security and Data Privacy

The increasing digital orientation of customers inspires Federal Bank to evolve with changing needs. The crucial role played by IT in ensuring business continuity and enhancing customer service has become increasingly prominent. Given this context, we deeply acknowledge our fiduciary responsibility to safeguard our IT systems' integrity and protect our valued customers' data.

At Federal Bank, we prioritise the protection of our IT infrastructure and systems with a strong information and cyber security framework. Our dedicated Information Security Team, led by the Chief Information Security Officer (CISO), formulates and periodically reviews policies and practices in this area. To ensure that everyone is well-informed, we regularly disseminate information and promote cyber security awareness among our staff and customers through various channels. By consistently reinforcing information and cyber security measures, we strive to maintain a safe and secure environment for our stakeholders.

### Key Certifications



ISO: 27001



ISO: 22301







## BUILDING TRUST WITH BESPOKE ENGAGEMENT

At Federal Bank, we employ a methodical approach to stakeholder engagement to identify stakeholders' current and emerging needs and expectations. We acknowledge that fostering meaningful engagements with stakeholders is vital for building relationships based on transparency, trust and respect. In this direction, our streamlined exercise allows our Bank to formulate business strategies, risk management processes and operational procedures, keeping in mind the needs of each stakeholder group. Furthermore, we take proactive initiatives to develop a framework to apprise stakeholders of key developments. Our Bank understands that each stakeholder group has a unique set of needs and expectations and therefore adopts a customised and structured approach to engage with each one of them.



Stakeholder Group	Importance	What Matters to Them (Materiality)	Stakeholder Engagement
 <p>Shareholders and Investors</p>	<p>Shareholders and investors play a vital role in the success of our Bank, providing essential capital and financial stability. Their investments enable our Bank to fund operations, expand our services, and pursue growth opportunities. Shareholders and investors also contribute to our Bank's reputation, attracting potential clients and partners.</p>	<ul style="list-style-type: none"> <li>● Economic Performance</li> <li>● Corporate Governance and Ethics</li> <li>● Regulatory Compliance</li> <li>● Digital Leadership</li> <li>● Fraud Risk Management</li> <li>● Transparency and Fair disclosure</li> <li>● GHG Emission Management</li> </ul>	<p>To update on developments, business activity, new initiatives, schemes, quarterly and annual audited results, and shareholders' approvals</p>
 <p>Customers</p>	<p>Customers are paramount to our Bank, serving as the foundation for our success. Satisfied customers foster long-term relationships, instill trust, attract referrals, and enable banks to thrive in a competitive market.</p>	<ul style="list-style-type: none"> <li>● Customer Privacy and Data Security</li> <li>● Customer Satisfaction</li> <li>● Product Innovation</li> <li>● Transparency and Fair Disclosure</li> <li>● Sustainable Finance</li> <li>● Digital Leadership</li> </ul>	<p>To conduct business-related discussions, product and service awareness, safe banking practices, and grievance redressal</p>
 <p>Employees</p>	<p>Our employees' expertise, dedication, and commitment drive efficient operations, exceptional customer service, and sustained growth of our Bank. Through their diverse skill sets and knowledge, our employees facilitate financial transactions, mitigate risks, ensure regulatory compliance, and foster strong client relationships. Empowered employees form the cornerstone of our Bank, enabling us to thrive in a competitive landscape while upholding the highest standards of integrity and professionalism.</p>	<ul style="list-style-type: none"> <li>● Employee Well-being and Development</li> <li>● Corporate Governance and Ethics</li> <li>● Economic Performance</li> <li>● Digital Leadership</li> <li>● Climate Change Risk and Impact</li> </ul>	<p>To exchange ideas and suggestions, provide merit-based opportunities for professional growth, and create an inclusive workplace</p>



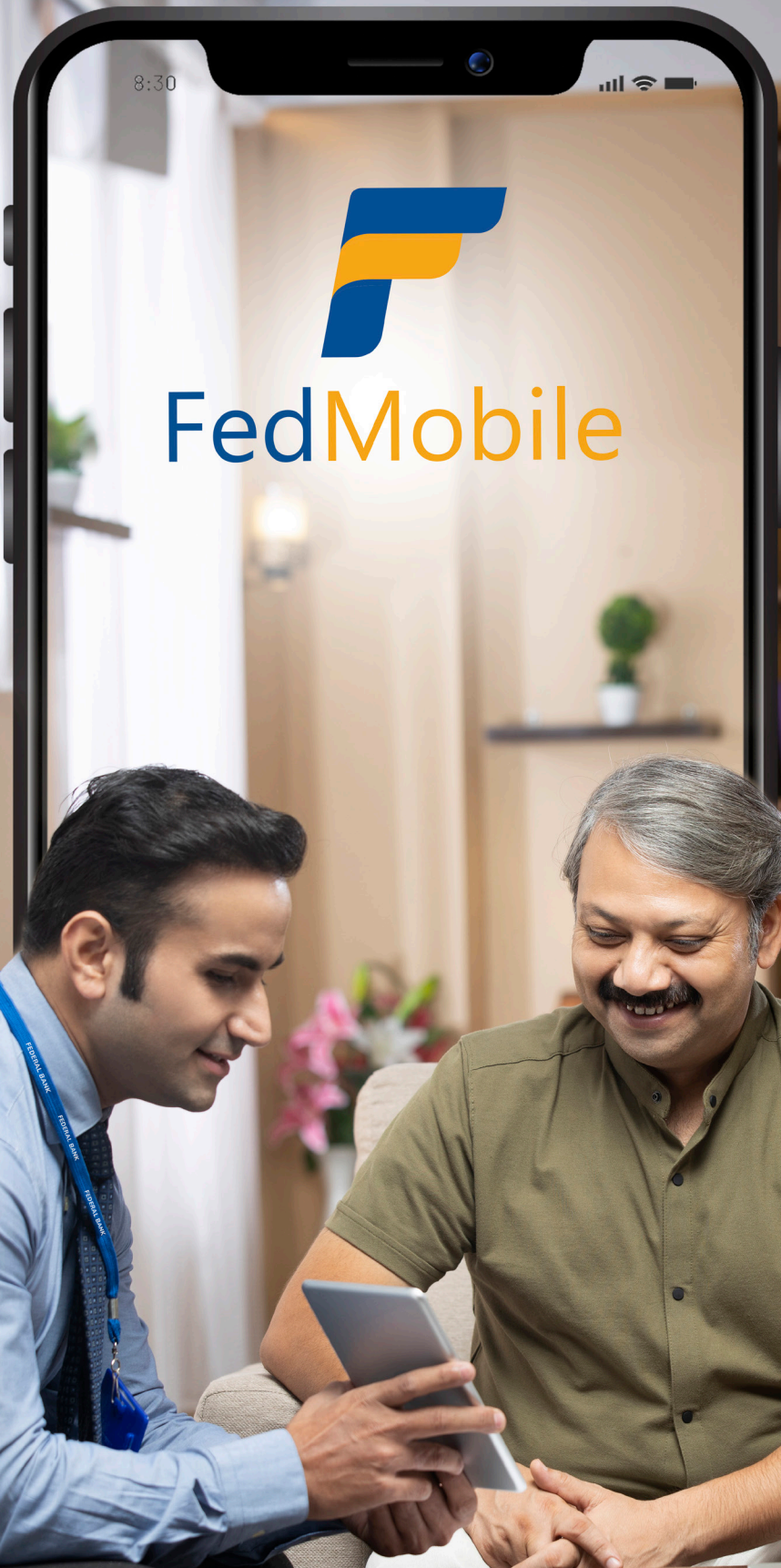


● ● ● GOVERNANCE

Stakeholder Group	Importance	What Matters to Them (Materiality)	Stakeholder Engagement
 <p>Government and Regulatory Bodies</p>	<p>Regulators play a pivotal role in the banking industry by ensuring financial institutions' stability, integrity, and transparency. Through oversight and enforcement of regulations, they promote sound governance, risk management, and consumer protection, safeguarding the overall health of the economy and fostering public trust in the banking system.</p>	<ul style="list-style-type: none"> <li>● Regulatory Compliance</li> <li>● Corporate Governance and Ethics</li> <li>● Transparency and Fair Disclosure</li> <li>● Fraud Risk Management</li> </ul>	<p>To carry out discussions regarding various regulations and amendments, policies and processes, corporate governance and compliance standards</p>
 <p>Vendors and Service Providers</p>	<p>Our Bank's vendors and service providers provide specialised expertise, resources, and synergistic collaborations. These partnerships enable our Bank to enhance customer offerings, expand market reach, improve operational efficiency, and foster innovation. Working in tandem, our business partners contribute to our Bank's sustained growth, competitiveness, and value creation.</p>	<ul style="list-style-type: none"> <li>● Transparency and Fair Disclosure</li> <li>● Regulatory Compliance</li> <li>● Corporate Governance and Ethics</li> <li>● Product Innovation</li> </ul>	<p>To conduct business-related discussions, techno-commercial discussions, and grievance redressal</p>
 <p>Ecosystem and Society</p>	<p>Communities are platforms for engagement, knowledge-sharing, and addressing societal concerns. By actively engaging with our NGO partners, our Bank aims to establish a stronger presence, gain valuable insights, and build lasting connections that contribute to sustainable growth and success.</p>	<ul style="list-style-type: none"> <li>● Climate Change Risk and Impact</li> <li>● Corporate Governance and Ethics</li> <li>● GHG Emission Management</li> <li>● Transparency and Fair Disclosure</li> <li>● Sustainable Finance</li> <li>● Economic Performance</li> </ul>	<p>To support CSR projects, financial inclusion, and other relevant matters affecting the communities</p>





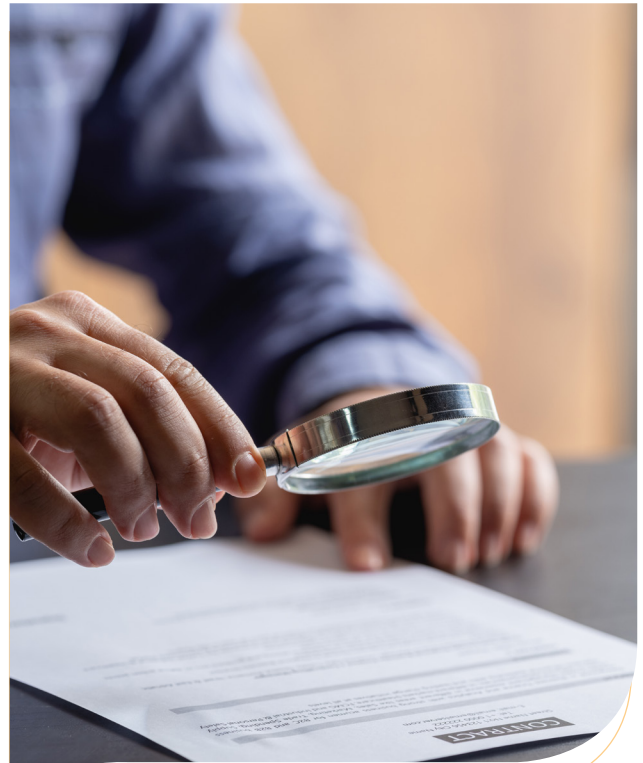






## IDENTIFYING OUR MATERIAL ISSUES

At Federal Bank, material topics are defined as focus areas derived from various stakeholder engagements and form a key input into our business strategy. During FY 2022-23, we conducted a comprehensive materiality assessment exercise in accordance with the requirements outlined by the GRI standards. With this, we strived to ensure a comprehensive understanding of the issues and topics most significant to our stakeholders and the business. The subsequent identification of the material topic universe was based on peer analysis and recommendations from sustainability standards and frameworks, specific to the financial sector. Our Bank's senior leadership identified the key business outcomes for this exercise by carefully evaluating the range of impacts that the material topics could have on Federal Bank. By engaging in this rigorous assessment, we aim to proactively address the most relevant issues and enhance our sustainability practices, while remaining resilient in the face of adversities.





## Phase 1 - Identification of Sustainability Topics

During the initial phase of the materiality assessment, we engaged in a comprehensive analysis of our Bank's organisational context, including our activities, business relationships, sustainability context, and stakeholders. This involved a thorough examination of our Bank's operations and their potential impacts, both present and future. Our Bank also actively sought input from relevant stakeholders and experts to gain insights into the significance of these impacts.



## Phase 2 - Shortlisting

Following the identification of sustainability topics, we proceeded to shortlist 40 topics as potentially material. This shortlisting process took into account the sector in which our Bank operates and the macro-business environment, ensuring that the topics were relevant to our Bank's operations. Our Bank also considered the sustainability topics identified by our peers as well as the interests and concerns raised by our stakeholders.



## Phase 3 - Prioritisation








In this phase, we identified and prioritised the material topics based on their impact on the economy, environment, and people, including the potential implications for human rights. To gather a comprehensive understanding of stakeholders' perspectives, our Bank disseminated survey forms to ensure a broad range of inputs. The prioritised list was finalised with the thirteen most significant material topics.





●●● GOVERNANCE

Following are the Material Topics for the Bank

Material Topic	Management Approach	Potential/Actual Impact	SDG Linkage	GRI Linkage
 Corporate Governance and Ethics	Strong corporate governance and ethical practices are upheld at the Bank through its policy on anti-bribery and anti-corruption. The Policy and procedures ensure transparency, accountability, and trustworthiness, leading to long-term sustainability and stakeholder confidence.	<b>Negative</b> <b>a.</b> Impacts brand value & reputation <b>b.</b> Affects transparency on compliance-related matters <b>c.</b> Affects the confidence of various stakeholders	SDG 16 Peace, Justice, and Strong Institutions	GRI 2: General Disclosures, GRI 205: Anti-corruption
 Economic Performance	Financial performance and stability are crucial for the Bank's business continuity, investment, and economic growth, contributing to sustainable development. The following policies have been adopted in this regard: Tax Policy, Model Policy on Deposits, and Fair Practice Code for Lenders, among others.	<b>Positive</b> <b>a.</b> Impacts the share price <b>b.</b> Impacts the relationships with stakeholders	SDG 8 Decent Work and Economic Growth	GRI 201: Economic Performance
 Regulatory Compliance	Our Bank ensures compliance with laws, regulations, and standards to ensure reduced legal risks, foster trust, and avoid penalties. This also ensures continuous support for sustainable business operations.	<b>Negative</b> <b>a.</b> Affects compliances with current and emerging regulations	SDG 16 Peace, Justice, and Strong Institutions	GRI 205: Anti-corruption GRI 201: Economic Performance
 Digital Leadership	Effective digital leadership enables the Bank to adapt to technological advancements, drive innovation, and create competitive advantages.	<b>Positive</b> <b>a.</b> Delivering fast & convenient services round the clock 24/7 for customers <b>b.</b> Increases revenue <b>c.</b> Led to 107.81 Lakh of paper being saved during the year <b>d.</b> Led to 152.09 Lakh litres of fuel saved due to transformation to digital journey by our customers	SDG 9 Industry, Innovation, and Infrastructure	
 Employee Well-being and Development	Promoting employee well-being and providing growth opportunities are a priority for the Bank. It enhances productivity and job satisfaction of the staff and leads to talent retention. The Bank's commitment to its employees is reflected via the Diversity, Equity and Inclusion Policy and The ESG Policy.	<b>Positive</b> <b>a.</b> Job satisfaction of employees and talent retention <b>b.</b> Increases the productivity of an employee <b>c.</b> Lowered attrition rate of 3.75%	SDG 3 Good Health and Well-being	GRI 401: Employment GRI 404: Training and Education
 Customer Privacy and Data Security	Protecting customer privacy and ensuring data security is a top priority for the Bank. Ensuring data security and privacy at all levels of operation helps the Bank build trust, safeguard personal information, and maintain brand reputation. The Bank has adopted various policy and procedures to safeguard and care for its customers like the Code of Bank's Commitment to Customers, Customer Compensation Policy, Policy on Customer Service and Policy on Customer Protection.	<b>Negative</b> <b>a.</b> Impacts business, customer satisfaction and brand value	SDG 16 Peace, Justice, and Strong Institutions	GRI 418: Customer Privacy
 Sustainable Finance	The Bank is committed to integrate environmental, social, and governance (ESG) factors into its financial decisions to mobilise investments for sustainable development.	<b>Positive</b> <b>a.</b> Impacts the economy and risk mitigation <b>b.</b> Enhances brand reputation and trust	SDG 9 Industry, Innovation, and Infrastructure	GRI 201: Economic Performance



Material Topic	Management Approach	Potential/Actual Impact	SDG Linkage	GRI Linkage
<p>Fraud Risk Management</p>	The Bank's robust fraud risk management systems and its policy on Combating Financial Crimes, safeguard resources, prevent financial losses, and help uphold ethical business practices.	<b>Negative</b> <b>a.</b> Affects business's performance and continuity <b>b.</b> Impacts the Bank's reputation	SDG 16 Peace, Justice, and Strong Institutions	GRI 205: Anti-corruption
<p>Climate Change Risk and Impact</p>	Assessing and mitigating climate change risks, including Greenhouse Gas (GHG) Emissions, helps the Bank combat global warming and its adverse effects. The Bank's commitment is reflected in its ESG Policy.	<b>Negative</b> Affects the Bank's due to physical and transition risks <b>Following steps have been taken to adapt and mitigate the risks:</b> <b>a.</b> Green loans <b>b.</b> Exclusion list <b>c.</b> Phased reduction of coal-related exposure <b>d.</b> Generation of renewable energy <b>e.</b> LEDfication <b>f.</b> Using star-rated air conditioners which reduce power consumption <b>g.</b> Capturing Scope 1, 2 and 3 Emissions <b>h.</b> Disaster recovery mechanism	SDG 13 Climate Action	GRI 305: Emissions GRI 307: Environmental Compliance
<p>Product Innovation</p>	The Bank continuously strives to drive product innovation. This, in turn, drives competitiveness, addresses market needs, and enables sustainable consumption and production.	<b>Positive</b> <b>a.</b> Impacts business, customer satisfaction and acquisition	SDG 9 Industry, Innovation, and Infrastructure	
<p>Transparency and Fair Disclosure</p>	The Bank's transparent and fair disclosure practices help promote accountability, stakeholder engagement, and informed decision-making.	<b>Positive</b> <b>a.</b> Impacts stakeholder relationships	SDG 16 Peace, Justice, and Strong Institutions	GRI 2: General Disclosures
<p>Customer Satisfaction</p>	The Bank prioritises customer satisfaction and experience. Ensuring customer satisfaction helps the Bank improve loyalty, brand reputation and foster positive relationships with customers.	<b>Positive</b> <b>a.</b> Impacts business and profits <b>b.</b> Impacts brand reputation	SDG 3 Good Health and Well-being	GRI 416: Customer Health & Safety
<p>GHG Emission Management</p>	Managing and reducing Greenhouse Gas (GHG) Emissions to mitigate climate change impacts and support a low-carbon economy. In this regard the Bank has taken various initiatives to reduce its energy consumption pan India.	<b>Negative</b> <b>a.</b> Impacts the Bank's energy efficiency <b>b.</b> Impacts brand value Following steps were taken towards efficient energy management: <b>a.</b> Generation of renewable energy <b>b.</b> LEDfication <b>c.</b> Using star-rated air conditioners which reduce power consumption <b>d.</b> Capturing Scope 1,2 and 3 Emissions	SDG 13 Climate Action	GRI 305: Emissions GRI 307: Environmental Compliance

SDG - Sustainable Development Goals, GRI-Global Reporting Initiative

The materiality assessment undertaken by Federal Bank aims to capture the key sustainability topics that are of significance to our Bank and stakeholders. Through this process, we seek to align our sustainability strategy with the interests of our stakeholders and address the most critical areas where we can make a positive impact. By prioritising these material topics, Federal Bank aims to ensure a targetted and effective approach towards sustainable practices and responsible business conduct, thereby contributing to the long-term well-being of the economy, environment, and society.

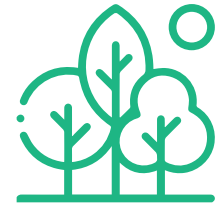






ENVIRONMENT

# NURTURING A GREENER FUTURE



## Federal Bank's Commitment to Environmental Stewardship

The global cost of weather-related disasters has averaged USD 200 Billion per year over the past decade. The effects of climate change are now more apparent than ever, highlighting the significance of environmental risks. The urgency to shift towards a low-carbon and climate-resilient future has become increasingly evident, creating risks and opportunities for the sector. Federal Bank, as a responsible financial institution, acknowledges the importance of conducting business in an environmentally sustainable manner. Given the involvement in various economic sectors, we recognise the pivotal role that financial institutions play in driving the transition towards a sustainable future.

### GHG Emissions and Energy Conservation

Federal Bank's efforts to minimise our operational carbon footprint is focussed on the digitalisation of products and services, generation and use of renewable energy, responsible utilisation of resources and waste recycling, among others.

Through the implementation of energy efficient technologies, emission reduction strategies, and sustainable practices, we strive to lower our environmental impact. Our diligent measurement and disclosure of emissions across various scopes backs our Bank's aim of minimising our carbon footprint. This includes direct and indirect emissions from operations and those resulting from green financing initiatives. Our Bank is also focussing on CSR activities such as planting trees and installing solar streetlamps which help reduce the carbon footprint.

**4,717.4 GJ**

Reduction in Energy Consumption using Electricity

**824.65 GJ**

Consumption of Renewable Energy

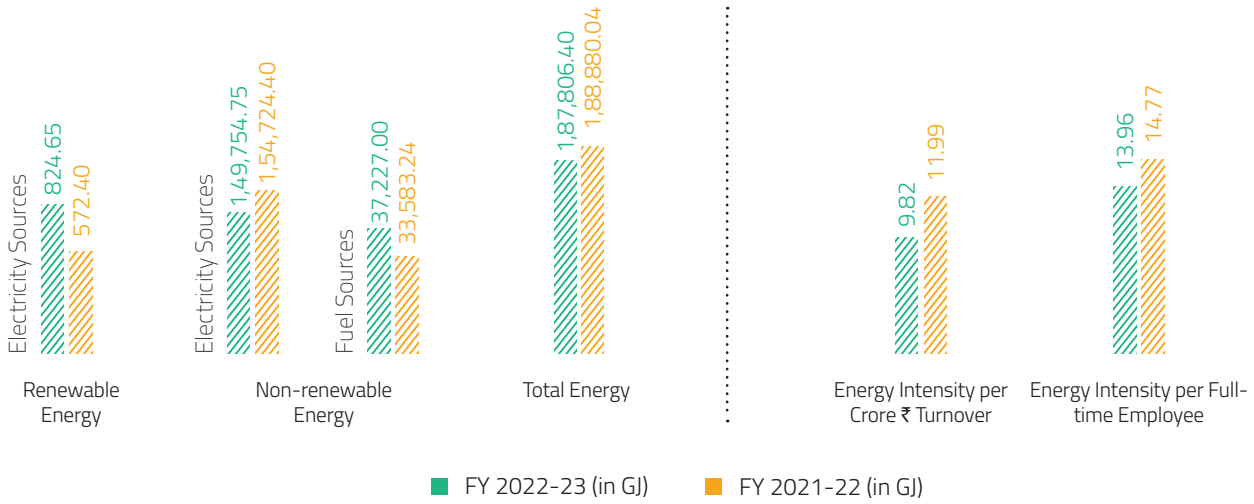
**1.8 Million tCO2**

Emission Saved through Green Finance Initiative





### Energy Consumption and Intensity

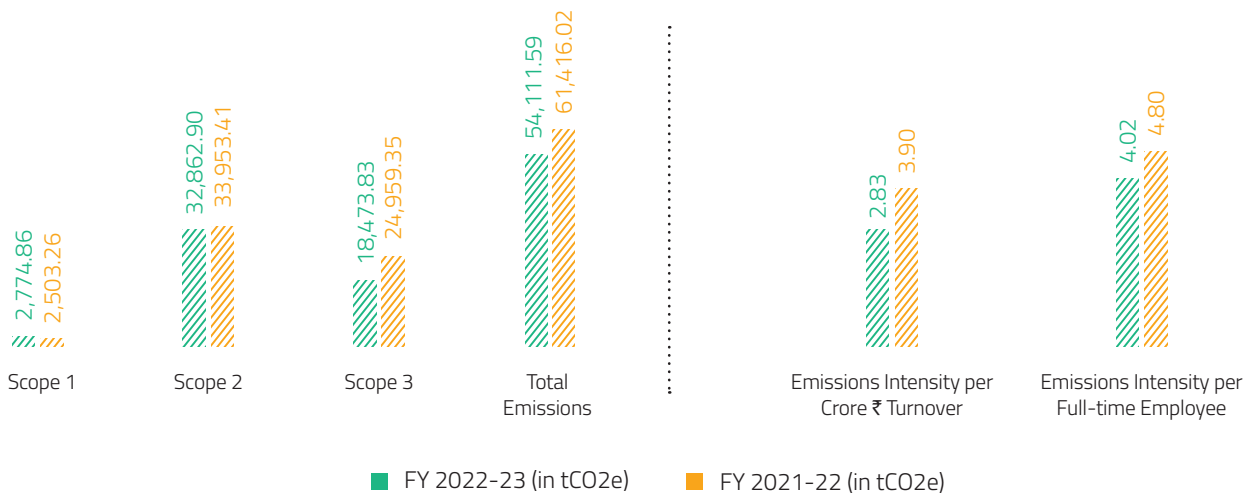


We consistently estimate our Scope 1 and Scope 2 emissions and have estimated our Scope 3 emissions for the following categories:

- Electricity consumption in vendor-operated ATMs
- Fuel usage in vehicles used by contractors for cash transfer to currency chests and ATMs
- Business travel, including those by air, four-wheeler, train, two-wheeler, auto, bus, metro, and taxi
- Employee commute to and from work

The emission calculations were made using emission factors disclosed by the Indian GHG Programme. We aim to successfully estimate and disclose our other categories of Scope 3 emissions in the future.

### GHG Emissions and Intensity





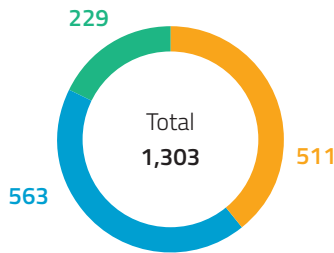
ENVIRONMENT



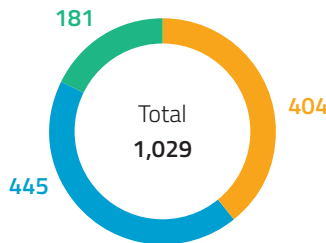
Energy Savings  
as per 2022  
Baseline Year

We have successfully installed solar rooftop plants in several of our branches and office premises, reaching a total capacity of 300KW as of March 2023. We aim to further increase this capacity to 500KW by FY 2024-25. In line with our commitment to energy efficiency, we are replacing all the CFL light fittings in our premises with energy-efficient LED lights. Additionally, we are gradually replacing the conventional AC units with Inverter type AC units that use eco-friendly low GWP gas. This upgrade will not only reduce energy consumption but also minimise emissions. Moreover, as part of our emission reduction efforts, we have committed to exclusively procure BEE star-rated equipment.

Energy Saved (in MWH)



Emissions Reduced (in tCo2)



- LEDification\*
- Shift to Inverter AC\*\*
- Grid-Connected Solar Plant

\*For calculations, the transition from 6,645 traditional fluorescent lights to LED lights decreased approximately 222 kilowatts (kw) in power consumption. This estimation has been projected for a period of 12 months, assuming 8 hours of usage per day for 24 days each month.

\*\*In this fiscal year, 1,419 Inverter/VRF AC units were installed in new and existing premises, with a capacity of approximately 2,418 TR for Inverter AC and 376 HP for VRF machines. Power savings are estimated at 12% due to the lack of a measurement mechanism, compared to the industry average of 25% savings.



Water

By prioritising water stewardship, Federal Bank strives to preserve water resources, support communities, and lead by example in promoting sustainable business practices. We have adopted mindful architecture and have implemented water harvesting systems across select premises, effectively conserving and reusing rainwater.

As of March 2023, our Bank had successfully installed rainwater harvesting units with a capacity of 84,000 litres, resulting in an estimated conservation of 2,00,000 litres of water. Furthermore, there are plans to install additional rainwater harvesting units on more premises.





## Waste

Federal Bank emphasises waste management as part of our commitment to contributing to a circular economy. We have adopted a range of strategies to minimise waste generation, encourage recycling, and promote responsible disposal practices. Aligning with our sustainability goals, we have embraced digitalisation as a pivotal factor in reducing paper consumption, optimising energy usage, and minimising emissions associated with travel.

Our focus is on minimising our environmental impact by advocating for paperless operations, reducing single-use plastics, and implementing comprehensive recycling programmes. Waste segregation bins are provided in all our branches and offices, promoting the separation of dry and wet waste at the source.

We collaborate with local authorities for effective waste collection and disposal. In line with our commitment to environmental sustainability, we engage authorised e-waste recyclers for responsible disposal.

Single-use plastic bottles have been eliminated within our premises, and we are exploring alternatives to reduce paper and plastic waste. We have started tracking plastic waste, including plastic pouches for gold ornament safekeeping. We ensure appropriate disposal in collaboration with local corporations, municipalities, and panchayats. Employee engagement initiatives like the 'Bring Out Your Sustainability Ideas on Plastic Free Workplaces' contest supported practical and implementable solutions. Reusable water bottles were provided to staff, promoting a reduction in single-use plastics.

Moreover, we have initiated the tracking of paper waste at our head office and plan to gradually expand this practice to other offices. We believe these proactive efforts will significantly contribute to our overall waste reduction goals.



As part of our ESG Vision, all across Federal Bank branches, we are all set to discontinue the use of Single-Use Plastic water bottles. Instead, we will soon







ENVIRONMENT



## Biodiversity

While our operations do not directly impact biodiversity, we recognise its crucial role in our sustainability commitment. During the reporting period, we actively pursued measures to support and enhance biodiversity research, aligning with our commitment to its preservation.

We conducted a comprehensive bird census at Kazhuveli and Ossudu Sanctuaries by documenting and studying the region's native bird species in collaboration with the Tamil Nadu Forest Department. To raise awareness, we unveiled a co-branded wall calendar featuring a diverse array of bird species from Kazhuveli Sanctuary. This calendar was officially launched by Supriya Sahu, the Additional Chief Secretary for Environment, Climate Change & Forests, underscoring our dedication to environmental preservation.

In partnership with Mathrubhumi, we have been conducting the SEED (Student Empowerment for Environmental Development) Programme to foster awareness among students and preserve the Earth's natural resources since 2012. SEED is an initiative focussed on spreading the message of ecological conservation, encouraging schools to undertake simple yet impactful steps like planting and protecting saplings, engaging in agricultural activities, conserving biodiversity, practicing energy and water conservation, promoting cleanliness and public health, managing plastic waste through reduce, reuse, and recycle strategies, and actively intervening in local environmental issues. Till date, we have partnered with 8,432 schools and planted 9,63,929 trees through this initiative.

**15,882**

Trees Planted in FY 2022-23

**2.90 Million**

Students Partnered the SEED Initiative



## Prioritising Digital. Supporting Green.

The table below outlines some of the key digital successes across the organisation and the impact they have had in the reporting period

Digital Onboarding	80% of all new onboarding
Digitalising Lending and Credit Card Origination	80% of total retail auto loans processed 100% of credit card applications processed
Fed-e-Studio-Smart Branch	Processing clearing cheques
Digital Loan Repository System	All auto loan and credit card application data/documents stored on the server
Digital Key Field Update	54% of the key field update requests being handled
Fed-e-Remit Digital Outward Remittance Platform	45% of eligible outward remittance transactions executed
Digital Document Execution	Move towards a paperless and clean working space
Digital Platforms for Investments	After introducing the SGB module in FedMobile, over 62% of the total subscriptions were received online
Certificate Issuance on Mobile Banking Platform	Feature to download/receive various certificates directly to the mobile
Fed-e-Point – Self-service Portal on Website	Over 23,26,646 service requests were received through the portal
Legality (e-Signing Portal)	In FY 2022-23, post RBI's new Digital Lending Guidelines, 100% of the personal loan agreements were executed digitally by using Aadhar e-Sign, and ~10% of joint digital accounts were opened digitally
Transactions Done Digitally	90%





## Experience Responsible Banking with Federal Bank!

At Federal Bank, we prioritise the planet's and communities' well-being through our comprehensive Environmental and Social Management System (ESMS) Policy. This policy serves as our guiding light to address and minimise any adverse social and environmental effects from our lending activities. The ESMS policy prescribes an exclusion list, i.e., activities prohibited for our Bank's lending operations considering their impact on the environment and society. We emphasise supporting borrowers whose projects align with sustainable practices and contribute to improving our environment and society. We achieve this through meticulous risk categorisation of the borrowers and by ensuring that the funds lent by our Bank are used for purposes/activities which have minimal impact on the environment and society. The ESMS policy is also in alignment with the IFC Performance Standards.

At Federal Bank, we actively support clients and borrowers in transitioning to a low-carbon approach through green finance loans. We prioritise energy efficient and environmentally friendly construction materials in financing green buildings. We also promote clean mobility projects, including electric vehicles, and finance renewable energy projects like solar and wind power. Recognising the importance of sustainable agriculture, Federal Bank supports climate-smart practices for reduced environmental impact and food security. We also finance projects emphasising recycling, waste management, and resource optimisation to foster the circular economy. These green financing initiatives demonstrate our Bank's commitment to a sustainable and resilient future for all. Our green loans meet international standards through the Climate Assessment for Financial Institutions (CAFI) tool, with an estimated GHG reduction of 1.8 Million Tonnes of tCO<sub>2</sub>e.

## Green Financing for a Sustainable Future

# ₹ 32.22 Billion

Green Loans Outstanding

# ₹ 130 Billion

Targetted Green Loans by December 2025





## Reducing Coal related Sub-Project Exposure to

# 50%

by December 2025

# 0%

by December 2030

At Federal Bank, we have made a deliberate effort to identify sectors that harm the environment and society, classifying them as exclusion activities. We aim to abstain from initiating any new project exposures in these sectors, particularly coal-based power plants, and coal mines, while gradually reducing the overall exposures in these areas. We have implemented a strict policy of refraining from financing any new or significant expansion to existing thermal power plants, coal mines, oil & gas exploration activities, and activities listed on the ESMS exclusion list. Through these proactive measures, our Bank demonstrates our commitment to fostering a sustainable future for both the environment and society.





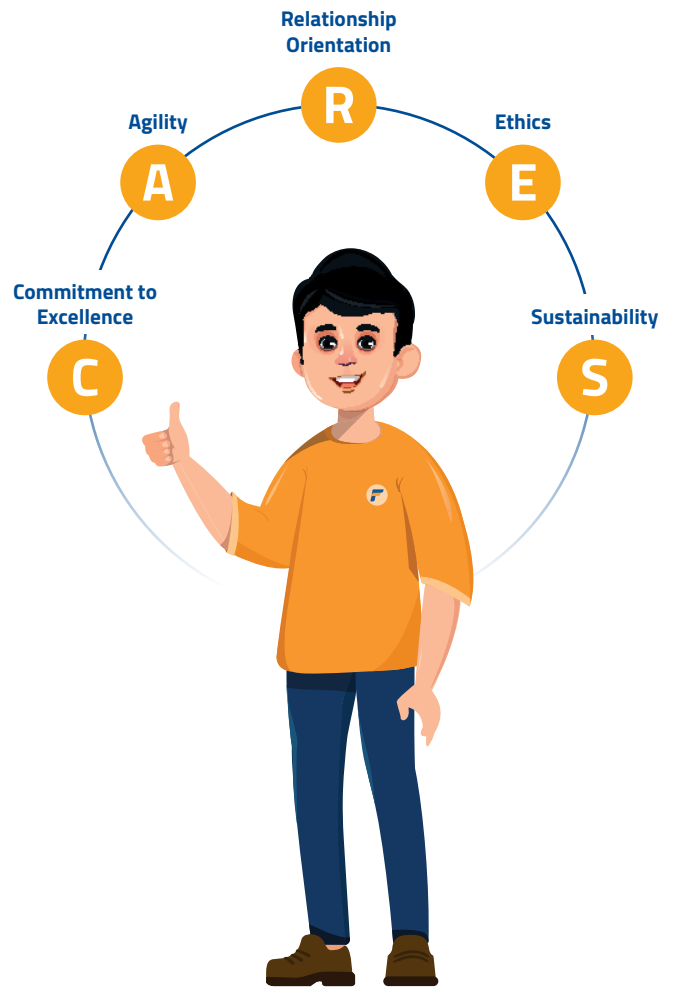


# EMPOWERING LIVES WITH ENRICHING RELATIONSHIPS



At Federal Bank, we embrace the powerful synergy between digital innovation and human connection. Our philosophy, 'Digital at the Fore, Human at the Core', encapsulates our belief in leveraging technology to enhance customer experiences, while recognising the irreplaceable value of personal interactions. We firmly understand that building and nurturing meaningful customer relationships lie at the heart of our success. People have always been key facilitators of our vision, and our Bank is committed to empowering them to deliver the best possible service.

As a customer-centric organisation, our Bank focusses on providing a seamless experience throughout the customer life cycle. We understand that each interaction is an opportunity to build trust and deepen customer relationships. By fostering a positive culture anchored on CARES value system, we hope to attract talented individuals across geographies and give them a platform to nurture their growth.





## Promoting Diversity, Equity and Inclusion

We have consistently upheld our belief of inclusivity by being an employer that offers equal opportunities to all. This ethos is deeply ingrained in our culture and has been a guiding principle since our inception. Our Bank's unwavering commitment to gender diversity is not merely a fleeting trend but rather a natural extension of our belief in the potential and abilities of women.

**41%**

Women in the Workforce

**24%**

Branches Headed by Women

**24**

Number of States Hired From

**370+**

Number of Campuses Hired from across India

**42%**

New Women Hires

**3.75%**

Voluntary Exit Rate of Permanent Employees

Our commitment to nurturing diversity and inclusion across the organisation is evidenced by our exceptional efforts to promote equal opportunities and representation. With a female employee ratio above 41%, Federal Bank boasts one of the best diversity ratios in the industry.

Our commitment to fostering a diverse and inclusive work environment goes far beyond the initial onboarding process. Our Bank is committed to ensuring equal opportunities for women to progress in their careers. As a result of these efforts, numerous women have successfully taken up senior leadership positions within our organisation. At Federal Bank, we guarantee a discrimination-free workplace environment and in FY 2022-23, zero cases of discrimination were recorded.

Our Bank has been recognised for 'Top 20 Most Innovative Practices - DivHERsity Hiring' in the 'AccelHERate & DivHERsity Awards 2023'. We are proud to be the only Commercial Bank in India to be recognised by 'Great Place to Work' among 'Top 50 India's Best Workplaces™ - Building a Culture of Innovation by All'.



●●● SOCIAL

Some of the specific initiatives taken up by our Bank with regards to promoting diversity and inclusion include:



**Our initiatives promoting women care and women empowerment:**

- Maternity Connect - Designed to Empower Expectant Mothers
- Breast Cancer Screening Programme in association with CII IWN
- Awareness Session by Ms. Vimala R, IAS, Commissioner - Women and Child Development, Government of Maharashtra on International Day for Elimination of Violence against Women
- Women's Day Special Fireside Chat on 'Choosing to Lead' with our Female Leaders
- #WeTheWomen Event where talks were given on 'Being the Boss, Women Mean Business' and 'Beyond Stereotypes, How Can Workspaces be Great for Women'
- Voices of Women (VoW) - success stories of our women employees on LinkedIn and Yammer
- Enrolment of Female Members of Senior Management for CII IWN (Indian Women Network) as a part of Women Mentoring Programme
- Prevention of Sexual Harassment Team headed by Senior Women Employees to help female employees report incidences of harassment at office fearlessly





## Honouring Motherhood through our Maternity Connect Programme

We foster a supportive maternity leave policy by granting a 6-month maternity leave, with the flexibility to extend it in case of medical emergencies or unfortunate or unforeseen instances. To further support expectant mothers, we have implemented the Maternity Connect programme, which offers various benefits like footrests and back supports, reserved parking spaces for their convenience.

A Maternity Work Buddy is assigned for expectant mothers to keep them informed about organisational updates during their leave. We also provide valuable resources through electronic direct mailers on topics like nutrition and motherhood advice. Additionally, our Smiles connects expectant mothers with expert advisors who offer guidance on pregnancy-related matters and post-partum support, as well as work-life balance advice. To celebrate their return, employees are greeted with Welcome Back Kits containing a heartfelt welcome letter, a bouquet, and a baby hamper.







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## Our Diverse Workforce

Employee Data									
Categorisation	FY 2022-23			FY 2021-22			FY 2020-21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>By Employee Category</b>									
Associates	2,742	2,317	5,059	2,847	2,369	5,216	2,951	2,407	5,358
Middle Management	4,309	3,006	7,315	3,891	2,655	6,546	3,844	2,453	6,297
Senior Management	749	225	974	730	204	934	675	181	856
Top Management	91	18	109	81	13	94	73	8	81
<b>By Employee Contract</b>									
Permanent	7,730	5,376	13,106	7,502	5,139	12,641	7,543	5,049	12,592
Contract	161	190	351	47	102	149	0	0	0
<b>By Employee Type</b>									
Full-time Employees (Headcount)	7,853	5,061	12,914	7,509	4,713	12,222	7,500	4,464	11,964
Part-time Employees (Headcount)	38	505	543	40	528	568	43	585	628
<b>By Region</b>									
East	536	268	804	520	257	777	553	251	804
West	1,095	556	1,651	1,047	541	1,588	1,052	527	1,579
South	5,582	4,408	9,990	5,336	4,125	9,461	5,293	3,954	9,247
North	678	334	1,012	646	318	964	645	317	962
<b>By Age</b>									
<30	2,313	1,657	3,970	2,002	1,477	3,479	2,071	1,499	3,570
30-50	4,731	3,208	7,939	4,551	3,037	7,588	4,295	2,833	7,128
>50	847	701	1,548	996	727	1,723	1,177	717	1,894
<b>Total</b>	<b>7,891</b>	<b>5,566</b>	<b>13,457</b>	<b>7,549</b>	<b>5,241</b>	<b>12,790</b>	<b>7,543</b>	<b>5,049</b>	<b>12,592</b>





## Orienting Best Talents

Our 'Talent Strategy' focusses on becoming India's most admired banking institution and the First Choice for customers. We invest in finding and developing the right people to execute our vision and strategy.

Our talent acquisition strategy emphasises a strong employer brand, business competency linkage as well as modular and role-specific recruitment. We continuously assess our manpower needs, groom competent bankers, and attract top talent to align with our talent goals. We craft highly modular and role-specific talent models and actively seek out talent for a strong pipeline. Our diverse channels include campus hiring, volume hiring, experienced hiring, the Federal Internship Programme, and the Federal Integrated Programme.

Our emphasis on career growth, competitive compensation, positive work environment, strong leadership, and employee recognition contributes to our low turnover rates. We closely monitor attrition levels to assess our retention strategies and identify areas for enhancement.

By Category	Total Number of New Employee Hires			Rate of New Employee Hire (in %)			Total Number of New Employee Hires Leaving the Organisation		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Associates	128	118	246	4.7%	5.1%	4.9%	11	5	16
Middle Management	806	551	1,357	18.7%	18.3%	18.6%	49	34	83
Senior Management	8	1	9	1.1%	0.4%	0.9%	0	0	0
Top Management	3	1	4	3.3%	5.6%	3.7%	0	0	0

By Category	Total Employee Turnover			Rate of Employee Turnover (in %)		
	Male	Female	Total	Male	Female	Total
Associates	144	104	248	5.3%	4.5%	4.9%
Middle Management	357	230	587	8.3%	7.7%	8%
Senior Management	89	10	99	11.9%	4.4%	10.2%
Top Management	14	1	15	15.4%	5.6%	13.8%





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By Region	Total Number of New Employee Hires			Rate of New Employee Hire (in %)			Total Number of New Employee Hires Leaving the Organisation		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
East	52	26	78	9.7%	9.7%	9.7%	2	0	2
West	278	141	419	25.4%	25.4%	25.4%	26	20	46
South	544	460	1,004	9.7%	10.4%	10.1%	28	19	47
North	71	44	115	10.5%	13.2%	11.4%	4	0	4

By Region	Total Employee Turnover			Rate of Employee Turnover (in %)		
	Male	Female	Total	Male	Female	Total
East	30	13	43	5.6%	4.9%	5.3%
West	118	68	186	10.8%	12.2%	11.3%
South	408	237	645	7.3%	5.4%	6.5%
North	48	27	75	7.1%	8.1%	7.4%

By Age	Total Number of New Employee Hires			Rate of New Employee Hire (in %)			Total Number of New Employee Hires Leaving the Organisation		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<30	844	629	1,473	36.5%	38%	37.1%	55	35	90
30-50	100	42	142	2.1%	1.3%	1.8%	5	4	9
>50	1	-	1	0.1%	0%	0.1%	0	0	0





By Age	Total Employee Turnover			Rate of Employee Turnover (in %)		
	Male	Female	Total	Male	Female	Total
<30	232	175	407	10%	10.6%	10.3%
30-50	137	80	217	2.9%	2.5%	2.7%
>50	235	90	325	27.7%	12.8%	21%

Total Number of New Employee Hires			Rate of New Employee Hire (in %)			Total Number of New Employee Hires Leaving the Organisation		
Male	Female	Total	Male	Female	Total	Male	Female	Total
945	671	1,616	11.98%	12.06%	12.01%	60	39	99

Total Employee Turnover			Rate of Employee Turnover (in %)		
Male	Female	Total	Male	Female	Total
604	345	949	7.65%	6.20%	7.05%

Note: Turnover includes number of employees who leave the organisation voluntarily (resignation, and VRS, among others.) or involuntarily (dismissal, retirement, or death in service). Turnover rates are computed as a percentage of total employees as at the year end.



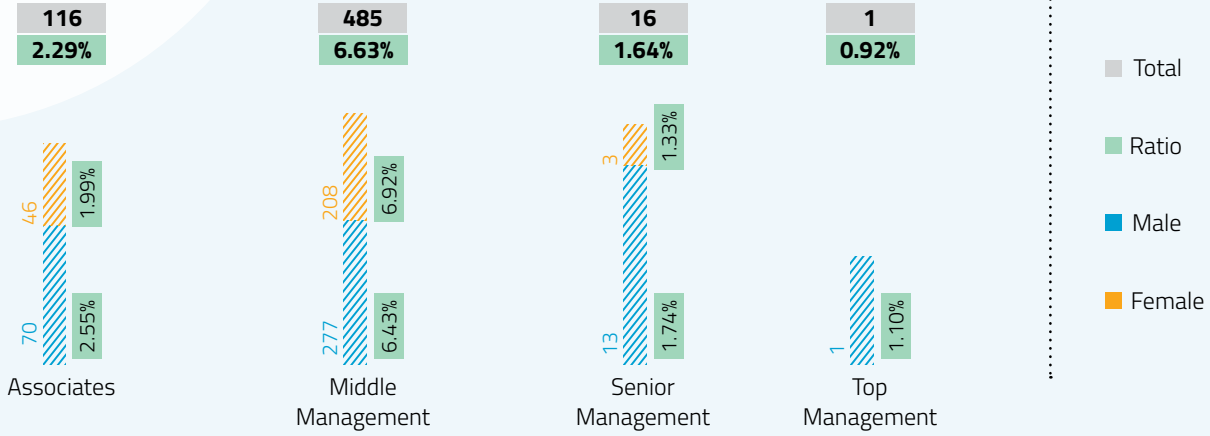




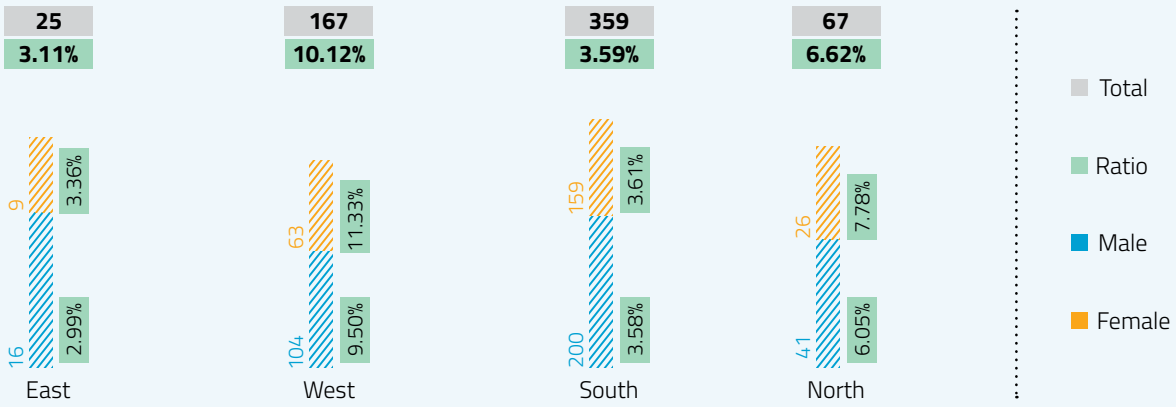
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## Voluntary Exits during the reporting period

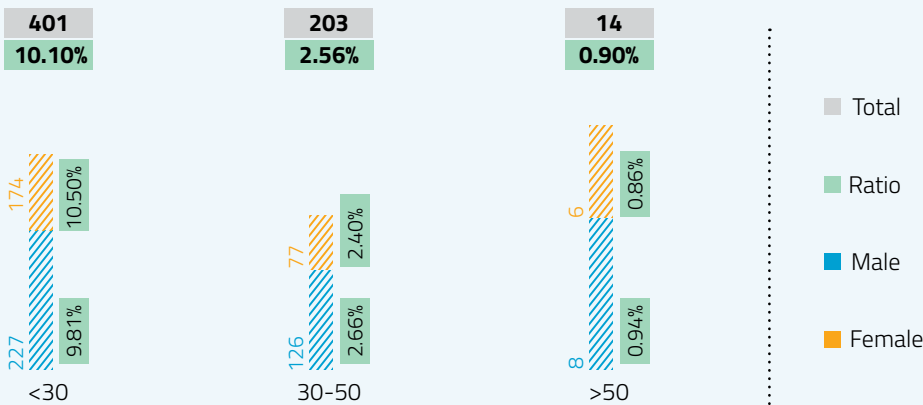
### By Employee Category



### By Region



### By Age

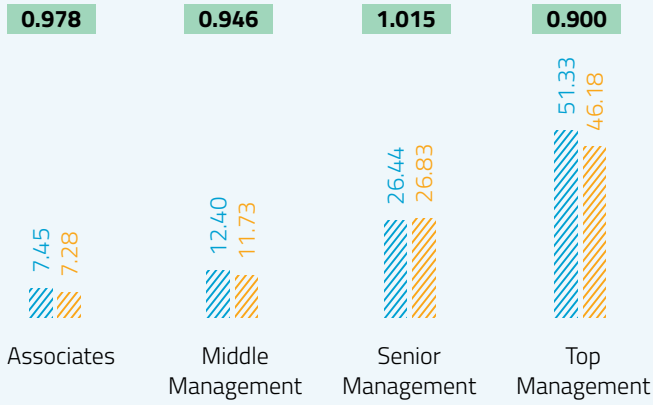




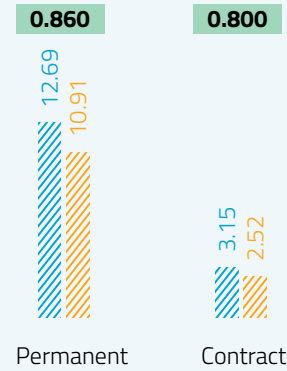
# Average Employee Remuneration

(in ₹ Lakh)

## By Employee Category

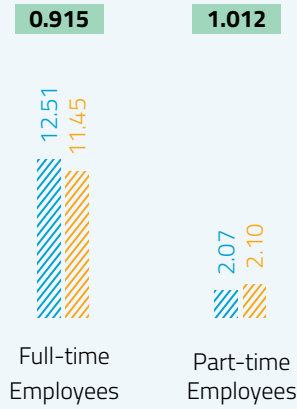


## By Employee Contract

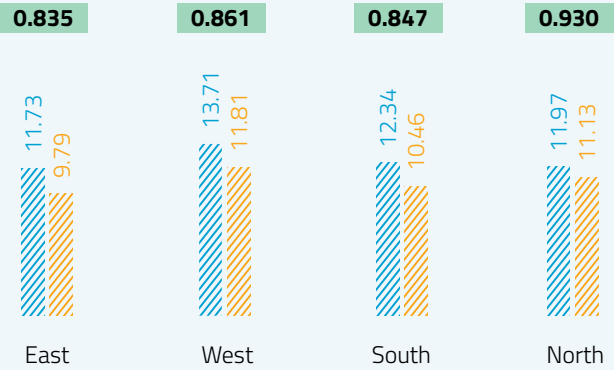


Ratio Male Female

## By Employee Type

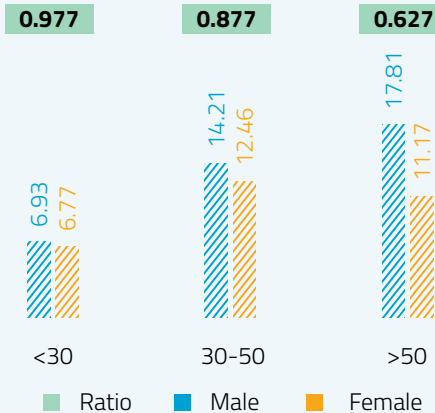


## By Region



Ratio Male Female

## By Age



Ratio Male Female

Note: We do not discriminate remuneration based on gender, region, or age. The difference in remuneration is mainly on account of various factors such as average number in different Scale/Cadre, and seniority in service.





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## Nurturing Employee Engagement and Well-being

At Federal Bank, we deeply care about the well-being of our employees. We emphasise maintaining open and regular communication channels with our staff, ensuring that their needs and concerns are always acknowledged and resolved. Our employee engagement initiatives are thoughtfully crafted to foster an environment of transparency, honesty, and mutual trust, where employees feel comfortable and empowered to express themselves freely.

We have established several platforms that promote interaction between our top Management and widespread employee base. Through these platforms, top Management, including the MD & CEO, regularly communicates with the entire team to ensure everyone is aligned with the organisation's vision and goals.

- Federal Bank has introduced Pulse, an employee engagement app, that seamlessly integrates with our core Human Resource Management system. This app has features that help enhancing employee well-being, provide various self-service options for driving engagement and connect Effectively while promoting a healthy work-life balance.
- Our Bank has partnered with external agencies to provide professional employee assistance services to support employees encountering stress and other personal or professional challenges. As part of our commitment to employee wellness, we organise regular wellness webinars led by a team of mindfulness experts, thus promoting holistic well-being.
- Our Bank conducts regular townhall meetings to highlight the top-performing units, thereby recognising and appreciating employees' hard work and dedication. With a primary focus

on customer service, these townhall meetings provide a platform for acknowledging and rewarding employees who consistently add value to customers' experiences.

Additionally, we conduct interactive sessions with our employees for their overall and personal development, which include the following:

- Special Edition Masterclass for our employees was conducted by Ms. Sajitha Rasheed on the topic 'Happy Children' to inculcate parental skills in our employees
- On the International Day for Preservation of Ozone Layer, we held an exclusive live webinar by Ms. Mohua Mukherjee on the topic 'Let's Make Our Planet Habitable for the Next Generations'
- Our Employee Volunteering 'Sunshine' Program focusses on opportunities to the employees, thereby providing an opportunity to illustrate the core organisational ethos into action

Furthermore, our Bank has implemented a range of initiatives that highlight and celebrate the 'beyond-work' achievements of our top performers. By recognising employees who have excelled in their area of expertise, these initiatives help maintain motivation and encourage all employees to perform at their best.

- The Federal Sports League, conducted across various zones, features a range of sports activities, including cricket, badminton, and football, amongst others. The League has been a tremendous success, with employees from all zones enthusiastically participating in various sporting events
- Our Bank encourages employees to showcase their talents in various cultural and creative initiatives. One such example is the 'Sony Corporate Photography Contest', which saw widespread participation from employees across India, including one entry bagging an award. Another example is the launch of a book titled 'The Nord' authored by one of our employees at the '#WeTheWomen' event
- Our Bank was recognised for the highest women participation at the 'TCS Fit4Life Corporate Challenge', a pan-India virtual run in April 2022



We recognise that our Bank's success depends on our workforce's dedication and commitment. Thus, we have implemented a robust Employee and Worker Relation Management mechanism to foster a positive and productive work environment.

Sufficient notice is published on our Bank's intranet platform, digital communication channels, and internal journal to inform all employees of the implementation of significant operational changes that could substantially affect them. We conduct townhall meetings periodically to engage with employees. We recognise the right to freedom of association and collective bargaining. We have people representatives to address employees' concerns and issues. We have an Association for Officer (permitted members are Officers up to Scale III) and a Union for members of Award Staff.

Category	FY 2022-23			FY 2021-22		
	Total Employees in Respective Categories (A)	No. of Employees/ Workers in Respective Categories who are Part of Associations or Union (B)	% (B/A)	Total Employees/ Workers in Respective Categories (C)	No. of Employees/ Workers in Respective Categories who are Part of Associations or Union (D)	% (D/C)
Total Permanent Employees	13,106	10,137	77.35	12,641	10,043	79.45
Male	7,730	5,700	73.74	7,502	5,697	75.94
Female	5,376	4,437	82.53	5,139	4,346	84.57







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## Health and Safety

At Federal Bank, we understand the critical role of workplace health and safety in maximising organisational effectiveness. We have implemented a robust SOP on Health and Safety, providing a comprehensive framework for managing risks. Our unwavering commitment is to ensure the well-being of our employees, contractors, and visitors, minimising health and safety hazards. We continually strive to enhance safety measures, eliminate workplace injuries and illnesses, and promote a safe working environment. Moreover, our Business Continuity Management Policy prioritises employee safety as one of its key objectives. We have established emergency response procedures and detailed SOPs to address various contingencies such as fires, floods, earthquakes, and other emergencies.

✓ Yes ✗ No

Standard Benefits Provided	Group Term Life Insurance	Medical Insurance	Disability Ex: Cab Facility	Maternity Benefits	Paternity Benefits	Day Care Facilities	Retirement Provision
Full-time employee	✓	✓	✗	✓	✓	✓	✓
Part-time employee	✓	✓	✗	✓	✓	✓	✓

No. of Employees Entitled to Parental Leave



No. of Employees who Returned to Work after Leave Ended



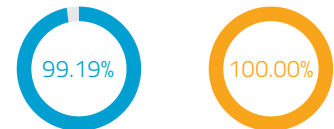
No. of Employees that Took Parental Leave



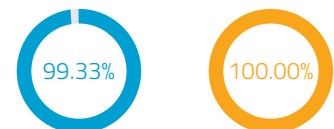
No. of Employees who Returned to Work after Leave Ended and were Still Employed after 12 Months



Return to Work Rate



Retention Rate



■ Maternity Leave ■ Paternity Leave





## Driving Performance through Learning

At Federal Bank, we firmly prioritise employee learning and development as a cornerstone of our success. We recognise that a skilled and knowledgeable workforce is crucial to achieving our strategic goals and maintaining our competitive edge in the market. To this end, our Bank is committed to providing employees with the resources and support they need to accelerate their learning and development.

### Some of the initiatives conducted to foster the learning and development of employees are as follows:

- We have recently launched our state-of-the-art Federal Academy of Career Excellence (FACE) training facility. This facility is equipped with the latest technology and infrastructure, enabling us to connect remotely with all our branches
- Our Bank has leveraged the support of in-house functional experts and internally empanelled cluster trainers. Working in tandem, the faculty team at FACE, delivers custom-curated, role-specific functional training programmes for various job roles, ensuring that employees receive the necessary training regardless of their location
- Our Bank identifies and nominates employees to participate in training programmes conducted by IDRBT, CRISIL, CAFRAL, IIMs and other renowned universities, both in India and abroad
- Our Bank has partnered with Coursera Learning to offer self-paced e-learning programmes for our employees. Our Bank's Learning and Development (L&D) strategy has driven business and individual growth, as evidenced by our officers' 99% active participation rate in these programmes
- Our Bank has introduced a monthly Webinar Series, DAKSHA, featuring prominent industrialists, academicians, and thought leaders as guest speakers. The series has gained immense participation, providing employees with a valuable platform to stay updated on the latest industry developments and emerging trends
- We have conducted multiple training interventions such as comprehensive induction programmes for all new joiners, regular refresher programmes, skill upgrading for different job roles, leadership training, coaching programmes, and training for employees nearing retirement

# 51,164

Number of Trainees

# 3.9 Lakh

Total Person-hours

# 12,319

Unique Employees Trained

# 29

Average Training Hours per Employee





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### Adopting the Digital Way

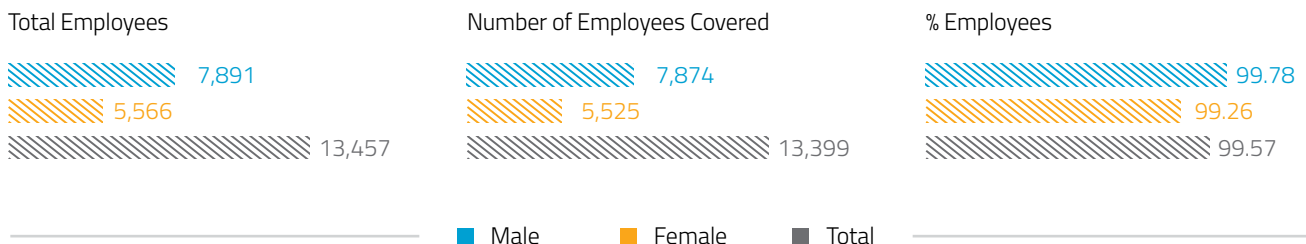
We are on a transformative digital journey to enhance learning for our employees. Our state-of-the-art training facility, FACE, enables live telecast of sessions, ensuring easy access for all branches. Our e-learning modules are designed with features including graphics, interactive quizzes, and simulations, to provide an immersive learning experience.

In addition, we are incorporating augmented reality to simulate real-life branch processes. Through our MOOCs partnership, we offer access to latest learning programmes. Our approach utilises masterclasses, webinars, and podcasts, fostering an interactive and enriching learning environment.

### Learning and Development Opportunities for Employees

Category of Employees	Total No. of Employees			No. of Hours of Training per Category			Average Hours of Training per Year per Employee		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Associates	2,742	2,317	5,059	19,111	19,363	38,473	6.97	8.36	7.60
Middle Management	4,309	3,006	7,315	1,88,478	1,23,402	3,11,880	43.74	41.05	42.64
Senior Management	749	225	974	29,551.60	9,528.34	39,080	39.45	42.35	40.12
Top Management	91	18	109	2,904.38	587.75	3,492	31.92	32.65	32.04
<b>Total</b>	<b>7,891</b>	<b>5,566</b>	<b>13,457</b>	<b>2,40,044</b>	<b>1,52,881</b>	<b>3,92,925</b>	<b>30.42</b>	<b>27.47</b>	<b>29.20</b>

### Performance and Career Development Review





## Promoting Human Rights

At Federal Bank, we uphold human rights principles and provide comprehensive training to our employees. We educate our staff about human rights, diversity, and inclusion through regular training programmes. We emphasise respecting and promoting equal opportunities for all individuals, fostering a workplace culture that values and upholds human rights principles in every aspect of our operations. Adherence to our Code of Ethics and Business Conduct ensures that the highest ethical standards and respect for human rights are maintained.

### Training Related to Human Rights Policies and Procedures

	Employees		
	Permanent	Other than Permanent	Total Employees
Total (A)	13,106	351	13,457
No. of Employees/Workers Covered (B)	7,959	-	7,959
% (B/A)	60.73	-	59.14







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## Building a Stronger Bond and Sustainable Tomorrow

At Federal Bank, we recognise the increasing digital orientation of modern customers; however, we firmly believe in the significance of driving purposeful engagements with those we serve. In response, we have taken proactive steps in recent years to create several verticals in areas where our expertise may have been limited earlier. These strategic verticals are meticulously designed to foster effective interactions and provide services beyond customer expectations.

Furthermore, our Bank has implemented a comprehensive succession planning process. This process identifies and nurtures talented individuals capable of navigating changing business environments and unforeseen challenges. Our Bank's dedicated efforts towards developing our valuable human resources have positioned us to deliver enduring value for years to come.





## Driving Communities towards a Resilient and Empowered Tomorrow

For us at Federal Bank, Corporate Social Responsibility has been an inherited and inbuilt element from the day of our foundation. Even though the nature of our business does not cause any negative impact on the local community, we have an ideology that a business is bound to uplift the communities it operates within.

Federal Bank Hormis Memorial Foundation, a special purpose vehicle set up by our Bank in 1996, implements the CSR activities of our Bank. Starting with the first act of cultivating banking habits in an agrarian society, our Bank has designed long-term, meaningful impact initiatives in areas of Health, Education, Women Empowerment, Environment Sustainability, and others permitted by Schedule VII of the Companies Act, 2013.

Our Bank, as a responsible institution, upholds our commitment to prioritising the welfare of society in all our endeavours. To ensure this, we have established a CSR policy that aligns our activities with sustainable social welfare objectives.

The CSR Policy of Federal Bank provides a comprehensive outline of our CSR Vision, the Committee responsible for overseeing CSR projects and activities. All our CSR endeavours are carried out in accordance with applicable laws and regulations, as directed by the Board of Directors. The CSR Committee, formed within the framework of the Governing Act, formulates, and recommends the CSR policy.

To ensure effective implementation, we have established a dedicated CSR Department, which coordinates, monitors, ensures compliance, conducts inspections, and reports back to the Committee, thereby ensuring that the intended beneficiaries receive the full benefits of these initiatives. In addition to the CSR initiatives, our endeavours support local suppliers to procure consumables from local surrounding areas to the branches.

### 17<sup>th</sup> KP Hormis Commemorative Lecture

The Federal Bank Hormis Memorial Foundation was established in 1996 to honour the cherished memory of our founder, Late Sri K P Hormis. Each year, remembering our beloved founder, the foundation organises a commemorative lecture featuring distinguished personalities. Our past speakers have included notable figures such as Dr. Shashi Tharoor, Dr. G Madhavan Nair, Mr. P Chidambaram, Mr. Arun Jaitley, Mr. N R Narayana Murthy, Mr. M Damodaran, Mr. V Leeladhar, Dr. V Kurien, Mr. Montek Singh Ahluwalia, Mr. M M Jacob, Mr. S Venkitaraman, Mr. Arun Shourie, Dr. Raghuram Rajan, Mr. Arvind Subramanian, and Mr. Viral V Acharya.

The 17<sup>th</sup> KP Hormis Commemorative Lecture was delivered by Mr. Shaktikanta Das, Governor of the Reserve Bank of India, at the Grand Hyatt Convention Centre in Kochi on March 17, 2023. Stakeholders from various sectors of society attended the event.





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# ₹ 27,89,03,934 Invested

For a Brighter Future of Society in Accordance with the CSR Policy of our Bank

Amount (in ₹)	Impact of the Investment
20,55,24,611	<b>Promoting Education</b> <ul style="list-style-type: none"> <li>Federal Bank Hormis Memorial Foundation Scholarships: Elevating the next generation to create a sustainable future</li> <li>Federal Skill Academies: Uplifting the skilling arena of India</li> <li>Support to schools, libraries and educational institutions</li> </ul>
3,15,30,542	<b>Supporting Charitable Institutions/NGOs Providing Medical Aid</b> <ul style="list-style-type: none"> <li>Provision to ensure availability of ambulances, medical equipment like dialysis machines, and infrastructural supports, among others, to support communities</li> </ul>
26,46,960	<b>Assisting Shelter Expenses</b> <ul style="list-style-type: none"> <li>Infrastructural upliftment of society by developing housing, learning centres, bus stops, and hospital labour rooms</li> </ul>
4,81,250	<b>Helping with Food Expenses</b> <ul style="list-style-type: none"> <li>Support underprivileged destitute homes, and families through meals, food kits and groceries to fight hunger</li> </ul>
3,87,20,571	<ul style="list-style-type: none"> <li>Encouraging digitisation</li> <li>Affordable and clean energy solutions</li> <li>Sports</li> <li>Environmental sustainability</li> <li>Swatch Bharat Mission</li> <li>Healthcare</li> </ul>

## Speak for India

Empowering Youth

## Federal Bank Hormis Memorial Foundation Scholarships

Supporting Meritorious Students to Pursue Professional/Nursing Courses

## Project Thulir

Creating Livelihood for Differently Abled Women of Tamil Nadu in Association with United Way of Chennai

## Random Act of Kindness

Founders Day Programme 2022- CSR Initiatives Aligned to UN SDGs



### SEED

Student Empowerment for Environmental Development

### Swayam Sakthi

Remedial Education to Girl Child

### DREAM

Drug Rehabilitation Education and Mentoring





## Employee Volunteering in FY 2022-23

- In association with the Indian Red Cross Blood Centre, our Bank arranged a blood donation camp for our employees during our Mumbai Fort Branch's 50<sup>th</sup> Anniversary Celebrations. More than 75 bags of donated blood were collected, thus supporting healthcare organisations in saving lives
- 100 saplings were planted at Vashi by our employees in collaboration with SankalpTaru Foundation to celebrate the 50<sup>th</sup> Anniversary of the iconic Mumbai Fort Branch and 25<sup>th</sup> Anniversary of the Vile Parle Branch
- Our employees voluntarily donated clothes to the Goonj organisation that recycles used clothes into handicrafts and provides job, especially to women. It contributes to lowering waste generation, while alleviating poverty and developing rural areas
- A comprehensive Bird Census at Kazhuveli and Ossudu Sanctuaries was carried out by our employees in collaboration with Tamil Nadu Forest Department, highlighting the region's native bird species. A co-branded wall calendar featuring diverse bird species from Kazhuveli Sanctuary was launched by Supriya Sahu, the Additional Chief Secretary for Environment, Climate Change & Forests
- Our Chennai Zonal Office cultivates a variety of leafy greens and medicinal herbs including lettuce, spinach, coriander, basil, and mint through hydroponic farming





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### Boosting Government-Sponsored Credit Schemes

At Federal Bank, we actively support India's Central and State Government-sponsored credit schemes. Our goal is to foster financial inclusion and drive economic growth across the nation. Through transparent processes and simplified documentation, we facilitate seamless access to credit for deserving beneficiaries.



### Active Loans and Outstanding Balances of the Government Schemes Supported:

Scheme	Active Loans	Outstanding Balances (₹ in Crore)
Pradhan Mantri Mudra Yojana (PMMY)	4,642	117.74
Deendayal Antyodaya Yojana - National Urban Livelihoods Mission (DAY-NULM)	339	4.33
Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)	139	6.06
PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi)	743	0.63
Prime Minister's Employment Generation Programme (PMEGP)	3,108	82.71
Lending to Self Help Groups (SHGs) and Joint Liability Groups (JLGs)	3,57,037	1,210.36





# BOARD'S REPORT

To the Members,

Your directors take pleasure in presenting the 92nd Annual Report on the business and operations of The Federal Bank Limited ("the Bank"), together with the audited accounts for the Financial Year (FY) ended March 31, 2023.

## FINANCIAL RESULTS

Financial results are presented in the table below:

	(₹ in Crore)	
Financial Parameters for the year ended	March 31, 2023	March 31, 2022
Net Interest Income	7,232.16	5,961.96
Fee and Other Income	2,330.00	2,089.09
Net Revenue	9,562.16	8,051.05
Operating Expense	4,767.76	4,293.20
Operating Profit	4,794.40	3,757.85
<b>Net Profit</b>	<b>3,010.59</b>	<b>1,889.82</b>
Profit brought forward	4,105.55	3,305.38
Total Profit Available for appropriation	7,116.14	5,195.20
<b>Appropriations:</b>		
Transfer to Revenue Reserves	426.57	266.72
Transfer to Statutory Reserves	752.65	472.46
Transfer to Capital Reserves	11.32	87.40
Transfer to Investment Fluctuation Reserve	0.97	-
Transfer to Special Reserve	160.69	123.34
Dividend pertaining to previous year paid during the year	378.66	139.74
Balance Carried over to Balance Sheet	5,385.28	4,105.54
<b>Financial Position</b>		
Deposits	213,386.04	181,700.59
Advances	174,446.89	144,928.33
Total Business (Deposits + Advances)	387,832.93	326,628.92
Other Borrowings	19,319.28	15,393.12
Investments	48,983.35	39,179.46
Total Assets (Balance Sheet Size)	260,341.83	220,946.31
Equity Capital	423.24	420.51
<b>Ratios</b>		
Return on Total Assets (%)	1.28	0.94
Return on Equity (%)	15.02	10.87
Earnings Per Share (₹)	14.27	9.13
Book value per share (₹)	101.22	88.75
Operating cost to Income (%)	49.86	53.32
Capital Adequacy Ratio (%) Basel (III)	14.81	15.77

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

## HIGHLIGHTS OF PERFORMANCE

During the year 2022-23, your Bank delivered an excellent performance amidst a conducive but volatile environment in the market. Total business of your Bank improved by 18.74% to reach ₹ 3,87,832.93 Crore as on March 31, 2023. A strong growth of 20.37% in Net Advances supported by a 17.44% growth in

Total Deposits helped your Bank to grow its Total Business to its current levels. Net Advances as on March 31, 2023 stood at ₹ 1,74,446.89 Crore with average advances growing by 17.22%, touching ₹ 1,57,642.13 Crore. Total Deposits reached ₹ 2,13,386.04 Crore as on March 31, 2023, with average deposits over the year touching ₹ 1,88,228.57 Crore posting a growth of 11.15%.





## DIRECTORS' REPORT (Contd.)

Your Bank was able to post all time high quarterly Net Profits consecutively for all four quarters of the year, culminating in an all-time high annual Net Profit of ₹ 3,010.59 Crore for the financial year. RoA has increased by 34 bps to 1.28% while RoE has increased by 415 bps to 15.02%. EPS has increased to ₹ 14.27 improving by 56.29%.

### GROWTH IN BUSINESS

On CASA front, Savings deposit touched ₹ 55,451.99 Crore with a growth of 1.73% and Current deposits stood at ₹ 14,288.99 Crore with a growth of 13.30%. Your Bank registered a CASA growth of 3.90% to reach ₹ 69,740.98 Crore. CASA ratio of your Bank stood at 32.68%.

The investment portfolio (net) of your Bank has reached ₹ 48,983.35 Crore as on March 31, 2023 and the average investment as on March 31, 2023, is ₹ 44,018.61 Crore.

### PROFITABILITY

The Bank delivered an annual operating profit of ₹ 4,794.40 Crore as on March 31, 2023. The annual net profit is at ₹ 3,010.59 Crore as on March 31, 2023 up from ₹ 1,889.82 Crore as on March 31, 2022. Net Interest Income improved by 21.31% to ₹ 7,232.16 Crore while the Non-Interest Income stood at ₹ 2,330.00 Crore.

Total income of your Bank during the fiscal touched ₹ 19,133.64 Crore and Income from advances reached ₹ 13,491.84 Crore. The yield on advances stood at 8.56% and the yield on Investments (excluding trading gain) stood at 6.35%. The Net Interest Margin for the fiscal year is at 3.31% as against 3.20%, in the previous year.

Return on Average Equity and Return on Average Total Assets stood at 15.02% and 1.28% respectively. Earnings per Share (face value of ₹ 2 each) of the Bank, as on March 31, 2023, was ₹ 14.27.

### EXPENDITURE

The total expenses of your Bank stood at ₹ 14,339.24 Crore and interest expenses increased by 24.32% to ₹ 9,571.48 Crore as on March 31, 2023. Operating Expenses of the Bank during the fiscal year increased to ₹ 4,767.76 Crore.

The cost of deposits of the Bank increased to 4.58% as on March 31, 2023. The Interest expenses as percentage to total income stood at 50.02%.

### SPREAD

During the fiscal year, the Bank's spread on advances (gross) stood at 3.98% and spread on investments (gross) declined to 1.95%. The spread (net of provisions) on advance stood at 3.60%

### ASSET QUALITY

The Gross NPA of your Bank as on March 31, 2023, stood at ₹ 4,183.77 Crore. Gross NPA as a percentage to Gross Advances is at 2.36%. The Net NPA stood at ₹ 1,205.01 Crore and Net NPA percentage is at 0.69% as on March 31, 2023. The Provision Coverage Ratio (excluding technical write offs) stood at 70.02% and Provision Coverage Ratio (including technical write offs) stood at 83.49% as on March 31, 2023.

### NET WORTH & CAPITAL ADEQUACY

The Net Worth of your Bank grew by 14.78% to ₹ 21,419.49 Crore as against ₹ 18,660.98 Crore in the previous year. Historically, your Bank has been strong on capital adequacy. CRAR of the Bank calculated in line with Basel III norms stood at 14.81% which is higher than the RBI stipulation. Of this, Tier 1 CRAR is at 13.02%.

### BUSINESS OVERVIEW

Your Bank continued its consistent performance during FY 2022-23 with the total business of the Bank increasing by 18.74% to reach ₹ 3,87,832.93 Crore.

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

### EMPLOYEE PRODUCTIVITY

Business per employee of your Bank during the period stood at ₹ 29.55 Crore, an improvement of 14.80% for the year and the profit per employee of the Bank stood at ₹ 22.94 Lakh during the fiscal.

### EXPANSION OF NETWORK

The Bank has 1355 branches and 1916 ATM/Recyclers (including 2 Mobile ATM's) as on March 31, 2023. The Bank also has its Representative Office at Abu Dhabi & Dubai and an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City).

### SHARE VALUE

Earnings per Share (face value ₹ 2 /- each) of your Bank have improved to ₹ 14.27 from ₹ 9.13 during the year under review. Return on Equity during the year reached 15.02% in the fiscal year ended March 31, 2023. Book value per share had increased to ₹ 101.22 as on March 31, 2023.



## DIRECTORS' REPORT (Contd.)

### APPROPRIATIONS

(₹ in Thousands)

	FY 2022-23	FY 2021-22
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	3,786,630	1,397,396
Balance carried over to Balance Sheet	53,852,696	41,055,453
<b>TOTAL</b>	<b>71,161,396</b>	<b>51,952,044</b>

### MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE BANK WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE BANK TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No material changes and commitments which could affect your Bank's financial position have occurred between the end of the financial year of your Bank and date of this report.

### CHANGE IN CAPITAL STRUCTURE AND LISTING OF SHARES

The subscribed and paid-up share capital of the Bank as on March 31, 2023 is ₹ 4,232,402,286/- divided into 2,116,201,143 equity shares of ₹ 2/- each. The Bank's equity shares are listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). During the year 1,36,37,270 equity shares of ₹ 2/- each were allotted under Employee Stock Option scheme (ESOP) of the Bank and 17,500 equity shares of ₹ 2/- each were allotted against rights entitlements released from abeyance. All the above equity shares were admitted for trading in NSE and BSE.

As on March 31, 2023, Bank has an outstanding of 4,695 units rated, unsecured, redeemable, non-convertible, Basel III compliant lower tier II subordinated bonds aggregating to ₹ 1995 Crore.

*Important changes which have occurred after the close of Financial Year*

After the close of Financial Year, 19,63,075 equity shares of ₹ 2/- each were allotted under ESOP scheme of the Bank and have been admitted for trading on NSE and BSE. Accordingly, the paid-up share capital of the Bank as on July 15, 2023 is ₹ 4,23,63,28,436 divided into 2,11,81,64,218 equity shares of

₹ 2/- each. The shares are actively traded on NSE and BSE and have not been suspended from trading.

### DIVIDEND

Continuing the Bank's policy of striking a fine balance between retained earnings and dividend distribution, the Board of Directors have recommended a dividend of 50% i.e. ₹ 1.00 per Equity Share on face value of ₹ 2/- each for the year 2022-23 (previous year: 90%) subject to the approval of the members in the ensuing Annual General Meeting. Protecting shareholders' value has always been a guiding philosophy of the Bank.

As per the prevailing provisions of the Income Tax Act, 1961, the dividend, if declared, will be taxable in the hands of the shareholders at the applicable rates. For details, shareholders are requested to refer to the Notice of 92nd Annual General Meeting of the Bank.

### CREDIT RATING

The details of Credit Ratings of your Bank as on March 31, 2023 are as follows;

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

During the year under review, Outlook for Tier II bonds was changed from Stable to Positive. The Bank had also obtained rating for Fixed Deposits of the Bank.

### EMPLOYEE STOCK OPTION SCHEME (ESOS)

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







## DIRECTORS' REPORT (Contd.)

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

Under ESOS 2010, the Nomination, Remuneration, Ethics and Compensation Committee granted 3,47,20,200 options during the year 2011-12, 2,44,84,750 options during the year 2012-13, 2,60,94,250 options during the year 2013-14, 1,11,56,450 options during 2014-15, 10,25,000 options during the year 2015-16, 9,65,000 options during the year 2016-17 and 100,000 options during the year 2017-18. The options granted which are non-transferable, with vesting period of 1 to 5 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on March 31, 2023, 50,38,853 options had been exercised and 15,59,870 options were in force.

Under ESOS 2017, the Nomination, Remuneration, Ethics and Compensation Committee granted 2,23,18,348 options during the year 2017-18, 3,72,31,307 options during the year 2018-19, 3,05,24,986 options during the year 2019-20, 1,68,84,159 options during the year 2020-21, 37,33,250 options during the year 2021-22 and 45,03,375 options during the year 2022-23. The options granted which are non-transferable, with vesting period of 1 to 4.25 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on March 31, 2023, 85,98,417 options had been exercised and 7,22,83,662 options were in force.

Other statutory disclosures as Required under Regulation 14 of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 on ESOS are given in website of the Bank in the link: <https://www.federalbank.co.in/web/guest/shareholder-information>.

### TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

#### TRANSFER OF UNPAID/ UNCLAIMED DIVIDEND TO IEPF

Pursuant to Sections 124 and 125 of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), all unpaid or unclaimed dividends are required to be transferred by the Bank to the Investor Education and Protection Fund ("IEPF" or "Fund") established by the Central Government, after completion of seven years from the date the dividend is transferred to unpaid/unclaimed account.

As a result, the unclaimed/unpaid dividend for the year 2014-15 amounting to ₹ 1,11,64,280.60/- which remained unpaid and

unclaimed for a period of 7 years has been already transferred by your Bank to the IEPF.

Further, the unpaid dividend amount pertaining to the financial year 2015-16 will be transferred to IEPF during the Financial Year 2023-24 within statutory timelines. Members are requested to ensure that they claim the dividends referred above before they are transferred to the said Fund. The due dates for transfer of unclaimed dividend to IEPF are provided in the report on Corporate Governance.

Your Bank has uploaded the details of unclaimed/ unpaid dividend for the financial year 2015-16 onwards on its website viz., [www.federalbank.co.in](http://www.federalbank.co.in) and on website of the Ministry of Corporate Affairs viz., [www.iepf.gov.in](http://www.iepf.gov.in) and the same gets revised/updated from time to time pursuant to the provisions of IEPF (Uploading of Information Regarding Unpaid and Unclaimed Amount lying with Companies) Rules, 2012.

#### TRANSFER OF SHARES TO IEPF

Pursuant to the provisions of Section 124(6) of the Act and the Investor Education and Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 notified by the Ministry of Corporate Affairs on September 07, 2016 and subsequently amended vide notification dated February 28, 2017, all the equity shares of the Bank in respect of which dividend amounts have not been paid or claimed by the shareholders for seven consecutive years or more are required to be transferred to demat account of IEPF Authority. The said requirement does not apply to shares in respect of which there is a specific Order of Court, Tribunal or Statutory Authority, restraining transfer of the shares.

Upon transfer of such shares, all benefits (like dividend, bonus, split, consolidation etc.), if any, accruing on such shares shall also be credited to the Account of IEPF and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. Shares which were transferred to the demat account of IEPF Authority can be claimed back by the shareholder by following the procedure prescribed under the aforesaid rules.

Accordingly, 2,88,095 equity shares of 291 members of your Bank were transferred to demat account of IEPF Authority. Your Bank had sent individual notice to all the aforesaid 291 members and has also published the notice in the leading English and Malayalam newspapers.

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



## DIRECTORS' REPORT (Contd.)

### DIRECTORS

As on March 31, 2023, Bank's Board consists of 11 members, with rich experience and specialised knowledge in various areas of relevance to the Bank, including Accountancy, Agriculture and Rural Economy, Banking, Co-Operation, Information Technology, Accountancy, Credit, Treasury Operations, Human Resources, Governance, Compliance, Economics, Finance, Small – Scale Industry, Law, Payment & Settlement systems, Risk Management, Business Management. Besides the Chairman, the Board comprises seven Non-Executive Independent Directors including one woman Independent Director and three Executive Directors.

Ms. Shalini Warriar (DIN: 08257526) was re-appointed as Executive Director of the Bank for a period of three years with effect from January 15, 2023 till January 14, 2026 with the approval of Reserve Bank of India vide letter DoR. GOV. No. S6506/08.38.001/2022-23 dated January 11, 2023. Further, approval of the shareholders for re-appointment of Ms. Shalini Warriar as Executive Director of the Bank, was also obtained through postal Ballot on April 06, 2023.

Mr. Harsh Dugar (DIN: 00832748) was appointed as Additional Executive Director of the Bank for a period of three years with effect from June 23, 2023 for a period of 3 years with the approval of Reserve Bank of India vide letter DoR.GOV.No. 1627/08.38.001/2023-24 dated June 22, 2023. Accordingly, approval of the shareholders for the appointment of Mr. Harsh Dugar as the Executive Director of the Bank through ordinary resolution is being sought at the ensuing AGM of the Bank.

RBI had vide its letter DoR.GOV.No.1676/08.38.001/2023-24 dated June 26, 2023 accorded its approval for the appointment of Mr. A P Hota (DIN- 02593219), Independent Director, as Part Time Chairman of the Bank with effect from June 29, 2023, till January 14, 2026, consequent to retirement of Mr. C Balagopal (DIN: 00430938), Part time Chairman and Independent Director from the Board of the Bank with effect from end of June 28, 2023 upon completion of his tenure of 8 years on the Board of the Bank, in accordance with the regulatory requirements.

Mr. Ashutosh Khajuria (DIN: 05154975), Executive Director and Key Managerial Personnel of the Bank has retired from the Board of the Bank upon completion of his term of office from end of day, April 30, 2023.

In accordance with the provisions of the Act and the Articles of Association of the Bank, Mr. Shyam Srinivasan (DIN: 02274773) MD&CEO of the Bank, is liable to retire by rotation at the ensuing Annual General Meeting and being eligible have offered himself for re-appointment.

The Shareholders in the 91st AGM had approved the re-appointment of Mr. Shyam Srinivasan (DIN: 02274773) as Managing Director & Chief Executive Officer of the Bank for a period of three years with effect from September 23, 2021 to September 22, 2024 and Mr. Ashutosh Khajuria (DIN: 05154975) as an Executive Director of the Bank for the period from May 01, 2022 to April 30, 2023. The shareholders had also approved the appointment Mr. Sankarshan Basu (DIN: 06466594) and Mr. Ramanand Mundkur (DIN:03498212) as Independent Directors of the Bank for a term of five consecutive years with effect from October 01, 2021.

The Board is of the opinion that the independent directors appointed during the year possesses necessary integrity, expertise and experience (including the proficiency).

Necessary information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of directors to be appointed and re-appointed at the ensuing Annual General Meeting are given in the Annexure to the Notice convening the Annual General Meeting scheduled to be held on August 18, 2023.

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

### KEY MANAGERIAL PERSONNEL

As on March 31, 2023, the following Directors/Executive continued as Key Managerial Personnel of the Bank:

Mr. Shyam Srinivasan – Managing Director & Chief Executive Officer

Mr. Ashutosh Khajuria – Executive Director

Ms. Shalini Warriar – Executive Director

Mr. Venkatraman Venkateswaran - Chief Financial Officer

Mr. Samir P Rajdev – Company Secretary

During the year, the shareholders of the Bank had approved the re-appointment of Mr. Shyam Srinivasan (DIN: 02274773) as Managing Director & Chief Executive Officer of the Bank for a period of three years with effect from September 23, 2021 to September 22, 2024 and Mr. Ashutosh Khajuria (DIN: 05154975) as an Executive Director of the Bank for the period from May 01, 2022 to April 30, 2023.





## DIRECTORS' REPORT (Contd.)

### **After the end of the financial year and up to the date of the Report**

Mr. Ashutosh Khajuria (DIN: 05154975), Executive Director and Key Managerial Personnel of the Bank has retired from the Board of the Bank upon completion of his term of office from end of the day, April 30, 2023.

Mr. Harsh Dugar (DIN: 00832748) was appointed as Additional Executive Director (KMP) of the Bank for a period of three years with effect from June 23, 2023 for a period of 3 years with the approval of Reserve Bank of India vide letter DoR.GOV.No. 1627/08.38.001/2023-24 dated June 22, 2023. Accordingly, approval of the shareholders for the appointment of Mr. Harsh Dugar as the Executive Director (KMP) of the Bank through ordinary resolution is being sought at the ensuing AGM of the Bank.

### **DECLARATION BY INDEPENDENT DIRECTORS**

The Bank has received declaration from all the Independent Directors that they continue to meet the criteria of independence as provided under the Companies Act, 2013 (the Act) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and comply with the Code for Independent Directors as specified under Schedule IV of the Act. In terms of the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019 read with the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, the Independent Directors of the Bank has enrolled his/ her name in the online databank of Independent Directors maintained by the Government.

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

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

### **MEETINGS**

The Board meets at regular intervals to discuss and decide on Bank/ business policy and strategy apart from other items of business. A tentative annual calendar of the Board and Committee meetings are circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure

meaningful participation in the meetings. However, in case of a special and urgent business need, the approval of the Board/ Committee is taken by passing resolutions by circulation, as permitted by law, which are noted and confirmed in the subsequent Board/Committee meeting.

The notice of Board and Committee meetings is given well in advance to all the Directors. The agenda and pre-reads are circulated well in advance before each meeting to all Directors for facilitating effective discussion and decision making. Considerable time is spent by the Directors on discussions and deliberations at the Board and Committee meetings.

During the financial year, seventeen (17) Board Meetings, twenty-one (21) Audit Committee Meetings and other Committee Meetings were convened and held, the details of which are given in the Corporate Governance report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

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

### **SUBSIDIARIES OF THE BANK**

As on March 31, 2023, the Bank has one unlisted wholly owned subsidiary, M/s. Federal Operations and Services Limited and one unlisted subsidiary M/s. Fedbank Financial Services Limited.

### **FEDERAL OPERATIONS AND SERVICES LIMITED**

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

As on March 31, 2023, FedServ's Board of Directors has following five members-

Mr. Abhaya Prasad Hota, Non-Executive Independent Director & Chairman

Mr. Venkatraman Venkateswaran, Non- Executive Director

Mr. Ajith Kumar K K, Non- Executive Director

Mr. Johnson K Jose, Non- Executive Director

Mr. Prashant Preman, Wholetime Director

During the year ended on March 31, 2023, FedServ has taken significant operational activities of the Bank which includes LCRD Back office, Document scanning and Application Support.



## DIRECTORS' REPORT (Contd.)

FedServ is carrying out 125 operational activities of the Bank as on March 31, 2023. Company does not deal in loans and advances, neither it accepts deposits. FedServ is operating from three locations: - Kochi in Kerala, Visakhapatnam in Andhra Pradesh and Bengaluru in Karnataka.

The total revenue of FedServ for the year ended on March 31, 2023, was ₹ 61.85 Crore. ₹ 59.50 Crore pertains to services provided by the Company to the Bank and ₹ 2.35 Crore relates to the indirect incomes. The Company had a net profit of ₹ 4.78 Crore for the year ended on March 31, 2023. The Net worth of FedServ at the beginning of the year was ₹ 16.27 Crore and closing net worth of FedServ as on March 31, 2023, was ₹ 20.62 Crore.

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

The Profit after tax of the Company for the year ended March 31, 2023, increased to ₹ 4.78 Crore from ₹ 3.46 Crore for the year ended March 31, 2022. The total assets of the Company increased to ₹ 26.07 Crore as on March 31, 2023, from ₹ 19.83 Crore as on March 31, 2022.

### FEDBANK FINANCIAL SERVICES LIMITED

Fedbank Financial Services Limited ("Fedfina") is a subsidiary company of The Federal Bank Limited (the "Bank"), which was incorporated on April 17, 1995, in Kerala at Kochi under the Companies Act, 1956, and was granted a certificate of incorporation by the Registrar of Companies, Kerala at Kochi. The Reserve Bank of India has, pursuant to the certificate of registration dated August 24, 2010, granted approval to Fedfina, to carry on the business of a non-banking financial institution without accepting public deposits. Fedfina provides various multiple loan products such as Loan against Property (LAP) and Loan against pledge of gold ornaments. It also distributes loan products of the Bank. It has 575 branches as of March 31, 2023, across India providing multiple loan products to various segments of borrowers.

Fedfina's Board of Directors comprises of the following seven members:

Mr. Balakrishnan Krishnamurthy – Chairman and Independent Director

Mr. Anil Kothuri – Managing Director and Chief Executive Officer

Mr. Shyam Srinivasan – Non-Executive Director

Ms. Gauri Rushabh Shah – Independent Director

Mr. Maninder Singh Juneja – Non-Executive Nominee Director

Mr. Ashutosh Khajuria – Non-Executive Nominee Director

Mr. Peruvemba Ramachandran Seshadri- Additional Director in capacity of Independent Director

The total revenue of Fedfina for the financial year ended on March 31, 2023, is ₹ 1,214.67 Crore as against ₹ 883.64 Crore for the financial year ended March 31, 2022. The revenue increased by 37% on the back of growth of 41% in loan book during the year. The net profit of the Company increased by 74% to ₹ 180.13 Crore for the financial year ended March 31, 2023, as against ₹ 103.46 Crore for the financial year ended March 31, 2022. The Net worth of Fedfina at the beginning of the financial year, that is, April 01, 2022, was ₹ 1,153.52 Crore and closing Net worth of Fedfina as on March 31, 2023 was ₹ 1,355.68 Crore.

The total loan portfolio of Fedfina as on March 31, 2023 was ₹ 8,102.74 Crore as against ₹ 5,760.94 Crore as on March 31, 2022. The total assets of the Company increased to ₹ 9,070.99 Crore as on March 31, 2023, from ₹ 6,555.71 Crore as on March 31, 2022.

Note: The figures reported above for Fedfina are as per the audited IndAS financial statements.

### ASSOCIATE COMPANIES

As on March 31, 2023, the Bank has two Associate Companies named M/s. Ageas Federal Life Insurance Company Limited (Formerly known as IDBI Federal Life Insurance Co Limited) and M/s. Equirus Capital Private Limited.

### JOINT VENTURE IN LIFE INSURANCE BUSINESS

The Bank's Joint Venture Life Insurance Company, in association with Ageas Insurance International N.V., namely Ageas Federal Life Insurance Company Limited, commenced operations in March 2008. As on March 31, 2023, the Bank has a total stake of ₹ 208 Crore in the equity of the Company holding 26% of the equity capital. The total premium collected by Ageas Federal Life Insurance Company Limited during the period ended March 31, 2023 was ₹ 2,289 Crore. The Company has declared final dividend of 7.125% for the FY 2022-23.

On the financial front, the net profit grew by 21% in FY 2022-23, reaching ₹ 114 crore. This was the 11th consecutive year of profit for the Company. The total premium rose by 4% to ₹ 2,289 crore in FY 2022-23 from ₹ 2,207 crore in FY 2021-22.

An understanding of customers' evolving needs and catering to them with the appropriate products and solutions has helped the Company to improve their VNB margin to 31.23%. Superior







## DIRECTORS' REPORT (Contd.)

customer service and a focus on developing long-lasting relationships with the customers has borne fruit with the 13th month persistency reaching 80% and the Company being in the top quartile of all persistency buckets.

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

### INVESTMENT BANKING ASSOCIATE

As of March 31, 2023, Bank holds 19.79% equity stake in Equirus Capital Private Limited. Pursuant to the right of proportionate representation on the Board as well as the power to participate in the financial, operational matters like approval of the business plans, policies, budgets, managerial remuneration, change in KMP etc., the same has been treated as an associate concern as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. Equirus Capital Private Limited is a private company domiciled in India and is engaged in the business of Investment banking. It has 4 subsidiaries named Equirus Securities Private Limited, Equirus Insurance Broking Private Limited, Equirus Wealth Private Limited and Equirus Finance Private Limited. The total turnover of Equirus Capital Private Limited on a consolidated basis was ₹ 157.60 Crore in FY 2023 against ₹ 152.23 Crore for FY 2022.

Mr. Harsh Dugar, Executive Director of the Bank is a Nominee Director on the Board of Equirus Capital Private Limited.

### DEPOSITS

Being a Banking Company, the disclosures required as per Rule 8(5) (v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to the Bank.

### LOANS, GUARANTEES OR INVESTMENTS IN SECURITIES

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

**The details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.**

Not applicable

### RELATED PARTY TRANSACTIONS

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

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

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

### CORPORATE SOCIAL RESPONSIBILITY

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

The details of the CSR initiatives undertaken during the financial year ended March 31, 2023 and other details required to be given under section 135 of the Companies Act, 2013 read with rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in Annexure I forming part of this Report.

The CSR Policy as recommended by the CSR Committee and as approved by the Board is available on the website of the Bank and can be accessed at <https://www.federalbank.co.in/documents/10180/244853009/CSR+Policy+2022-23.pdf/b4802e4d-6e8d-3b50-f5a6-e043c97ea340?t=1667373939724>





## DIRECTORS' REPORT (Contd.)

### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Bank is very conscious about the need for energy management and as a team endeavour to contribute to low carbon economy and acknowledges that it is a continuous process. Your Bank has taken various initiatives to reduce its carbon footprint and improve resource efficiency. It ranges from using better technology to improve energy efficiency, recycling and generating energy from renewable sources. For more details, please refer ESG section of the Annual Report and Business Responsibility and Sustainability Report forming part of the Annual Report. The Bank prides itself on continuous investment in technology upgrades that are designed to deliver cost effective best in class customer service.

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

### **RISK MANAGEMENT**

The Bank's Risk Management framework is based on a clear understanding of various risks, robust risk assessment and measurement procedures and constant monitoring. The Board of Directors oversees all the risks assumed by the Bank. Specific Committees are constituted to facilitate focused oversight of various functions. The Risk Management Committee of the Board sets the standards and governs the risk management functions, thereby bringing in a top to down focus on risk management. The Risk Management Committee of the Board reviews all risk management policies of the Bank. The Committee reviews the Risk Appetite framework, Internal Capital Adequacy Assessment Process (ICAAP) and Stress testing. The Committee oversees setting up of risk limits and exposure ceilings, implementation of Basel III guidelines and the activities of the executive level risk management committees. The Committee assesses the level and direction of major risks pertaining to credit, market, liquidity, operational, reputation, technology, information security, compliance and capital as a part of the risk dashboard. In addition, the Committee oversees risks of subsidiaries covered under the Group Risk Management Framework.

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

The Integrated Risk Management Department of the Bank co-ordinates and administers the risk management functions in the Bank. The Department has three divisions for managing the main risk streams, Credit risk, Market risk and Operational risk. Dedicated teams within the divisions are responsible for assessment, monitoring and reporting of various material risks. Default risk and asset quality of loan portfolio are monitored and managed by the Credit Risk Division. Market Intelligence Unit (MIU) formed for the purpose of monitoring large value accounts is linked to Credit Risk Division. The Bank has established an independent Mid Office as part of Market Risk Division for monitoring and management of risks in Bank's Treasury portfolios. A dedicated ALM team manages the liquidity risk and interest rate risk. A dedicated E&S/ESG team is also established as part of the Integrated Risk Management Department. The Business Continuity Management, Information and Cyber Security measures and Information Technology Risk forms part of Operational Risk Management. All the three divisions are independent of business operations and coordinate with representatives of the business units to implement the Bank's risk management Policies and frameworks. Executive level risk management Committees namely, Credit Risk Management Committee, Asset Liability Management Committee, E&S Committee, Operational Risk Management Committee and Information Security Committee regularly assess the respective risks and direct corrective actions wherever required. The risk management functions are coordinated by a Senior Executive designated as Chief Risk Officer who reports directly to the Managing Director & CEO. All material risks of the Bank emerging in the course of its business are identified, assessed and monitored in the Internal Capital Adequacy Assessment Process (ICAAP). In our view, all the material risks of the Bank are identified, assessed and managed adequately.

### **WHISTLE BLOWER POLICY/VIGIL MECHANISM**

Fraud Risk is managed by the Bank methodically in line with the robust Fraud Risk Management Policy of the Bank which covers all significant aspects like various mitigation measures and the surveillance mechanism that complements prevention, detection, investigation and monitoring of both, internal and external frauds. Public and employees are sensitised on different fraud prevention techniques. With a view to create an atmosphere of alertness, Vigilance Communications (Alerts) are issued on a regular basis that disseminates various modus operandi of frauds across the employees along with suggestions on safeguards and precautions to be adopted to





## DIRECTORS' REPORT (Contd.)

prevent such frauds. Preventive Vigilance Workshop is a flagship programme designed by Vigilance Department for employees which explicates different gaps exploited by miscreants to perpetrate fraud in the banking industry. The programme also ensures deliverance of strategies to be taken to avert such frauds. Fraud Prevention Committee meetings are conducted at Branches on a regular basis so as to discuss various modus operandi of trending frauds and their corresponding preventive measures. Branches are identified based on risk rating and Preventive Vigilance Audits are conducted annually in the identified Branches.

Customer awareness on fraudulent activities is another area that is well covered by the Bank through multiple communication channels including SMS, E-Mails, posters at Branches, ribbon messages on Bank website, internet banking webpage, etc. Bank is also giving special focus to Cyber related frauds and awareness messages are disseminated among the public through various mediums including social media, website, etc. A dedicated campaign is launched, titled "Twice is Wise", with an aim to spread awareness among the public, on cyber related frauds. Posters and videos cautioning the public about novel fraud incidents were shared through social media handles, TV channels, web channels, etc.

All cases reported in the Bank are investigated in detail as part of detective vigilance activity. Need for process refinements/ systemic corrections, if any observed during the course of investigation are highlighted in the forums concerned for corrective measures/necessary directions. Process refinements/systemic corrections are implemented to avert similar incidents in future.

Bank has a robust Whistle Blower Policy termed as Protected Disclosure Scheme (PDS) with a view to enhance public confidence in the Bank and also in compliance of RBI directions in this regard. The policy aims at establishing an effective vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest. It is disseminated among the employees assuring confidentiality and protection to the whistle blower against any personal vindictive actions such as humiliation, harassment or any other form of unfair treatment. Directors and Employees of the Bank, employee representative bodies, customers, stakeholders, non-governmental organisations (NGO) and members of the public can lodge complaints / disclosures under this scheme. A dedicated e-mail ID is provided for sending complaints/disclosures under PDS. Investigation is conducted in all complaints /information received through the PDS mechanism and investigation reports are placed before MD & CEO. The details of the complaints and findings

are also placed before the Audit Committee of the Board on a quarterly basis for review. The scheme is popularised through various measures such as preventive vigilance classes, internal circulars, alerts etc. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure scheme. PDS policy is made available in Bank's website and Intranet. Website link to Bank's Whistle Blower Policy is <https://www.federalbank.co.in/documents/10180/45777/Whistle+Blower+policy.pdf/558aea51-1335-4546-9c9a-28c5030377a1?t=1624965099030>.

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

During the financial year 2022-23, the Bank has not received any significant or material orders passed by any Regulatory Authority, Court or Tribunal which shall impact the going concern status and Bank's operations in future.

### **STATUTORY AUDITORS**

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

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

To comply with the requirements of the aforesaid RBI Circular dated April 27, 2021, the Shareholders in the 90th AGM held on July 09, 2021 approved revision of tenure of appointment of M/s. Varma & Varma, one of the Joint Statutory Central Auditors, as three years with effect from FY 2020-21.

RBI vide its letter DOS.RPO.No. S2722/08.09.005/2022-23 dated 28.07.2022 had granted approval for appointment of M/s. Varma & Varma, Chartered Accountants and M/s. Borkar & Muzumdar, Chartered Accountants as the Joint Statutory Central Auditors of the Bank for FY 2022-23 for their third year.



## DIRECTORS' REPORT (Contd.)

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

The present Statutory Auditors of the Bank, M/s. Varma & Varma, Chartered Accountants, Kochi and M/s. Borkar & Muzumdar, Chartered Accountants, Mumbai are retiring at the conclusion of this Annual General Meeting after completion of their term for three years.

As mandated by RBI guidelines for Entities with asset size of ₹ 15,000 crore and above as at the end of the previous year, the Statutory Audit of the Bank shall be conducted under joint audit of a minimum of two audit firms (Partnership firms / Limited Liability Partnerships (LLPs))

Basis the recommendation of the Audit Committee in its meeting held on May 17, 2023, the Board of Directors of the Bank in its meeting held on May 27, 2023, have recommended the appointment of M/s. Suri & Co, Chartered Accountants (Registration No. 004283S), Chennai, together with M/s. MSKA & Associates, Chartered Accountants (Registration No. 105047W), Mumbai for a period of 3 years as Joint Statutory Auditors of the Bank from the conclusion of 92nd AGM till the conclusion of 95th AGM, for the approval of RBI and the shareholders of the Bank.

As per the requirement of the Companies Act, 2013, M/s. Suri & Co, Chartered Accountants and M/s. MSKA & Associates, Chartered Accountants have confirmed that their appointment if made would be within the limits specified under Section 141(3) (g) of the Act and they are not disqualified to be appointed as statutory auditor/s in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

RBI vide letter Ref CO.DOS.RPD.No. S2374/08.09.005/2023-24 dated June 27, 2023 had granted approval for appointment of M/s Suri & Co, Chartered Accountants (FRN 004283S) and M/s M S K A & Associates, Chartered Accountants (FRN 105047W) as the Joint Statutory Auditors of the Bank for the FY 2023-24 for their First year.

Accordingly, approval of the members is requested for appointment of M/s. Suri & Co, Chartered Accountants together with M/s. MSKA & Associates, Chartered Accountants for a period of three (3) years as Joint Statutory Auditors of the Bank from the conclusion of 92nd AGM till the conclusion of 95th AGM and on such terms and conditions, including remuneration, as may be approved by the Board or Audit Committee of the Board of the Bank, subject to the approval of the RBI every

year. The Board or Audit Committee of the Board will negotiate and finalise the remuneration of the Joint Statutory Auditors depending on their roles and responsibilities / scope of work. The remuneration paid to the Statutory Auditors will be disclosed in the Corporate Governance Report as well as the Annual Financial Statements of the Bank on an annual basis.

M/s. Suri & Co, established in 1939, is present across 4 states with 8 branches including one in Kochi. The firm has 10 full time partners consisting of distinguished Chartered Accountants and a team of more than 210+. The Firm has been in existence for more than 8 decades with dedicated, focused, specialised and well-structured team. The firm is having 45 years' experience in Statutory Central Audit of 15 Commercial Banks.

M/s MSKA & Associates, established in 1978, is an Indian partnership firm registered with the Institute of Chartered Accountants of India (ICAI) and the PCAOB (US Public Company Accountancy Oversight Board). M S K A & Associates is having its presence in 10 cities across the country including Kochi. The firm is having a Statutory central audit experience of 32 years in 13 Commercial Banks and total count of 22 Full Time Partners associated with the firm for more than 3 years.

As required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, M/s. Suri & Co, Chartered Accountants (Registration No. 004283S), Chennai, and M/s. MSKA & Associates, Chartered Accountants (Registration No. 105047W), Mumbai have confirmed that they hold a valid certificate issued by the Peer Review Board of ICAI.

### SECRETARIAL AUDIT AND SECRETARIAL COMPLIANCE REPORT

Pursuant to the provisions of Section 204 of The Companies Act, 2013 your Bank has appointed M/s. M Damodaran & Associates LLP, Company Secretaries, Chennai as Secretarial Auditor to conduct Secretarial Audit of the Bank for the FY 2022-23. Accordingly, the Secretarial Audit Report for FY 2022-23 is annexed to this report as Annexure II. There are no reservations, adverse remark or disclaimer in the Secretarial Audit Report.

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

Pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/CMD1/27/2019 dated February 08, 2019, the Bank has obtained Secretarial Compliance Report, certified by CS Puzhankara Sivakumar (COP: 2210), M/s SEP & Associates, Company Secretaries, Kochi for Financial Year ended March 31, 2023, on compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder and the copy of the same was submitted with the Stock Exchanges.







## DIRECTORS' REPORT (Contd.)

### COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND GENERAL MEETINGS

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

### ANNUAL RETURN

The Annual Return for the Financial Year ended March 31, 2023 as required under Section 92 and Section 134 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the Bank's website, <https://www.federalbank.co.in/shareholder-information>.

### CONSOLIDATED FINANCIAL STATEMENTS

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

In accordance with third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its Standalone and the Consolidated Financial Statements has been hosted on its website, [www.federalbank.co.in](http://www.federalbank.co.in). Further, as per fourth proviso to the said Section, the Audited Annual Accounts of the said Subsidiary Companies of the Bank, considered as part of the Consolidated Financial Statements have also been hosted on the Bank's website, [www.federalbank.co.in](http://www.federalbank.co.in). The said documents have been hosted on the website of the Subsidiary Companies of the Bank also, in compliance with the said Section.

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

ended March 31, 2023 forms part of the Annual Report.

### REQUIREMENT FOR MAINTENANCE OF COST RECORDS

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

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

### CORPORATE GOVERNANCE

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

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

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

### INTERNAL COMPLAINTS COMMITTEES (INFORMATION UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013)

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



## DIRECTORS' REPORT (Contd.)

pan India. The data with regard to the redressal of complaints by the Internal Complaints Committee are as follows:

No. of complaints received for the year FY2022-23	1
No. of complaints disposed of during FY 2022-23	1
No. of cases pending for more than 90 days	Nil
No. of workshops/ awareness programme against sexual harassment carried out	10
Nature of action taken by the employer/ District Officer	Appropriate action taken

### THE DETAILS OF APPLICATION MADE OR ANY PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 (31 OF 2016) DURING THE YEAR ALONG WITH THEIR STATUS AS AT THE END OF THE FINANCIAL YEAR.

As per section 3 clause 7 of The Insolvency and Bankruptcy Code, 2016, Corporate person does not include any financial service provider, thereby the Bank is excluded from the purview of the Code, 2016.

There has been several applications made or are pending in the name of the Bank as a Financial creditor against any default occurred as part of the course of business. The particulars of the Corporate debtor and claim value is annexed to this report as **Annexure III**.

### DIVIDEND DISTRIBUTION POLICY

In accordance with the Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has formulated and adopted a Dividend Distribution Policy, which was reviewed by the Board and the same is available on the website of the Bank at <https://www.federalbank.co.in/our-commitments>.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Bank has through the years developed and stabilised an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the internal audit function is defined in the Audit and Inspection Policy of the Bank, duly approved by the Board of Directors. In order to help Bank in achieving its mission of adopting the best professional practices prevailing in the industry, while framing the policy, substantial inputs are taken from - RBI guidance note on Risk Based Internal Audit, 'The internal audit function in banks' published by Basel Committee on Banking Supervision and RBI Circular on 'Concurrent Audit System'. Audit and Inspection Policy

is reviewed annually. Policy is reviewed considering various guidelines of RBI, Basel Committee recommendations, ICAI guidelines, other statutory / regulatory guidelines, directions of Board / Audit Committee of the Board issued from time to time and periodic internal guidelines / instructions issued by the Bank. Risk based Audit framework is reviewed in line with the present business model and industry best practices. At the enterprise level, the Internal Audit Department, on a continuous basis, assesses and monitors the effectiveness of the control systems and its adequacy to meet the growing complexities. The audit function essentially validates the compliance of Bank's processes and operations with regulatory guidelines, accounting procedures and Bank's own internal rules and guidelines. A department level group meets on periodical intervals to discuss latest internal / RBI / regulatory guidelines for ensuring that the required changes are implemented for making the audit function updated and dynamic.

The Bank has a robust system towards escalating the audit findings to appropriate levels in the hierarchy of Management and discussions in various committees towards suggesting corrective action and its follow up. The Bank in compliance of the requirements of Section 138 of the Companies Act, 2013, has designated the Head of Internal Audit Department as Chief Internal Auditor of the Bank. Chief Internal Auditor of the Bank directly reports to the Managing Director & CEO of the Bank. Audit Committee of the Board reviews the adequacy and effectiveness of the Internal Audit Function. The Bank has various types of audits which inter-alia include Risk Based Internal Audit, Information System Audit, Third Party Risk Audit, Offsite Audit (audit through use of technology and data analysis), Concurrent Audit, Gold Loan Audit and Management Audit. Branches / Departments are risk rated and the frequency of Risk Based Internal Audit / Management Audit is decided based on the Risk Rating of the unit. Significant Audit findings and observations are presented to Inspection Review Committee of Executives and a report on the meetings of Inspection Review Committee of Executives along with significant audit findings, directions / suggestions of the Committee and action taken in such cases are placed to the Audit Committee of the Board for review periodically. Other findings are placed before a department level committee called the 'Inspection Department Review Committee' for review and its observations are placed before Inspection Review Committee of Executives.

As per the requirement of Companies Act, 2013, Bank has formulated Internal Financial Controls framework. Risk and Controls associated with each process in the Bank are





## DIRECTORS' REPORT (Contd.)

documented under the Internal Financial Controls Framework. Internal Audit Department plays a significant role in testing the control effectiveness for each process under the framework.

The Internal Audit function provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management protect the Bank and its reputation.

### **POLICY ON BOARD DIVERSITY**

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

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

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

Nomination, Remuneration, Ethics and Compensation Committee has the responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The benefits of diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of directors to the Board. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. While making Board appointments, the regulatory requirements for appointment of at least one Woman Independent Director on the Board of the Bank is also considered.

### **REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES, INDEPENDENCE OF A DIRECTOR AND OTHER MATTERS PROVIDED UNDER SUB-SECTION (3) OF SECTION 178 OF COMPANIES ACT, 2013**

#### **A) QUALIFICATIONS, EXPERIENCE AND KNOWLEDGE**

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

The age limit of Non- Executive Directors shall be in the range of 35-75 years.

#### **B) DISQUALIFICATION/CONFLICTS OF INTEREST**

1. The Bank's Directors shall be subject to the disqualifications/prohibitions contained in the Companies Act 2013, as amended and the Banking Regulation Act 1949, as amended with respect to directorship of companies in general or banking companies in particular.
2. A Director shall not be a director of any other company, or partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential



## DIRECTORS' REPORT (Contd.)

conflicts of interest as a Director of the Bank. A Director shall promptly inform the Board/committee of any actual or potential conflicts of interest with respect to any matter that may come up for the consideration of the Board or of any committee of which he is a member, and shall refrain from participating in a discussion on the matter.

### **C) SUGGESTED CRITERIA FOR DETERMINING ATTRIBUTES OF A DIRECTOR AS REQUIRED TO BE SPECIFIED UNDER COMPANIES ACT, 2013 INCLUDE**

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

### **D) SUGGESTED CRITERIA FOR DETERMINING INDEPENDENCE OF A DIRECTOR**

The criteria of independence of a director are determined based on the conditions specified in Section 149 (6) of the Companies Act, 2013 and SEBI-LODR Regulations, 2015.

The Independent Director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an Independent Director, give a declaration that he meets the criteria of independence as regulatorily required and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence.

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

In addition to the above, the following mandatory compliances have to be complied with by the Independent Directors:

Every Independent Director shall apply online to the IICA for inclusion of his/ her name in the data bank for a period of one year / five years / life time.

Every Independent Director shall submit a declaration of compliance of registration of name in databank of Independent Directors to the Board each time he submits the declaration required under sub section (7) of section 149 of the Companies Act.

The Independent Directors shall also comply with the provisions contained in Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 with regard to registration on Independent Directors Databank.

### **E) LIMIT OF DIRECTORSHIPS AND MEMBERSHIPS IN COMMITTEES**

A Director cannot hold directorship in more than 20 companies at the same time and out of this he cannot be director of more than 10 public companies as per Companies Act, 2013. Further, as per Regulation 17A of SEBI (LODR) Regulations, 2015, a Director shall not hold directorship in more than seven listed entities with effect from April 01, 2020.

A person shall not serve as an Independent Director in more than seven listed entities. Provided that any person who is serving as a whole time director/managing director in any listed entity shall serve as an Independent Director in not more than three listed entities.

The count for the number of listed entities on which a person is a director / Independent Director shall be only those whose equity shares are listed on a stock exchange. A Director shall not be a member of more than ten committees, or chair more than five committees, of companies, including the Bank, of which he is a director (For the purpose of reckoning the limit under this sub-clause, Chairmanship / membership of the Audit Committee and the Stakeholders' Relationship Committee of all public companies alone shall be considered). Every Director shall promptly inform the Bank of any appointment of the Director as a director of another company, or as a member or the chairman of any committee of any of the other companies, and of any changes in such membership/chairmanship.

## **POLICY ON REMUNERATION**

### **POLICY ON REMUNERATION TO NON-EXECUTIVE DIRECTORS/ INDEPENDENT DIRECTORS**

The Policy of the Bank for the payment of remuneration to Non- Executive Directors / Independent Directors of the Bank is explained in the Comprehensive Compensation Policy for Non-







## DIRECTORS' REPORT (Contd.)

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

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

As per the Policy, during FY 2022-23, Non-Executive Director/ Independent Directors of the Bank were paid sitting fees for attending Board/Committee meetings and in addition, profit linked commission for FY 2021-22 was also paid during the year. Non- Executive Part Time Chairman was paid remuneration in addition to sitting fees with the approval of RBI.

### **POLICY ON REMUNERATION TO MD & CEO, EXECUTIVE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

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

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

#### **CORE PRINCIPLES**

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

### **COMPENSATION OF MANAGING DIRECTOR & CEO, WHOLE TIME DIRECTORS AND MATERIAL RISK TAKERS (MRTS)**

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

The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will also be treated as part of fixed pay. (Approval from RBI to be taken as per section 35B of the Banking Regulation Act while deciding the fixed and variable compensation part for Managing Director & CEO and Whole Time Directors)

The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is

fixed based on organisational performance (both business-unit and firm-wide) and KPAs set for the official. The organisation's performance is charted based on Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. The Score Card provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments. While considering/ recommending the variable pay in respect of Managing Director & CEO and Whole Time Directors, serious supervisory observations (if any) shall be factored, which will be ensured through suitable processes.

### **RISK, CONTROL AND COMPLIANCE STAFF**

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

### **OTHER CATEGORIES OF STAFF**

The compensation package applicable to Executives in Level IV to VII was fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance based compensation package called "Grander Compensation Package" has been introduced for Executives in Level IV and above with effect from May 01, 2017 which consists of both fixed and variable compensation. The Compensation Package of Executives under Non Grander Compensation Package comprises of fixed compensation (determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span) and variable compensation (comprising of cash, share-linked instruments, or a mix of both cash and share-linked instruments).

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



## DIRECTORS' REPORT (Contd.)

**LIMIT ON VARIABLE PAY AND DEFERRED COMPENSATION**

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

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

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

**SEVERANCE PAY AND GUARANTEED BONUS**

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

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

**HEDGING**

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and claw back arrangements) embedded in their compensation arrangement. Compliance arrangements are in place to ensure that employees do not insure or hedge their compensation structure.

**MALUS / CLAW BACK ARRANGEMENT**

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

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

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

**COMMITTEE OF MANAGEMENT FOR REVIEWING THE LINKAGE OF RISK BASED PERFORMANCE WITH REMUNERATION**

- a) The Committee shall review the Compensation paid vis-a-vis risk taking by the Executives to ensure that prudent risk taking is recognised in the compensation framework
- b) The Committee shall analyse the risk reward correlation and ensure that excess risk taking is not encouraged





## DIRECTORS' REPORT (Contd.)

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

### FAMILIARISATION PROGRAMMES FOR INDEPENDENT DIRECTORS

The details of familiarisation programmes are disclosed on the Bank's website, <https://www.federalbank.co.in/shareholder-information>

### BOARD EVALUATION

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

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

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

## 1. PERFORMANCE EVALUATION OF INDEPENDENT DIRECTORS

### Criteria for evaluation include:

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

## 2. PERFORMANCE EVALUATION OF CHAIRPERSON

### Criteria for evaluation include:

- a. Works effectively with the Board as a whole
- b. Ability to elicit inputs from all Board Members and steer the discussions to a logical conclusion
- c. Works with the Board and directs the management for creating an effective process for long-range or strategic planning for the Company
- d. Whether the Chairperson displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to coordinate the discussion, etc. and is overall able to steer the meeting effectively



## DIRECTORS' REPORT (Contd.)

- e. Whether the Chairperson is able to keep shareholders' interest in mind during discussions and decisions
- f. Whether the Chairperson is impartial in conducting discussions, seeking views and dealing with dissent, etc
- g. Handling of critical situations concerning the Bank
- h. Thinks strategically to promote growth, improve financial performance and gain competitive advantage.
- i. Understands financial planning, budgeting and management of the organisation's investments and overall organisation financial perspective.

### 3. PERFORMANCE EVALUATION OF NON-INDEPENDENT DIRECTORS (MD & CEO AND EXECUTIVE DIRECTORS)

#### Criteria for Evaluation include:

##### Quantitative Targets:

- a. Achievements of performance against targets set

##### Qualitative Targets:

- a. Apprises the Board regarding the organisation's financial position and operational budget so as to enable the Board to make informed financial decisions
- b. Provides Leadership in developing strategies and organisational plans with the management and the Board of Directors
- c. Ensures that the Board is kept informed about all issues concerning the Bank
- d. Media interaction and ability to project positive image of the Company
- e. Effectively pursues the performance goals in relation to mission and objective of the organisation
- f. Motivating employees, providing assistance & directions and supervising & safeguard of confidential information
- g. Establishment of internal control processes, monitoring policies and encouraging suggestions
- h. Cultivates effective Relationship with Industry Foras, Community and business leaders and Regulatory Bodies and Public Officials
- i. Ensures compliance with all legal and regulatory requirements
- j. Undertaking of various Developmental initiatives within the organisation
- k. Compliance with ethical standards & code of conduct and exercising duties diligently

### 4. PERFORMANCE EVALUATION OF BOARD AND COMMITTEES

#### Criteria for Evaluation of Board include:

- a. If Board is of appropriate size and has the appropriate balance and diversity of background, business experience, industry knowledge, skills and expertise in areas vital to the Bank's success, representing sectors laid down by the regulators, given its current and future position
- b. New Board members participate in an orientation programme to educate them on the organisation, their responsibilities, and the organisation's activities, the Board encourages a culture that promotes candid communication
- c. The Board oversees management's procedures for enforcing the organisation's code of conduct, Action Taken Reports on the discussion/directions of the Board are submitted at regular intervals to the Board
- d. The Board oversees risk management through inputs from the Risk Management Committee
- e. The Board considers the quality and appropriateness of financial reporting, including the transparency of disclosures
- f. The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Bank
- g. The Board oversees the compliance processes
- h. The Board views the organisation's performance from the competitive perspective - industry and peers performance, industry trends and budget analysis and with reference to areas where significant differences are apparent etc.
- i. The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Company
- j. The Board has defined an effective Code of Conduct for the Board and Senior Management
- k. Whether the Board monitors and manages potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions







## DIRECTORS' REPORT (Contd.)

### Criteria for Evaluation of Committees include

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

## 5. ASSESSMENT OF FLOW OF INFORMATION

### Criteria for evaluation include:

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

## BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT

In July 2011, the Ministry of Corporate Affairs, Government of India, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain certain principles that are to be adopted by companies as part of their business practices and require disclosures regarding the steps taken to implement these principles through a structured reporting format, viz. Business Responsibility Report. Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the requirement of submitting a Business Responsibility Report shall be discontinued after the financial year 2021-22

and thereafter, with effect from the financial year 2022-23, the top one thousand listed entities based on market capitalisation shall submit a Business Responsibility and Sustainability report in the format as specified by the SEBI from time to time. The Business Responsibility and Sustainability report for the financial year 2022-23 forms part of this Annual Report.

## TECHNOLOGY AND DIGITAL UPDATES AND MEASURES TAKEN IN IT GOVERNANCE, INFORMATION SECURITY, IT AUDIT, IT OPERATIONS, IT SERVICES OUTSOURCING

### TECHNOLOGY AND DIGITAL UPDATES

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

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

The governance of IT is effectively supervised by the Board of Directors through the IT & Operations Sub-Committee consisting of minimum three Directors with at least one Independent Director. All members of the Committee have extensive experience in IT & Operations and are able to provide effective guidance and direction to the management team.

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

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

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

Bank has deployed best in the class infrastructure to provide availability of service to users and customers without fail. The installed infrastructure is tested for its reliability and robustness



## DIRECTORS' REPORT (Contd.)

by periodic audits. In addition, periodic Disaster Recovery Tests are conducted to ensure the ability to move to the Disaster Recovery infrastructure in the event of downtime in the main production capability.

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

### PARTICULARS OF EMPLOYEES

In terms of Section 136 of the Companies Act, 2013, the copy of the financial statements of the Bank, including the consolidated financial statements, the auditor's report and relevant annexures to the said financial statements and reports are being sent to the Members and other persons entitled thereto, excluding the information in respect of the employees of the Bank containing the particulars as specified in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5 (2) of the said Rules is available on the website: <https://www.federalbank.co.in/shareholder-information>.

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

### DIRECTOR'S RESPONSIBILITY STATEMENT

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

1. that in the preparation of the annual financial statements for the year ended March 31, 2023, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. that such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2023 and of the profit of the Bank for the year ended on that date;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
4. that the annual financial statements have been prepared on a going concern basis;
5. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
6. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;

### AWARDS AND ACCOLADES

#### Celebrating Excellence and Innovation

In the past year, your Bank has achieved remarkable recognition and garnered prestigious awards, highlighting our commitment to excellence and innovation in the banking industry. These accolades serve as a testament to our unwavering dedication to creating a positive workplace culture and delivering exceptional services to our customers.

One of our proudest achievements was being honoured as the "Most Preferred Workplace 2022-23" in the BFSI sector. This recognition reinforces our efforts to cultivate a thriving and inclusive work environment that attracts and retains top talent. We firmly believe that a happy and engaged workforce leads to superior customer experiences, and this accolade validates our commitment to nurturing our employees.

Furthermore, we are delighted to announce that your Bank was bestowed with the prestigious "Best Private Sector Bank" award in the 'large Private Sector Bank' category at the SFBKC Banking Excellence Award 2022. This recognition by the State Forum of Bankers' Clubs Kerala is a testament to our relentless pursuit of excellence in providing top-notch banking services and solutions to our valued customers.

Your Bank won the esteemed "Excellence in Mobile Banking" award at 'The Retail Banker International Asia Trailblazer Awards 2023'. This recognition showcases our commitment to leveraging technology and providing seamless mobile banking experiences that cater to the evolving needs of our customers.

Your Bank's partnership with Rupeek has also been recognised as the "Best FinTech Partnership/Start-up Alliance Initiative of the Year". This award underscores our commitment to fostering innovative collaborations that bring value and convenience to our customers.

Your Bank bagged the Silver Shield at the prestigious ICAI Awards for Excellence in Financial Reporting for the year ended March 31, 2022.





## DIRECTORS' REPORT (Contd.)

In addition to these accolades, your Bank has also been acknowledged for our innovative practices and commitment to diversity. We were recognised among the "Top 20 Most Innovative Practices" at the DivHERsity Awards 2023. This recognition underscores our dedication to fostering a culture of creativity and innovation, empowering our employees to think differently and explore new possibilities.

Notably, your Bank is the only commercial bank in India to be honoured by Great Place to Work among the "Top 50 India's Best Work places™" for building a culture of innovation. This distinction showcases our commitment to creating an environment where our employees thrive, collaborate, and bring their best ideas forward. It is a testament to our belief in the power of innovation as a driver of success.

These awards and accolades would not have been possible without the dedication and hard work of our incredible team. We are immensely proud of each and every member who contributes to our bank's success and helps us deliver exceptional banking experiences to our customers.

As we celebrate these achievements, we remain committed to continuously raising the bar and setting new benchmarks in the banking industry. We will continue to innovate, embrace diversity, and create a workplace where our employees can thrive and reach their full potential. With the trust and support of our valued customers, we are confident that we will continue to achieve greater heights in the future.

## ACKNOWLEDGEMENT

Your Directors place on record their deep appreciation to every member of Federal family for their hard work, dedication and commitment, to whom the credit for the Bank's achievements goes, particularly during this unprecedented year.

The Board of Directors take this opportunity to express their deep sense of gratitude to Government of India, Reserve Bank of India, various State Governments and regulatory authorities in India and overseas for their valuable guidance, support and cooperation. The Directors also wish to express their gratitude to Investment Banks, Rating Agencies and Stock Exchanges for their wholehearted support. The Directors record their sincere gratitude to the esteemed customers and all other well-wishers for their continued patronage.

And to you, our shareholders, we are deeply grateful for the confidence and faith that you have always reposed in us.

For and on behalf of the Board of Directors

Sd/-

**Mr. Abhaya Prasad Hota**

(DIN- 02593219)

Chairman of the Board

Date: July 21, 2023

Place: Aluva



# ANNEXURE I

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

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

### 1. A brief outline of the Company's CSR policy, including overview of projects or programmes undertaken and a reference to the web-link to the CSR Policy and Projects or Programmes.

Corporate Social responsibility (CSR) has always been a key component of the operating philosophy of the Federal Bank Limited (hereinafter referred to as "the Bank"), as evidenced by the activities of the public charitable trust, set up by the Bank in 1996, in the fond memory of its Founder Mr. K.P.Hormis and the voluntary adoption of a formal Policy on CSR by the Bank in 2011. Federal Bank Hormis Memorial Foundation, a charitable trust set up by the Bank in 1996, in the fond memory of its Founder Mr. K P Hormis is the Special Purpose Vehicle to undertake CSR activities of the Bank.

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

As mandated by the amendments in CSR Rules, 4(2)(a), 2014 Federal Bank Hormis Memorial Foundation has been registered for undertaking CSR activities and the Registration number is CSR00006299.

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

<https://www.federalbank.co.in/documents/10180/244853009/CSR+Policy+2022-23.pdf/b4802e4d-6e8d-3b50-f5a6-e043c97ea340?t=1667373939724>

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

### 2. Composition of the CSR Committee

\* Constitution of CSR Committee as on March 31, 2023 is as follows:

Sl. No	Name of Director	Designation / Nature of Directorship	Number of Meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. C Balagopal	Chairman	2	2
2	Mr. Sankarshan Basu	Independent Director	2	2
3	Mr. Shyam Srinivasan	Managing Director & Chief Executive Officer	2	2
4	Mr. Ashutosh Khajuria	Executive Director	2	2
5	Ms. Shalini Warriar	Executive Director	2	2

The committee was reconstituted with effect from 27.06.2023 and the members of the reconstituted CSR Committee are.

Sl. No	Name of Director	Designation / Nature of Directorship
1	Mr. Sankarshan Basu	Independent Director (Chairman of CSR Committee)
2	Mr. Shyam Srinivasan	Managing Director & Chief Executive Officer
3	Ms. Shalini Warriar	Executive Director
4	Mr. Harsh Dugar	Executive Director







ANNEXURE I (Contd.)

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

Composition of the CSR committee shared above and is disclosed in the Policy on Corporate Social Responsibility 2022-23. The web-link to access the CSR committee, CSR Policy and CSR projects are given below.

CSR Policy:

<https://www.federalbank.co.in/documents/10180/244853009/CSR+Policy+2022-23.pdf/b4802e4d-6e8d-3b50-f5a6-e043c97ea340?t=1667373939724>

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

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

There are no projects undertaken or completed after January 22, 2021, for which the impact assessment report is applicable in FY 2022-23.

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

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

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

	As per Section 198 (₹ in Lakh)			
	FY 2019-20	FY 2020-21	FY 2021-22	Total
Profit as per Section 198	200602.81	216447.50	246978.11	664028.42
Adjustment for Dividend Received as per Rule 2 (h) of the CSR Rules	3057.47	-	2766.58	5824.05
Profit for CSR	197545.34	216447.50	244211.53	658204.37
Average Profit				219401.46
CSR Requirement (2% of Average Profit)				4388.029

7. (a) Two percent of average net profit of the Company as per section 135(5) - ₹ 4388.029 Lakh  
 (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial year - Nil  
 (c) Amount required to be set off for the financial year, if any - Nil  
 (d) Total CSR obligation for the financial year (7a+7b+7c) = ₹ 4388.029 Lakh.

**8. CSR amount spent or unspent for the financial year :**

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
27,90,95,063/-	15,97,07,852/-	March 31, 2023	-	Nil	-



ANNEXURE I (Contd.)

9. Details of CSR amount spent against ongoing projects for the financial year. (Multi year projects also)

1	2	3	4	5		6	7	8	9	10	11	
				Location of the project							Mode of Implementation - Through Implementing Agency	Name
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	State	District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)		
1	Promoting Sports-Support to Ms Nikitha Joseph	(vii)	Yes	Maharashtra	Nagpur	24	880000	360000	520000	No	Through Federal bank Hormis Memorial foundation (FHMF)	CSR00006299
2	Inspector of Police, Indore	(ii)	Yes	Madhya Pradesh	Indore	6	29000	Nil	29000	Yes		
3	Kochi City FC	(vii)	Yes	Kerala	Ernakulam	18	2000000	1629285	370715	No	FHMF	CSR00006299
4	SEED Project	(iv)	Yes	Kerala	Multiple Districts	18	2360000	Nil	2360000	No	FHMF	CSR00006299
5	St Teresa Academy	(ii)	Yes	Karnataka	Bangalore	6	29000	Nil	29000	Yes		
6	BDO, Gudha	(i)	Yes	Haryana	Bhiwani	6	76000	38000	38000	Yes		
7	DRDA, Cuddalore	(x)	Yes	Tamilnadu	Cuddalore	12	600000		600000	No	FHMF	CSR00006299
8	Udumalpet Municipality	(iv)	Yes	Tamilnadu	Udumalpet	12	3000000		3000000	No	FHMF	CSR00006299
9	Joy of Freedom - Girl Child Education-Nanhi Kali	(iii)	Yes	Karnataka	Bangalore	12	150000	40500	109500	No	FHMF	CSR00006299
10	District Collector, Kanyakumari	(ii)	Yes	Tamilnadu	Kanyakumari	12	1000000	200000	800000	No	FHMF	CSR00006299
11	Govt Medical College, Kottayam	(i)	Yes	Kerala	Kottayam	12	1000000		1000000	No	FHMF	CSR00006299
12	Rotary Club Cochin Central -Houses for the homeless	(iii)	Yes	Kerala	Ernakulam	12	1400000	1200000	200000	No	FHMF	CSR00006299





ANNEXURE I (Contd.)

1	2	3	4	5		6	7	8	9	10	11	
				Location of the project							Mode of Implementation - Through Implementing Agency	Name
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	State	District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)		
13	Gharaunda Municipality	(iv)	Yes	Haryana	Karnal	12	100000		100000	Yes		
14	ASAP , Kerala	(ii)	Yes	Kerala	Multiple Districts	24	2475000	1237500	1237500	No	FHMF	CSR00006299
15	Thiruvallur Municipality	(iv)	Yes	Tamilnadu	Tiruvallur	24	800000		800000	No	FHMF	CSR00006299
16	BDO, Bhubaneshwar	(iv)	Yes	Orissa	Bhubaneshwar	24	798000	399000	399000	No	FHMF	CSR00006299
17	Kancheepuram Municipal Corporation	(iv)	Yes	Tamil Nadu	Kancheepuram	12	1500000	750000	750000	No	FHMF	CSR00006299
18	BREADS, Bangalore	(ii)	Yes	Kerala	Multiple Districts	12	5000000	2268775	2731225	No	FHMF	CSR00006299
19	BDO, Jaleshwar	(iv)	Yes	Orissa	Balasore	12	760000		760000	No	FHMF	CSR00006299
20	BDO, Behanaga	(ii)	Yes	Orissa	Balasore	12	984990		984990	No	FHMF	CSR00006299
21	Team Infinity Community Development project Kuppathukunram Village	(x)	Yes	Tamilnadu	Vellore	12	333500		333500	No	FHMF	CSR00006299
22	Govt UJPS, Kulathupuzha	(ii)	Yes	Kerala	Pathanamthitta	6	20000		20000	Yes		
23	St Nicholas R C Middle School	(ii)	Yes	Tamilnadu	Salem	12	366500	180286	186214	No	FHMF	CSR00006299
24	Promoting sports-	(vii)	Yes	Maharashtra	Mumbai	12	500000	75600	424400	No	FHMF	CSR00006299
25	St.Josephs School, Prayagraj	(ii)	Yes	Gujarat	Prayagraj	6	9800		9800	Yes		
26	BDO, Balasore	(i)	Yes	Orissa	Balasore	12	109992	54996	54996	No	FHMF	CSR00006299
27	Speak for India- Editors NDL,MH,KA TN,WB, KL	(ii)	Yes	New Delhi Maharashtra Karnataka Tamilnadu West bengal, Kerala	Multiple Districts	9	148800000	103600000	45200000	No	FHMF	CSR00006299



ANNEXURE I (Contd.)

1	2	3	4	5		6	7	8	9	10	11	
				Location of the project							Mode of Implementation - Through Implementing Agency	Name
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	State	District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)		
28	Act to Transform Foundation	(ii)	Yes	Haryana	Solan	24	4200000		4200000	No	FHMF	CSR00006299
29	District Collector, Cuttack	(i)	Yes	Orissa	Cuttack	12	814000		814000	No	FHMF	CSR00006299
30	Sansad Mobile Swasthya Sewa	(i)	Yes	Himachal pradesh	Multiple districts	12	9800000		9800000	No	FHMF	CSR00006299
31	Veterans of War	(ii)	Yes	Maharashtra	Mumbai	12	2500000	1875000	625000	No	FHMF	CSR00006299
32	Holy Cross Forane Church, Manjapra	(ii)	Yes	Kerala	Ernakulam	6	300000		300000	No	FHMF	CSR00006299
33	Carmel Jyothi Centre, Adimaly	(iv)	Yes	Kerala	Idukki	6	154300		154300	No	FHMF	CSR00006299
34	Govt LPS, Chathiyara	(ii)	Yes	Kerala	TVM	6	162840		162840	No	FHMF	CSR00006299
35	St Thomas College, Kozhenchery	(ii)	Yes	Kerala	Pathanamthitta	12	1000000		1000000	No	FHMF	CSR00006299
36	MLA, EKM for distributing groceries to destitute homes	(i)	Yes	Kerala	Ernakulam	6	100000		100000	Yes		
37	Melakkal Nagamalai colony Social Security measures	(x)	Yes	Tamilnadu	Salem	36	63648	21216	42432	Yes		
38	TMUPS, Vengalloor	(ii)	Yes	Kerala	Idukki	12	89600		89600	Yes		
39	Thanal Dialysis Centre, Koduvally	(i)	Yes	Kerala	Kozhikode	12	660800		660800	No	FHMF	CSR00006299
40	Swayam shakthi Project	(ii)	Yes	Haryana	Panchkula	12	999500	478400	521100	No	FHMF	CSR00006299
41	Euphresia Care Centre, Kanjoor	(i)	Yes	Kerala	Ernakulam	6	9500		9500	Yes		
42	CSI Karunalayam, Aluva	(iii)	Yes	Kerala	Ernakulam	12	800000		800000	No	FHMF	CSR00006299
43	Baramati Nagar Parishad	(iv)	Yes	Maharashtra	Pune	12	345000		345000	No	FHMF	CSR00006299







ANNEXURE I (Contd.)

1	2	3	4	5		6	7	8	9	10	11	
				Location of the project							Mode of Implementation - Through Implementing Agency	Name
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	State	District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)		
44	Ayyampuzha Grama Panchayath	(iii)	Yes	Kerala	Ernakulam	24	700000		700000	No	FHMF	CSR00006299
45	BDO, Nilgiri Block, Balasore.	(iv)	Yes	Orissa	Balasore	12	428000	178000	250000	No	FHMF	CSR00006299
46	Swadha Foundation, Bangalore	(ii)	Yes	Karnataka	Bangalore	12	1000000		1000000	No	FHMF	CSR00006299
47	National Health Mission, Shillong	(i)	Yes	Meghalaya	Shillong	36	3728000	900000	2828000	No	FHMF	CSR00006299
48	ITBB Project Officer, Kannur	(iii)	Yes	Kerala	Kannur	24	750000		750000	No	FHMF	CSR00006299
49	St Marys HSS, Vallarpadam	(ii)	Yes	Kerala	Ernakulam	12	99000		99000	No	FHMF	CSR00006299
50	Agriculture Dept, Pudukchery	(iv)	Yes	Union Territory	Pondicherry	24	662000		662000	No	FHMF	CSR00006299
51	Samaritan Hospital,	(i)	Yes	Kerala	Ernakulam	12	582000		582000	No	FHMF	CSR00006299
52	Paramekkavu Devaswom	(ii)	Yes	Kerala	Thrissur	12	474000		474000	No	FHMF	CSR00006299
53	Punnappra South Grama Panchayath	(iii)	Yes	Kerala	Alappuzha	12	18750		18750	No	FHMF	CSR00006299
54	Grama Panchayath, Mookkannur	(x)	Yes	Kerala	Ernakulam	24	1700000		1700000	No	FHMF	CSR00006299
55	Sukrutham Charitable Trust	(i)	Yes	Kerala	Kottayam	24	990000		990000	No	FHMF	CSR00006299
56	Rotary Midtown Services Support to Saraswathy Viasom L P School	(iv)	Yes	Kerala	Ernakulam	12	800000		800000	No	FHMF	CSR00006299
57	Cancer Care Centre, Neendakara	(i)	Yes	Kerala	Kollam	6	91874		91874	Yes		
58	Govt Poly Technic College, Muttuchira	(ii)	Yes	Kerala	Kottayam	6	30000		30000	Yes		



ANNEXURE I (Contd.)

1	2	3	4	5		6	7	8	9	10	11	
				Location of the project							Mode of Implementation - Through Implementing Agency	Name
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	State	District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)		
59	Kuzhithurai Municipality	(ii)	Yes	Tamilnadu	Kanyakumari	6	47000		47000	No	FHMF	CSR00006299
60	Arulmiku Gowri Amman temple	(ii)	Yes	Tamilnadu	Theni	6	45300		45300	Yes		
61	Panchayath UP School, Nedumkandam	(ii)	Yes	Kerala	Idukki	6	88250		88250	Yes		
62	Vilappil Grama Panchayath	(iii)	Yes	Kerala	TVM	6	34750		34750	Yes		
63	St Stephens Orthodox Syrian Church Society, Kattanam	(ii)	Yes	Kerala	Alappuzha	6	41390		41390	Yes		
64	Kovalam FC	(vii)	Yes	Kerala	TVM	12	500000		500000	No	FHMF	CSR00006299
65	Our lady queen of the Missionaries School, Kolkata	(ii)	Yes	West Bengal	Kolkata	6	955800		955800	No	FHMF	CSR00006299
66	District Legal Services Authority, L B nagar	(i)	Yes	Telangana	Hyderabad	6	17000		17000	Yes		
67	MLA, Maduravayal Constituency	(iv)	Yes	Tamilnadu	Chennai	6	100000		100000	Yes		
68	Nazareth Hospital, Patna	(i)	Yes	Bihar	Patna	6	50000		50000	Yes		
69	APHSS Chathanoor	(ii)	Yes	Kerala	Kollam	6	11000		11000	Yes		
70	Chengannur Municipality	(iv)	Yes	Kerala	Alappuzha	12	497000		497000	No	FHMF	CSR00006299
71	SGPC, Amritsar	(ii)	Yes	Punjab	Multiple Districts	24	1976800		1976800	No	FHMF	CSR00006299
72	Vaisalya Trust	(ii)	Yes	Maharashtra	Mumbai	6	37500		37500	Yes		
73	Woodfactor Events, Mumbai for tree plantation	(iv)	Yes	Maharashtra	Mumbai	12	60000		60000	Yes		
74	Sahaya Hasta Foundation	(ii)	Yes	Karnataka	Udipi	12	512000		512000	No	FHMF	CSR00006299





ANNEXURE I (Contd.)

1 Sl. No	2 Name of the Project	3 Item from the list of activities in Schedule VII to the Act	4 Local area (Yes/No)	5 Location of the project		6 Project duration	7 Amount allocated for the project (in ₹)	8 Amount spent in the current financial Year (in ₹)	9 Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	10 Mode of Implementation - Direct (Yes/No)	11 Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
75	Mundakapadam mandirams Society	(iv)	Yes	Kerala	Kottayam	12	211000	211000	211000	No	FHMF	CSR00006299
76	Govt Brennen College, Tellichery	(ii)	Yes	Kerala	Kannur	12	6000000	6000000	6000000	No	FHMF	CSR00006299
77	Holy Angels Girls Matriculation School	(ii)	Yes	Tamilnadu	Salem	12	198000	198000	198000	No	FHMF	CSR00006299
78	Uttarakhand Flood Relief Activities	(xii)	Yes	Uttarakhand	Dehradun	24	105274	105274	105274	No	FHMF	CSR00006299
79	Kaippamangalam panchayath	(vii)	Yes	Kerala	Thrissur	24	817740	817740	817740	No	FHMF	CSR00006299
80	Pollachi Municipality	(iv)	Yes	Tamilnadu	Pollachi	12	293000	293000	293000	No	FHMF	CSR00006299
81	IMA Blood Bank	(ii)	Yes	Kerala	Idukki	12	312620	312620	312620	No	FHMF	CSR00006299
82	Tripunithura Municipality	(ii)	Yes	Kerala	Ernakulam	12	1250000	1250000	1250000	No	FHMF	CSR00006299
83	Avadi Municipality	(ii)	Yes	Tamilnadu	Chennai	12	1000000	1000000	1000000	No	FHMF	CSR00006299
84	Block Panchayath, pattanakad	(i)	Yes	Kerala	Alappuzha	6	18000	18000	18000	Yes		
85	FAsCE India	(iii)	Yes	Assam	Guwahati	6	296000	296000	296000	No	FHMF	CSR00006299
86	MCF Public School, Kalpetta	(ii)	Yes	Kerala	Wayanad	6	210040	210040	210040	No	FHMF	CSR00006299
87	Gujarat Mission Finance Board	(iv)	Yes	Gujarat	Ahmedabad	6	199500	199500	199500	No	FHMF	CSR00006299
88	Ashabhavan Respite Centre	(ii)	Yes	Kerala	Kottayam	6	100000	100000	100000	Yes		
89	Raghavendra Vidyalaya	(ii)	Yes	Kerala	TVM	6	100000	100000	100000	Yes		
90	Govt Hospital, Neyyattinkara	(i)	Yes	Kerala	TVM	6	100000	100000	100000	Yes		
91	S C Higher Secondary School, ranny	(i)	Yes	Kerala	Pathanamthitta	6	32900	32900	32900	Yes		



ANNEXURE I (Contd.)

1	2	3	4	5		6	7	8	9	10	11	
				Location of the project							Mode of Implementation - Through Implementing Agency	Name
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	State	District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)		
92	Vellore City Municipal Corporation	(iv)	Yes	Tamilnadu	Vellore	6	267270		267270	Yes		
93	Cheruthana Grama Panchayath	(iv)	Yes	Kerala	TVM	6	458407		458407	No	FHMF	CSR00006299
94	DRDA, Erode	(ii)	Yes	Tamilnadu	Erode	6	765000		765000	No	FHMF	CSR00006299
95	Pallium India Trust	(i)	Yes	Kerala	TVM	12	1000000		1000000	No	FHMF	CSR00006299
96	Sanjoe Sadan for mentally retarded,Thuravoor	(ii)	Yes	Kerala	Alappuzha	6	170480		170480	No	FHMF	CSR00006299
97	Govt Primary School, Guttahalli	(ii)	Yes	Karnataka	Bangalore	6	43000		43000	No	FHMF	CSR00006299
98	Holy Cross LP school, Paruthippara	(ii)	Yes	Kerala	TVM	6	44000		44000	No	FHMF	CSR00006299
99	Neduvasal Grama Panchayath	(iv)	Yes	Tamilnadu	Madurai	12	133340		133340	No	FHMF	CSR00006299
100	Mary Matha	(ii)	Yes	Tamilnadu	Theni	12	221000		221000	No	FHMF	CSR00006299
101	MPSS, Bhopal	(i)	Yes	Madhya pradesh	Bhopal	12	48000		48000	Yes		
102	K P Hormis Charitable Society -Clean Mookkanoor Project	(iv)	Yes	Kerala	Ernakulam	36	20000000		20000000	No	FHMF	CSR00006299
103	Canossa English Medium school	(ii)	Yes	Kerala	Kollam	6	100000		100000	Yes		
104	Navajyothi Special school for the mentally challenged	(i)	Yes	Kerala	TVM	6	351800		351800	No	FHMF	CSR00006299
105	DRDA, Dharmapuri	(iv)	Yes	Tamilnadu	Dharmapuri	6	397600		397600	No	FHMF	CSR00006299
106	Naduvathul Islam Vaduthala	(iii)	Yes	Kerala	Alappuzha	6	25990		25990	Yes		
107	St Joseph Public School	(i)	Yes	Kerala	Alappuzha	6	84500		84500	Yes		







ANNEXURE I (Contd.)

1 Sl. No	2 Name of the Project	3 Item from the list of activities in Schedule VII to the Act	4 Local area (Yes/No)	5 Location of the project		6 Project duration	7 Amount allocated for the project (in ₹)	8 Amount spent in the current financial Year (in ₹)	9 Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	10 Mode of Implementation - Direct (Yes/No)	11 Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
108	Federal Skill Academy batches 2022-2023	(ii)	Yes	Kerala Tamilnadu Maharashtra Haryana	Ermakulam Coimbatore Kolhapur Faridabad	6	5000000		5000000	No	FHMF	CSR000006299
109	Scholarship Payments for students selected in AY2022-2023	(ii)	Yes	Kerala Tamilnadu Maharashtra Karnataka Gujarat Punjab	Multiple Districts	36	20236564.92		20236564.92	No	FHMF	CSR000006299
<b>TOTAL</b>									<b>15,97,07,851.92</b>			



ANNEXURE I (Contd.)

**10. Details of CSR amount spent against other than ongoing projects for the financial year:**

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
1	Promoting Education- BalaNagar ITI,Mookkannoor	(ii)	Yes	Kerala	Ernakulam	20000	Yes	Directly by Bank	
2	Promoting Education-Sub Collector Office, Balasore	(ii)	Yes	Orissa	Balasore	35000	Yes	Directly by Bank	
3	Eradicating Hunger, Poverty-Sarvodayam Educational CharitableTrust, Balussery	(i)	Yes	Kerala	Kozhikode	13500	Yes	Directly by Bank	
4	Health Care-Govt Ayurveda Dispensary, Vallarpadam	(i)	Yes	Kerala	Ernakulam	100000	Yes	Directly by Bank	
5	Safe Drinking Water-MGM School, Itarsi	(i)	Yes	Madhya Pradesh	Narmadapuram	23600	Yes	Directly by Bank	
6	Promoting Education-Govt KVHSS Kodungalloor	(xii)	Yes	Kerala	Ernakulam	27280	Yes	Directly by Bank	
7	Safe Drinking Water-Amal Jyothi Charitable Society, Idukki	(i)	Yes	Kerala	Idukki	34800	Yes	Directly by Bank	
8	Safe Drinking Water-Mattanode UP School, Mottanthara	(i)	Yes	Kerala	Kozhikode	16450	Yes	Directly by Bank	
9	Promoting Education-Speak for India New Delhi Edition 2019-20 Scholarship to winner (balance amount)	(ii)	Yes	Delhi	Delhi	1200	Yes	Directly by Bank	
10	Health Care-Chakkarakkal Pain & Palliative Care centre, Chakkarakkal	(i)	Yes	Kerala	Kannur	100000	Yes	Directly by Bank	
11	Promoting Sports-Mannuthy Don Bosco Bhavan, Mannuthy	(vii)	Yes	Kerala	Thrissur	50000	Yes	Directly by Bank	
12	Promoting Education-Neduvathur Grama Panchayath, Kottarakkara	(ii)	Yes	Kerala	Kollam	17900	Yes	Directly by Bank	
13	Swachh Bharat-Madurai Meenakshi Temple- Mobile Toilets	(iv)	Yes	Tamil Nadu	Madurai	61530	Yes	Directly by Bank	





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation- Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
14	Promoting Digitisation-Supt, General Hospital, EKM	(ii)	Yes	Kerala	Ernakulam	203100	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
15	Health Care-Janani Charitable & Cultural Society, Chettikulangara	(i)	Yes	Kerala	Alappuzha	162120	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
16	Promoting Education-SKV Govt HSS, Neendoor	(ii)	Yes	Kerala	Kottayam	7232	Yes	Directly by Bank	
17	Promoting Education-Govt Tribal HSS, Kattappana	(ii)	Yes	Kerala	Idukki	97500	Yes	Directly by Bank	
18	Health Care-Pain & Palliative Care society, Thrissur	(i)	Yes	Kerala	Thrissur	1347493	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
19	Promoting Education-Chengannur Municipality-distribution of study materials	(ii)	Yes	Kerala	Alappuzha	10000	Yes	Directly by Bank	
20	Health Care-Govt Mohan Kumaramangalam Medical College, Salem.	(i)	Yes	Tamil Nadu	Salem	334176	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
21	Promoting Education-Govt HSS, Azhiyidathuchira	(ii)	Yes	Kerala	Pathanamthitta	15000	Yes	Directly by Bank	
22	Measures for the benefit armed forces-Aluva Traffic Police Station for raincoats.	(v)	Yes	Kerala	Ernakulam	46000	Yes	Directly by Bank	
23	Swayam Shakthi Project 2021-22	(ii)	Yes	Haryana	Panchkula	406500	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>



ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation- Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
24	Health Care-Pariyaram GP, Pariyaram	(i)	Yes	Kerala	Thrissur	853567	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
25	Promoting Digitisation-DRDA, Dharmapuri	(ii)	Yes	Tamil Nadu	Dharmapuri	19100	Yes	Directly by Bank	
26	Promotion of Sports-Support to Satish Kharvi	(vii)	Yes	Karnataka	Udupi	50000	Yes	Directly by Bank	
27	Promotion of sports-Kochi City FC -	(vii)	Yes	Kerala	Ernakulam	1629285	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
28	Mathrubhumi Prathistan, Barshi	(i)	Yes	Maharashtra	Solapur	11000	Yes	Directly by Bank	
29	Ayush Palliative Care Society, Kalladikkode	(i)	Yes	Kerala	Kozhikode	24750	Yes	Directly by Bank	
30	BDO Office, Gudha	(i)	Yes	Haryana	Karnal	38000	Yes	Directly by Bank	
31	Speak for India West Bengal Edition 2019-20 Scholarship to winner	(ii)	Yes	West Bengal	Kolkata	50000	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
32	Vazhakulam GramaPanchayath, Marampally	(iv)	Yes	Kerala	Ernakulam	15600	Yes	Directly by Bank	
33	Thuravoor Grama Panchayath, Thuravoor	(x)	Yes	Kerala	Alappuzha	38914	Yes	Directly by Bank	
34	Commissioner, Tiruchirappally Corporation	(ii)	Yes	Tamil Nadu	Tiruchirappally	375900	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
35	ST Joseph's Girls HSS, Thrissur	(iv)	Yes	Kerala	Thrissur	100000	Yes	Directly by Bank	
36	Takazhy Grama Panchayath	(x)	Yes	Kerala	Alappuzha	25000	Yes	Directly by Bank	
37	MAI High School, Kumily	(ii)	Yes	Kerala	Idukki	75000	Yes	Directly by Bank	
38	Deepthi Special School, Manakkala	(ii)	Yes	Kerala	Pathanamthitta	13500	Yes	Directly by Bank	







ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation- Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
39	DFO, Malayattoor Forest Division	(viii)	Yes	Kerala	Ernakulam	1131635	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
40	Deputy director of Fisheries for Govt Fisheries School	(ii)	Yes	Kerala	Thiruvananthapuram	19777	Yes	Directly by Bank	
41	Chavara Special School, varappuzha	(ii)	Yes	Kerala	Ernakulam	762095	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
42	DRDA, Erode	(ii)	Yes	Tamilnadu	Erode	1000000	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
43	CH Muhammed Koya Memorial Charitable Trust, Kozhikode	(i)	Yes	Kerala	Kozhikode	617120	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
44	BDO, Paroo, Bhagawalpur	(i)	Yes	Bihar	muzaffarpur	43500	Yes	Directly by Bank	
45	Har Ghar Tiranga -Poonamallee -4700 flags	(ii)	Yes	Tamilnadu	Chennai	98700	Yes	Directly by Bank	
46	Har Ghar Tiranga -Ambala-2353 national flags	(ii)	Yes	Punjab	Ambala	50000	Yes	Directly by Bank	
47	Govt Model HSS, Pattom	(iv)	Yes	Kerala	Thiruvananthapuram	121304	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
48	St Marthas Hospital, Bangalore	(i)	Yes	Karnataka	Bangalore	1200000	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
49	CII IWN say yes Women Empowerment Programme	(iii)	Yes	Tamilnadu	Chennai	236000	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹ )	(7) Mode of implementation- Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
50	Holy Family HSS, Rajapuram	(vii)	Yes	Kerala	Kasargode	40000	Yes	Directly by Bank	
51	ASAP Community Colleges (2021-22 Sanction Final Payment)	(ii)	Yes	Kerala	Multiple Districts	692300	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
52	TVM Municipal Corporation	(i)	Yes	Kerala	Thiruvananthapuram	2092530	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
53	Inspector of Police, mannachery	(ii)	Yes	Kerala	Alappuzha	20150	Yes	Directly by Bank	
54	Vimala Hospital, Kanjoor	(i)	Yes	Kerala	Ernakulam	286210	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
55	Commissioner, TVL Municipal Corporation	(i)	Yes	Tamil Nadu	Tirunelveli	1097401	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
56	Director, Jyothi Hospital, Balasore	(i)	Yes	Orissa	Balasore	61800	Yes	Directly by Bank	
57	Kuriakose Chavara Memorial ITI-Chavara Santhwanam 2022-Project -	(i)	Yes	Kerala	Ernakulam	200000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
58	Perambalur City Municipal Corporation	(iv)	Yes	Tamil Nadu	Perambalur	220250.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
59	St Thomas HS, Koorachundu	(ii)	Yes	Kerala	Kozhikode	89000.00	Yes	Directly by Bank	
60	Salem Steel Plant	(i)	Yes	Tamil Nadu	Salem	880000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation- Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
61	Azadi Ka Amrit Mahotsav-Distribution of national flags to employees of Kerala Legislative Assembly	(ii)	Yes	Kerala	Thiruvananthapuram	10000.00	Yes	Directly by Bank	
62	Sree Guruvayoorappan Samajam	(i)	Yes	West Bengal	Kolkata	9699.00	Yes	Directly by Bank	
63	Pratheeksha Pain & palliative care society	(i)	Yes	Kerala	Kozhikode	75000.00	Yes	Directly by Bank	
64	Scholarship to Speak for India Winner-2019-20 Sri Britto.	(ii)	Yes	Tamil Nadu	Chennai	20000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
65	Promoting Sports -Nikitha Joseph	(vii)	Yes	Maharashtra	Nagpur	60000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
66	S D College, Alappuzha	(ii)	Yes	Kerala	Alappuzha	150000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
67	Kadungalloor Grama Panchayath	(i)	Yes	Kerala	Ernakulam	958390.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
68	Vazhakulam Police Station	(i)	Yes	Kerala	Ernakulam	50000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
69	Animal Husbandry Office, Saidapet	(ii)	Yes	Tamil Nadu	Chennai	24000.00	Yes	Directly by Bank	
70	K P Hormis Educational & Charitable Society	(ii)	Yes	Kerala	Ernakulam	250000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
71	Bharatha Mata College	(ii)	Yes	Kerala	Ernakulam	137588.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299



ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
72	St Josephs HSS Kidangoor	(vii)	Yes	Kerala	Kottayam	50000.00	Yes	Directly by Bank	
73	Shrishti Trust	(iii)	Yes	New Delhi	New Delhi	9792.00	Yes	Directly by Bank	
74	ALPS, Karukaputhoor	(i)	Yes	Kerala	Palakkad	4200.00	Yes	Directly by Bank	
75	Blood Donation Camp Chandigarh	(I)	Yes	Chandigarh	Chandigarh	5000.00	Yes	Directly by Bank	
76	Channawars Vidya Mandir	(ii)	Yes	Maharashtra	Nagpur	105000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
77	Cocoon XV	(ii)	Yes	Kerala	Ernakulam	500000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
78	SJA Alumni Association, Dehradun	(i)	Yes	Uttarakhand	Dehradun	25000.00	Yes	Directly by Bank	
79	Nagercoil Corporation	(i)	Yes	Tamilnadu	Nagercoil	76700.00	Yes	Directly by Bank	
80	Martin Luther Christian association	(ii)	Yes	Meghalaya	East Khasi Hills	298000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
81	Surandai Municipality	(iv)	Yes	Tamilnadu	Thenkasi	215250.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
82	PHC, Vattiyoorkavu	(i)	Yes	Kerala	Thirivananthapuram	19500.00	Yes	Directly by Bank	
83	Don Bosco Football Association	(vii)	Yes	Kerala	Ernakulam	1000000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
84	Missionaries of Charity	(iii)	Yes	Assam	Sonitpur	6990.00	Yes	Directly by Bank	







ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
85	General Hospital, Pathanamthitta	(i)	Yes	Kerala	Pathanamthitta	1255514.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
86	CDS, Thakazhy	(iii)	Yes	Kerala	Alappuzha	14550.00	Yes	Directly by Bank	
87	Cherupushpa Balabhavan	(iii)	Yes	Tamilnadu	Kanyakumari	26000.00	Yes	Directly by Bank	
88	GHSS, Thattathumala	(ii)	Yes	Kerala	Thiruvananthapuram	139250.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
89	Aquinas College	(i)	Yes	Kerala	Ernakulam	55490.00	Yes	Directly by Bank	
90	CDS Purakkad	(i)	Yes	Kerala	Alappuzha	25000.00	Yes	Directly by Bank	
91	HEED Trust	(iii)	Yes	Tamil Nadu	Virudhunagar	9850.00	Yes	Directly by Bank	
92	Govt UPS, Chackai	(i)	Yes	Kerala	Thiruvananthapuram	5186.00	Yes	Directly by Bank	
93	GUPS, Manchavilakam	(ii)	Yes	Kerala	Thiruvananthapuram	50000.00	Yes	Directly by Bank	
94	JHSS, Perumbavoor	(ii)	Yes	Kerala	Ernakulam	99800.00	Yes	Directly by Bank	
95	Thanal Karuna School, Kuttiyadi	(iii)	Yes	Kerala	Kozhikode	39000.00	Yes	Directly by Bank	
96	Govt Medical College Hospital, TVM	(i)	Yes	Kerala	Thiruvananthapuram	228966.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
97	Bappuji Smaraka Vayanasala	(ii)	Yes	Kerala	Kollam	46240.00	Yes	Directly by Bank	
98	Kumbakonam Municipality	(iv)	Yes	Tamilnadu	Thanjavur	799500.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
99	Traffic Dept , Kolkata & Bidhan Nagar Police Station	(ii)	Yes	West Bengal	Kolkata	946950.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>




**ANNEXURE I (Contd.)**

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
100	St Marys School, Guwahati	(ii)	Yes	Assam	Kamrup Metropolitan District	46800.00	Yes	Directly by Bank	
101	MAHSS, Athani	(vii)	Yes	Kerala	Ernakulam	3600.00	Yes	Directly by Bank	
102	SH English Medium School	(i)	Yes	Kerala	Idukki	8200.00	Yes	Directly by Bank	
103	Govt HSS, Moolankavu	(ii)	Yes	Kerala	Wayanad	100000.00	Yes	Directly by Bank	
104	District Administration, Amritsar	(iv)	Yes	Punjab	Amritsar	784000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
105	Kadampuzha Bhagavathy DEvaswom Dialysis Centre	(i)	Yes	Kerala	Malappuram	1885155.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
106	Indian Latin catholic School, Kanjiramkulam	(ii)	Yes	Kerala	Thiruvana-thapuram	900930.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
107	Don Bosco Ashalayam, Kalyani	(iii)	Yes	West Bengal	Nadia	13000.00	Yes	Directly by Bank	
108	V J Oommen UPS, Puthuppally	(ii)	Yes	Kerala	Kottayam	21750.00	Yes	Directly by Bank	
109	District Collector, Salem	(ii)	Yes	Tamil Nadu	Salem	50000.00	Yes	Directly by Bank	
110	St Thomas College, Thrissur	(ii)	Yes	Kerala	Thrissur	2000000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
111	Buds Rehabilitation Centre	(ii)	Yes	Kerala	Malappuram	29600.00	Yes	Directly by Bank	
112	SHO Alappuzha Police Station	(ii)	Yes	Kerala	Alappuzha	16284.00	Yes	Directly by Bank	
113	Mission India Hospital, Wadi	(i)	Yes	Maharashtra	Thane	1876000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
114	City Traffic Police, Traffic East Sub Division, Kochi	(ii)	Yes	Kerala	Ernakulam	6195000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
115	Pratheeksha Special School, Pudunagaram	(ii)	Yes	Kerala	Palakkad	20556.00	Yes	Directly by Bank	
116	Tribal Research & Training Institute, Pune	(viii)	Yes	Maharashtra	Pune	250000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
117	GHSS, Thodiyoor	(ii)	Yes	Kerala	Kollam	83870.00	Yes	Directly by Bank	
118	St Thomas College, Konni	(ii)	Yes	Kerala	Pathanamthitta	1500000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
119	St Stephens College, Uzhavoor	(ii)	Yes	Kerala	Kottayam	100000.00	Yes	Directly by Bank	
120	Govt LPS, Oolampara	(iii)	Yes	Kerala	Thiruvana-thapuram	13894.00	Yes	Directly by Bank	
121	Devi Vilasom VHSS School, Kottayam	(ii)	Yes	Kerala	Kottayam	100000.00	Yes	Directly by Bank	
122	Welfare Association for the visually challenged	(i)	Yes	Kerala	Thiruvana-thapuram	11409.00	Yes	Directly by Bank	
123	Samaritan Trust, Sreekandapuram	(i)	Yes	Kerala	Kannur	1051336.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
124	Coimbatore Medical College Hospital, Coimbatore	(i)	Yes	Tamil Nadu	Coimbatore	330400.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
125	BDO, Balasore Sadar Block	(i)	Yes	Orissa	Balasore	549996.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
126	GTHS, Kadaplamattom	(ii)	Yes	Kerala	Kottayam	13500.00	Yes	Directly by Bank	



ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
127	ISTD, Kochi Chapter	(ii)	Yes	Kerala	Ernakulam	300000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
128	Caring Hands Mother Teresa Home, Nedumkandam	(i)	Yes	Kerala	Idukki	1000000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
129	Punarnava Ayurveda Trust Balagram Childrens Home	(iii)	Yes	Tamilnadu	Coimbatore	300900.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
130	Kancheepuram City Municipal Corporation	(iv)	Yes	Tamilnadu	Kancheepuram	750000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
131	District Collector, Kanyakumari	(iii)	Yes	Tamilnadu	Kanyakumari	200000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
132	Community Development project-Sembakkam Village construction of multipurpose learning centre	(x)	Yes	Tamil Nadu	Chengalpettu	546960.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
133	Sanjoe Hospital , Perumbavoor	(i)	Yes	Kerala	Ernakulam	660800.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
134	DRDA, Tuticorin	(ii)	Yes	Tamilnadu	Thoothukudi	538746.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
135	Rotsports Nedumbassery	(vii)	Yes	Kerala	Ernakulam	100000.00	Yes	Directly by Bank	
136	Melakkal Village Social Security Measures	(x)	Yes	Tamilnadu	Madurai	21216.00	Yes	Directly by Bank	

f. Total amount spent for the financial year ₹ 27,90,95,063.06







ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
137	District Revenue Officer , Theni	(viii)	Yes	Tamilnadu	Theni	468500.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
138	MOCCB, Vashi	(i)	Yes	Maharashtra	Thane	1980000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
139	Holy Cross Convent School, Indore	(ii)	Yes	Madhya Pradesh	Indore	34950.00	Yes	Directly by Bank	
140	Chief Educational Officer, Madurai	(ii)	Yes	Tamilnadu	Madurai	994995.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
141	Govt UPS, Perisseriy	(iii)	Yes	Kerala	Alappuzha	200000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
142	Sisters of Charity, Secunderabad Province	(i)	Yes	Telangana	Hyderabad	100000.00	Yes	Directly by Bank	
143	Govt LPS, Udumbannoor	(ii)	Yes	Kerala	Idukki	38500.00	Yes	Directly by Bank	
144	St Joseph's HSS, Meloor	(vii)	Yes	Kerala	Thrissur	50000.00	Yes	Directly by Bank	
145	Sneha Bhavan, Maneed	(iii)	Yes	Kerala	Ernakulam	70800.00	Yes	Directly by Bank	
146	SFS Primary School, Piphema	(i)	Yes	Nagaland	Dimapur	387400.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
147	Ram Manohar Lohia Sew Sansthan	(i)	Yes	Jharkhand	East Singhbhum	70000.00	Yes	Directly by Bank	
148	Promoting Sports- Nationally recognised sports	(vii)	Yes	Maharashtra	Mumbai City	75600.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
149	Vikas Bharti, Jamshedpur	(i)	Yes	Jharkhand	East Singhbhum	44000.00	Yes	Directly by Bank	



ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
150	St John's Medical College, Bengaluru	(i)	Yes	Karnataka	Bengaluru Urban	3415615.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
151	Official In Charge, Nilgiri Block, Balasore	(iv)	Yes	Orissa	Balasore	178000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
152	Adarsh Charitable Trust, Tripunithura	(ii)	Yes	Kerala	Ernakulam	99500.00	Yes	Directly by Bank	
153	St Marys High School, Irinjalakuda	(ii)	Yes	Kerala	Thrissur	990000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
154	Christian college, kattakkada	(iii)	Yes	Kerala	Thiruvananthapuram	23850.00	Yes	Directly by Bank	
155	CHC, Thalakkalathur	(ii)	Yes	Kerala	Kozhikode	15000.00	Yes	Directly by Bank	
156	Al Ameen Central School, Ambalappuzha	(ii)	Yes	Kerala	Alappuzha	486000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
157	Commissioner, Erode Municipal Corporation	(ii)	Yes	Tamilnadu	Erode	230400.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
158	Sree Ravi Varma Destitute Home, Thrissur	(iv)	Yes	Kerala	Thrissur	500000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
159	Sree Ayyapan Temple Trust, Jalahalli	(i)	Yes	Karnataka	Bangalore	76700.00	Yes	Directly by Bank	
160	St Augustine's School, Aroor	(ii)	Yes	Kerala	Alappuzha	90000.00	Yes	Directly by Bank	
161	St Michael's College, Cherthala	(ii)	Yes	Kerala	Alappuzha	1213626.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
162	Govt Hospital, Adoor	(i)	Yes	Kerala	Pathanamthitta	50000.00	Yes	Directly by Bank	





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
163	CHC, Upputhara	(i)	Yes	Kerala	Idukki	24500.00	Yes	Directly by Bank	
164	Archdiocesan Corporate Agency, EKM	(ii)	Yes	Kerala	Ernakulam	300000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
165	Soukhyam Charitable Trust Soukhyam Medical Camp	(i)	Yes	Kerala	Ernakulam	500000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
166	St Alphonsa Vocational training Centre, Angamaly	(ii)	Yes	Kerala	Ernakulam	420000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
167	All Kerala wheel Chair Rights Federation	(i)	Yes	Kerala	Idukki	89920.00	Yes	Directly by Bank	
168	Chengalpettu Municipality	(v)	Yes	Tamilnadu	Chengalpettu	800000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
169	Asha Deepa Care Home	(ii)	Yes	Karnataka	Chikmagalur	26000.00	Yes	Directly by Bank	
170	University College, TVM	(iv)	Yes	Kerala	Thiruvananthapuram	124428.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
171	Kanivu Pain & palliative	(i)	Yes	Kerala	Ernakulam	100000.00	Yes	Directly by Bank	
172	Mannam Memorial Training College, Illambal	(iv)	Yes	Kerala	Kollam	32988.00	Yes	Directly by Bank	
173	Swayam Shakthi Project Payments	(iii)	Yes	Himachal Pradesh	Solan	478400.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
174	St Norbert School, Indore	(ii)	Yes	Madhya Pradesh	Indore	146890.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
175	Mar Chrysostam Palliative Care,Arattupuzha	(i)	Yes	Kerala	Alappuzha	100000.00	Yes	Directly by Bank	
176	Vimala LPS,Beemanady	(ii)	Yes	Kerala	Kasargode	30000.00	Yes	Directly by Bank	
177	L P school, Vellukutta	(iii)	Yes	Kerala	Puthuppally	82640.00	Yes	Directly by Bank	
178	Klval Grama Panchayath, Pune	(iv)	Yes	Maharashtra	Pune	739200.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
179	St Francis Assissi CBSE School, Illambal	(iii)	Yes	Kerala	Kollam	9800.00	Yes	Directly by Bank	
180	Aluva Powrasamrakshaka Samithy, Aluva	(i)	Yes	Kerala	Ernakulam	25000.00	Yes	Directly by Bank	
181	Govt HS, Thekkekkara	(ii)	Yes	Kerala	Alappuzha	22302.00	Yes	Directly by Bank	
182	Daivadan Society, Kanjoor	(i)	Yes	Kerala	Ernakulam	9200.00	Yes	Directly by Bank	
183	Lions Club Changanachery	(iv)	Yes	Kerala	Kottayam	95000.00	Yes	Directly by Bank	
184	GCC Chennai-Miyawaki -Say Yes	(iv)	Yes	Tamilnadu	Chennai	700000.00	Yes	Directly by Bank	
185	SHO,Kottayam East Police Station	(iii)	Yes	Kerala	Kottayam	10000.00	Yes	Directly by Bank	
186	SI of Police Thalaghattapura	(iii)	Yes	Karnataka	Bangalore	99120.00	Yes	Directly by Bank	
187	Town Panchayath, Kushal Nagar	(iv)	Yes	Karnataka	Kodagu	871731.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
188	Marthoma Suvishesha Sevika Sangham, Tiruvalla	(iii)	Yes	Kerala	Pathanamthitta	500000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
189	Govt Medical College, Parippally	(ii)	Yes	Kerala	Kollam	344312.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
190	Sneha Sadan, Pallickathode	(iii)	Yes	Kerala	Kottayam	35000.00	Yes	Directly by Bank	





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
191	Nedumpana Grama Panchayath, Nallila	(iii)	Yes	Kerala	Kollam	20990.00	Yes	Directly by Bank	
192	Thakazhy Grama Panchayath	(iv)	Yes	Kerala	Alappuzha	79000.00	Yes	Directly by Bank	
193	Naipunya Institute, Angamaly	(vii)	Yes	Kerala	Ernakulam	1000000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
194	Bharanikkavu Grama Panchayath	(iii)	Yes	Kerala	Alappuzha	30000.00	Yes	Directly by Bank	
195	Thiuvallur City Municipal Corporation, Thiruvallur	(iv)	Yes	Tamilnadu	Tiruvallur	900000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
196	Old Age Home, Dibrugarh	(iii)	Yes	Assam	Dibrugarh	99620.00	Yes	Directly by Bank	
197	Dhrisya Guruvayur	(i)	Yes	Kerala	Thrissur	25000.00	Yes	Directly by Bank	
198	Govt LPS, Neduvantharatta	(ii)	Yes	Kerala	Thiruvananthapuram	23850.00	Yes	Directly by Bank	
199	Karunyasramam, Edappally	(iii)	Yes	Kerala	Enakulam	30000.00	Yes	Directly by Bank	
200	CII IWN	(iii)	Yes	Tamilnadu	Chennai	118000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
201	Thanniyam panchayath, Peringottukara	(i)	Yes	Kerala	Thrissur	10500.00	Yes	Directly by Bank	
202	AIMS, New Delhi	(i)	Yes	New Delhi	New Delhi	300000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
203	GHSS, Alamkode	(ii)	Yes	Kerala	Thiruvananthapuram	17000.00	Yes	Directly by Bank	
204	Edavetty Grama Panchayath, Thodupuzha	(iii)	Yes	Kerala	Idukki	74420.00	Yes	Directly by Bank	
205	Kainady Police Station, Kavalam	(ii)	Yes	Kerala	Alappuzha	40900.00	Yes	Directly by Bank	






**ANNEXURE I (Contd.)**

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
206	Salesians of Don Bosco, Guwahati	(i)	Yes	Assam	Guwahati	309000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
207	SABS Socio Economic Society	(iii)	Yes	Nagaland	Dimapur	197192.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
208	NHM, Shillong	(i)	Yes	Meghalaya	Shillong	900000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
209	Lourde Matha Care Charitable Trust	(i)	Yes	Kerala	Thiruvananthapuram	567523.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
210	Ashadeep Rehabilitation Centre, Patna	(i)	Yes	Bihar	Patna	59000.00	Yes	Directly by Bank	
211	BDO Bhubaneshwar	(iv)	Yes	Orissa	Bhubaneshwar	399000.00	No	Through Federal Bank Hormis Memorial Foundation	
212	Govt HSS, Cheruthana, Cherthala	(i)	Yes	Kerala	Alappuzha	16000.00	Yes	Directly by Bank	
213	St Nicholas RC Middle School, Salem	(ii)	Yes	Tamilnadu	Salem	180286.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
214	Govt Children's Home, Nooranad	(iii)	Yes	Kerala	Alappuzha	30000.00	Yes	Directly by Bank	
215	Pain & palliative Care Clinic, Makkaraparamb	(i)	Yes	Kerala	Kozhikode	47585.00	Yes	Directly by Bank	
216	Ferrando Nikethan, Tinsukia	(iii)	Yes	Assam	Tinsukia	750000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>
217	District Collector, Tirunelveli	(iv)	Yes	Tamilnadu	Tirunelveli	1000000.00	No	Through Federal Bank Hormis Memorial Foundation	<b>CSR00006299</b>





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
218	BDO,Oupada Block	(i)	Yes	Orissa	Baleswar	209940.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
219	Speak for India Gujarat Edition 2019-20 Scholarship to winner	(ii)	Yes	Gujarat	-----	50000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
220	Sandeevani SEva Trust, TVM	(i)	Yes	Kerala	Thiruvana-thapuram	592748.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
221	Govt Ayurveda Hospital, Thalavoor	(i)	Yes	Kerala	Thiruvana-thapuram	257900.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
222	Govt Cotton Hill Girls School, TVM	(ii)	Yes	Kerala	Thiruvana-thapuram	269500.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
223	ASAP, Kerala	(ii)	Yes	Kerala	Multiple Districts	1237500.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
224	Dominican Sisters of the Presentation-Pousseppin	(iii)	Yes	Karnataka	Bangalore	25000.00	Yes	Directly by Bank	
225	FHC & Aroor Grama Panchayath, Aroor	(i)	Yes	Kerala	Alappuzha	17800.00	Yes	Directly by Bank	
226	Govt Medical College, Konni	(i)	Yes	Kerala	Pathanamthitta	846275.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
227	Bangalore Rural Education & Development Society	(i)	Yes	Kerala	Multiple Districts	2268775.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation- Through Implementing Agency	
				State	District			Name	CSR Registration Number
228	MANN centre for individual with special needs, Mumbai	(ii)	Yes	Maharashtra	Mumbai	1400000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
229	Don Bosco Junior College, Bogaigaon	(ii)	Yes	Assam	Bongaigaon	64900.00	Yes	Directly by Bank	
230	Bharat Matha Institution, Koppa, Kushal Nagar	(ii)	Yes	Karnataka	Kodagu	290000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
231	Govt Law College, EKM	(ii)	Yes	Kerala	Ernakulam	18135.00	Yes	Directly by Bank	
232	Kadalundi Grama Panchayath, Chaliyam	(ii)	Yes	Kerala	Kozhikode	112046.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
233	CSR Support to Kovalam FC -Promoting Sports	(vii)	Yes	Kerala	Ernakulam	1500000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
234	Project Thulir -in association with United Way Chennai-	(iii)	Yes	Tamilnadu	Chennai	2042700.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
235	K P Hormis Commemorative Lecture	(ii)	Yes	Kerala	Ernakulam	7835632.96	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
236	CSR Support- Promoting Sports- Sree Gokulam Football Foundation	(vii)	Yes	Kerala	Multiple Districts	5000000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
237	Joy of Freedom -Azadi Ka Amrit Mahotsav -Pan India	(iii) (iv)	Yes	Pan India	Multiple Districts	4340053.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
238	Joy of Freedom -Azadi Ka Amrit Mahotsav -	(iv)	Yes	Kerala	Thiruvananthapuram	4484.00	Yes	Directly by Bank	





ANNEXURE I (Contd.)

(1) Sl. No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Local area (Yes / No)	(5) Location of the project		(6) Amount spent for the project (in ₹)	(7) Mode of implementation-Direct (Yes/ No)	(8) Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
239	Veterans of War -Documentary film project	(ii)	Yes	Maharashtra	Mumbai	1875000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
240	CSR Support -Ayurarogya Soukhyam Trust-Soukhyam Reusable Pads	(iv)	Yes	Kerala	Kollam	2000000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
241	Houses for the Homeless-Support to Rotary Cochin Central	(iii)	Yes	Kerala	Ernakulam	1200000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
242	Federal Bank Hormis Memorial Foundation Scholarships	(ii)	Yes	Kerala Tamilnadu Maharashtra Gujarat	Multiple Districts	32658814.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
243	Federal Skill Academy Payments	(ii)	Yes	Kerala Tamilnadu Maharashtra Haryana	Ernakulam Coimbatore Kolhapur Faridabad	33246703.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
244	CPR Programme in Educational institutions in EKM/TCR	(i)	Yes	Kerala	Ernakulam Thrissur	2530220.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
245	Speak for India-Season 7- TN, MH, KA, West Bengal & Delhi-NCR Editions	(ii)	Yes	Tamilnadu Maharashtra Karnataka West Bengal New Delhi	Multiple Districts	88500000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
246	Speak for India-Season 7- Kerala Editions	(ii)	Yes	Kerala	Multiple Districts	15100000.00	No	Through Federal Bank Hormis Memorial Foundation	CSR00006299
<b>TOTAL</b>						<b>278903935.06</b>			



ANNEXURE I (Contd.)

d. Amount spent in Administrative Overheads -	₹ 1,91,128.00
e. Amount spent on impact assessment, if applicable	NIL
f. Total amount spent for the financial year	₹ 27,90,95,063.06

Particular	(₹)
Total Amount transferred to Unspent CSR Account for the financial year	15,97,07,851.92
Total CSR amount spent against other than ongoing projects for the financial year	27,89,03,935.06
Amount spent in Administrative Overheads	1,91,128.00
<b>Total</b>	<b>43,88,02,914.98</b>

g. Excess amount for set off, if any Nil

SI no.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	43,88,02,915.00 (4388.029 Lakhs)
(ii)	Total amount spent for the Financial Year**	*43,88,02,915.00 (4388.029 lakhs)
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

\* CFO Certification of CSR spent from 01.04.2022 to 31.03.2023 obtained

\*\* Total Amount Spent for the Financial Year includes the amount transferred to Unspent CSR Account for the FY and Amount spent for Administrative Overheads

**11. Details of Unspent CSR amount for the preceding three financial years:**

SI no.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1	2018-2019	NIL					
2	2019-2020	NIL					
3	2020-2021	NIL					
4	2021-2022	3,28,60,000.00	2,95,01,631.00			33,58,369.00	
	Total	3,28,60,000.00	2,95,01,631.00			33,58,369.00	





ANNEXURE I (Contd.)

**12. Details of CSR amount spent in the financial year for ongoing project of the preceding financial years :**

1	2	3	4	5	6	7	8	9
Sl no.	Project ID	Name of the project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed / Ongoing
1	1	Thrissur Municipal Corporation	2021-22	24	15000000	14340000	15000000	ongoing
2	2	Cyber Security Awareness Program-	2021-22	24	15000000	11641631	11641631	ongoing
3	3	Diocese of Kanjirappally-Flood Relief-Construction of houses	2021-22	24	3500000	3500000	3500000	Completed

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

(asset-wise details)

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

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

Not Applicable

Sd/-

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

Sd/-

Shri. Sankarshan Basu  
(Chairman- CSR Committee)





# ANNEXURE-II

## FORM MR-3

### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023

(Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015))

To  
The Members,  
**THE FEDERAL BANK LIMITED**  
(CIN: L65191KL1931PLC000368)  
Federal Towers, P. B. No. 103,  
Alwaye, Ernakulam,  
Kerala - 683 101.

We, M Damodaran & Associates LLP, Practicing Company Secretaries, have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **The Federal Bank Limited** (hereinafter called the "Bank"). Secretarial Audit was conducted in a manner that provided us with a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on **March 31, 2023** ('Audit Period') complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and Compliance-mechanism in place to the extent, in the manner and subject to the reporting made herein:

We have examined the books, papers, minute books, forms and returns filed, and other records maintained by the Bank for the financial year ended on March 31, 2023 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'); including amendment/ re-enactment made thereto:
  - a) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - d) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
  - e) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
  - f) Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR)];
  - h) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
  - i) Securities and Exchange Board of India (Bankers to the Issue) Regulations, 1994;





## ANNEXURE II (Contd.)

- j) Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014;
  - k) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 – Not applicable during the review period;
  - l) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - Not applicable during the review period.
- (vi) The Management has identified and confirmed compliances with certain laws as specifically applicable to the Bank as per **Annexure- A** which forms part of this report.

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

- i. The Listing Agreements entered by the Bank with BSE Limited ('BSE') and National Stock Exchange of India Limited (NSE'); and
- ii. Secretarial Standards (SS- 1) for Board Meeting and Secretarial Standards (SS-2) for General Meeting issued by the Institute of Company Secretaries of India.

During the period under review, except as below, the Bank has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Secretarial Standards, etc. as applicable to the Bank:

- a. Bank had received a notice from NSE regarding non-submission of statement within the stipulated timeline indicating the utilisation of issue proceeds/ material deviation in the use of proceed as required under regulation 52 (7) / (7A) of SEBI (LODR) for the quarter ended March 31, 2022. The Penalty of ₹ 10,620/- (Incl. 18% GST) was levied by NSE in this regard which has been paid by the Bank on March 17, 2023 as the waiver request placed with the Exchange has been rejected.
- b. The Reserve Bank of India has, by an order dated h July 07, 2022, imposed a monetary penalty of ₹ 5,72,00,000 (Rupees Five crore and seventy-two Lakh only) on the Bank for non-adherence with the provisions of 'Reserve Bank of India (Financial Services provided by Banks) Directions, 2016' to the extent, the Bank did not ensure that no incentive (cash or non-cash) was paid to its staff engaged in insurance broking/corporate agency services by the insurance company which has been paid by the Bank on July 13, 2022.
- c. Issue Department, Reserve Bank of India ('RBI') has levied penalty of ₹ 58,10,000/- (Rupees Fifty Eight Lakh Ten Thousand only) on the Bank for non-adherence with the provisions of RBI Master Circular RBI/2021-22/84 DCM (RMMT) No.S153/11.01.01/2021-22 August 10, 2021 to the extent, due to non-replenishment of cash in ATMs coming under various jurisdictions for the FY 2022-23 which has been paid by the Bank on various dates. RBI has considered the Bank's request for waiver and refunded ₹ 90,000/- during May 2023.
- d. Issue Department, Reserve Bank of India has levied penalty of ₹ 55,000/- (Rupees Fifty Five Thousand only) on the Bank for non-adherence with the provisions of Para 2(v) of RBI Master Circular DCM (CC) No. G-5/03.44.01/ 2022-23 dated April 01, 2022 to the extent, for discrepancies observed during Incognito Visit to Guwahati / Silpukhuri, Jaipur / Malviya Nagar, Kundara, Ernakulam Marine Drive and Coimbatore Main Branch which has been paid by the Bank on various dates.
- e. Enforcement Directorate (ED) has issued show cause notice vide letter dated September 26, 2022 for contravention of Section 6(3)(f) of Foreign Exchange Management Act, 1999, read with Foreign Exchange Management (Deposit) Regulations, 2000 and Foreign Exchange Management (Deposit) Regulations, 2016. In response to the Notice, the Bank has furnished the details sought for and personal hearing was also held with ED. Later, in exercise of the powers conferred under Section 13 (1) of the Foreign Exchange Management Act, 1999, ED has imposed a penalty of ₹ 8,17,000/- (paid on March 27, 2023) vide order dated February 13, 2023 for contraventions of the above-mentioned Regulations.
- f. The bank has complied with the provisions of the Shop and Establishment Act, 1948 subject to the following observation: Inspecting Officer, Office of Shop & Establishment, Vasai Virar Municipal Corporation, Virar, imposed a penalty of ₹ 5000/- on Virar Branch of the Bank mentioning the following irregularities/observations: (i) Shop & Establishment License in the name of Virar branch is not available and (ii) The Font of Marathi letters in Bank's Signboard is similar to English Letter. Bank's Name in Marathi language should be displayed first in the Bank's Signboard. The penalty was paid by the Bank on March 21, 2023.
- g. RBI has levied penalty of Rs. 3,07,400/- on Currency Chests for the FY 2022-23 on account of error in the count/rare instances of mixed bundles of mutilated notes, forged notes, soiled notes etc and other deficiencies observed during inspection of Federal Bank Currency Chests and discrepancies detected in CVPS during processing of Soiled Note Remittances.



## ANNEXURE II (Contd.)

**We further report that** the Board of Directors of the Bank is duly constituted with a proper balance of Executive and Independent Directors. There was no change in the composition of the Board of Directors during the period under review.

Adequate notice is given to all Directors to schedule the Board & Committee Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance for meetings other than those held at shorter notice with the consent of all the Directors, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. As per the minutes of the meetings duly recorded and signed by the respective Chairman, the decisions of the Board/Committees were unanimous and no dissenting views have been recorded.

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

**We further report that** the Bank is in compliance with Regulation 3(5) & 3(6) of SEBI (Prohibition of Insider Trading) Regulations, 2015 with respect to Structured Digital Database.

**We further report that** during the audit period the Board of Directors of the Bank at its meeting held on March 18, 2023, has approved the issuance of Unsecured Basel III compliant Tier-II Subordinate Bonds in the nature of Debentures, for face value, amounting up to ₹ 1000,00,00,000/- (Rupees One Thousand Crore only) on a private placement basis to certain eligible investors permitted to invest in the NCDs under applicable laws.

**We further report that** during the audit period the Credit, Investment and Raising Capital Committee constituted by Board of Directors of the Bank, at its meeting held on March 29, 2023, has allotted 995 (Nine hundred and ninety-five) Unsecured Basel III compliant Tier-II Subordinate Bonds in the nature of Debentures of ₹ 1,00,00,000/- (Rupees One Crore) each to LIC of India, on private placement basis.

We further report that during the audit period the Board of directors of the Bank has:

- allotted 17,500 equity shares on June 08, 2022 against rights entitlements released from abeyance in accordance with the order of Honourable High Court of Kerala.
- listed its shares and subsequently credited in demat account of shareholders concerned in respect of 10,000 equity shares out of the bonus issue made in the year 2004 and 15,000 equity shares out of the bonus issue made in the year 2015 which were kept in abeyance were executed on receipt of order from court during the financial year 2022-23.
- allotted 1,36,37,270 equity shares consequent to exercise of ESOS vested under Employee Stock Option Scheme 2010 & Employee Stock Option Scheme 2017 of the Bank on various dates.

**We further report that** during the audit period the shareholders of the Bank, inter alia, has:

- passed a Special Resolution under section 42 and all other applicable provisions of the Companies Act, 2013 at the Annual General Meeting held on July 27, 2022 for raising of Funds through Issuance of Bonds on private placement basis up to an aggregate amount not exceeding ₹ 8,000 Crore (Rupees Eight Thousand Crore Only) during a period of one year w.e.f. July 27, 2022.
- passed a Special Resolution under section 42 and all other applicable provisions of the Companies Act, 2013 at the Annual General Meeting held on July 27, 2022 for raising of Tier I Capital of the Bank through issuance of securities up to an aggregate amount not exceeding ₹ 4,000 Crore (Rupees Four Thousand Crore Only).

For **M DAMODARAN & ASSOCIATES LLP**

Place: Chennai  
Date: July 14, 2023

Sd/-  
**M. Damodaran**  
Managing Partner  
FCS No.: 5837  
COP. No.:5081  
FRN: L2019TN006000  
PR 1374/2021  
ICSI UDIN:F005837E000606723

*(This report is to be read with my letter of even date which is annexed as **Annexure B** and forms an integral part of this report)*





ANNEXURE II (Contd.)

**Annexure - A**

**The Management has identified and confirmed compliances with following laws as specifically applicable to the Bank during the audit period 2022-23:**

1. Reserve Bank of India Act, 1934 and Master Directions Issued by the RBI to Commercial Banks & the Banking Regulations Act, 1949 and Rules, Notifications and Circulars issued by Reserve Bank of India from time to time except as mentioned in Secretarial Audit Report 2023;
2. The Banking Ombudsman Scheme, 2006;
3. The Bankers' Books Evidence Act, 1891;
4. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 read with The Security Interest (Enforcement) Rules, 2002;
5. The Deposit Insurance and Credit Guarantee Corporation Act, 1961;
6. Credit information Companies (Regulation) Act, 2005;
7. Recovery of Debts due to Banks and Financial Institutions Act, 1993;
8. Negotiable Instruments Act, 2002;
9. The Micro, Small and Medium Enterprises Development Act, 2006;
10. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013;
11. Payment of Gratuity Act, 1972 read with Rules made thereunder;
12. Maternity Benefit Act, 1961;
13. Payment of Bonus Act, 1965 read with Rules made thereunder;
14. The Factoring Regulation Act, 2011; and
15. Industrial Disputes Act, 1947 read with Industrial Disputes (Banking and Insurance Companies) Act, 1949; and
16. The Shop and Establishment Act, 1948 except as mentioned in Secretarial Audit Report 2023.

For **M DAMODARAN & ASSOCIATES LLP**

Sd/-

**M. Damodaran**

Managing Partner

FCS No.: 5837

COP. No.:5081

FRN: L2019TN006000

PR 1374/2021

ICSI UDIN:F005837E000606723

Place: Chennai

Date: July 14, 2023







ANNEXURE II (Contd.)

Annexure - B

**Disclaimer Certificate**

To  
The Members,  
**THE FEDERAL BANK LIMITED**  
(CIN: L65191KL1931PLC000368)  
Federal Towers, P. B. No. 103,  
Alwaye, Ernakulam,  
Kerala - 683 101.

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

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Bank.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on a test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For **M DAMODARAN & ASSOCIATES LLP**

Sd/-

**M. Damodaran**

Managing Partner

FCS No.: 5837

COP. No.:5081

FRN: L2019TN006000

PR 1374/2021

ICSI UDIN:F005837E000606723

Place: Chennai

Date: July 14, 2023





## ANNEXURE-III

**Details of applications made by the Bank or pending under the Insolvency  
and Bankruptcy Code, 2016 (31 Of 2016) during the year**

<b>SR NO.</b>	<b>NAME OF THE BORROWER</b>	<b>Claim lodged by the Bank (₹ in Crore)</b>
1	PLATINO CLASSIC MOTORS INDIA PRIVATE LIMITED	7.23
2	FOODCO DELICACIES INDIA PRIVATE LIMITED	11.08
3	SEABIRD SEAPLANE P LIMITED	6.33
4	MIR REALTORS PRIVATE LIMITED	12.92
5	SARGAM BUILDERS (P) LIMITED	5.56
6	MOON RIVER RESORTS PRIVATE LIMITED	18.47
7	CARE IT SOLUTIONS PRIVATE LIMITED	30.27
8	Tanjara Trading Private Limited	1.02
9	SAS Autocom Engineers India Private Limited	14.13
10	CETHAR Limited	9.09
11	GVR INFRA PROJECTS LIMITED	25.40
12	DHARANI SUGARS AND CHEMICALS LIMITED	18.23
13	SKC Retail Limited	26.70
14	VIDEOCON INDUSTRIES GROUP	103.64
15	STEELCO GUJARAT LIMITED	12.25
16	BIOTOR INDUSTRIES LIMITED-FARMERS RECEIVABLE ACCOUNT	212.76
17	PSL LIMITED	214.79
18	K S OILS LIMITED	201.64
19	ESKAY KNIT INDIA LIMITED	70.65
20	VENUS ROLLING MILLS PVT LIMITED	33.14
21	SHIVSHAKTI BARRELS PRIVATE LIMITED	4.89
22	DHARTI DREDGING AND INFRASTRUCTURE LIMITED	32.62
23	RNM INFRA	7.40
24	KOHINOOR PULP AND PAPER	16.17
25	KOHINOOR PAPER & NEWSPRINT PRIVATE LIMITED	39.35
26	BRG IRON AND STEEL	44.14
27	BHUVEE STENOVAE PRIVATE LIMITED	42.23
28	TIRUPATI JUTE INDUSTRIES LIMITED	30.76
29	SARAF IMPEX	8.82
30	Compact Lamps	21.42
31	Shree Rajmahal Jewellers	28.61
32	Rathi Super Steel	14.28
33	Ballarpur Industries	44.65
34	Dugal Associates	4.04
35	Dehradun Highway Projects	52.36
36	Zenica Cars Private Limited	21.75
37	Zenica Performance cars Private Limited	15.81
38	Shamken Spinners	39.54
39	Shamken Cotsyn	101.13
40	Amtek Auto Limited	17.80
41	GRD Trucks Private Limited	6.97
42	BKS Leather	2.34
43	SHRINIVAS ELECTRICALS GTD PRIVATE LIMITED	14.50
44	PROTOCOL MARINE SERVICES PRIVATE LIMITED	3.10



## ANNEXURE IV

### THE RATIO OF THE REMUNERATION OF EACH DIRECTOR TO THE MEDIAN EMPLOYEE'S REMUNERATION AND OTHER DETAILS IN TERMS OF SUB-SECTION 12 OF SECTION 197 OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Sr. No	Requirements	Disclosure
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year	Shyam Srinivasan, MD & CEO – 27.22 Ashutosh Khajuria, ED – 10.65 Shalini Warriar, ED – 12.14
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Shyam Srinivasan, MD & CEO - 0.69% Ashutosh Khajuria, ED - 9.38% Shalini Warriar, ED - 19.52% Venkatraman Venkateswaran, GP&CFO – 26.24% Samir Pravinbhai Rajdev, CS – 23.39%
3	The percentage increase in the median remuneration of employees in the financial year	0.84%**
4	The number of permanent employees on the rolls of Company	13106 (As on March 31, 2023)
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average percentage increase made in the Salary of total employees for the financial year is around 2.67%, while the average increase in the remuneration of KMP's are as follows. Shyam Srinivasan, MD & CEO – 0.68%*** Ashutosh Khajuria, ED – 9.38% Shalini Warriar, ED – 19.52% # Compensation of WTD's/ CEO has been arrived as per the Guidelines on Compensation of Whole-Time Directors / Chief Executive Officers / Material Risk Takers and Control Function staff, issued by the RBI, and hence the increase in managerial remuneration.
6	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is confirmed.

\*\* Median pay is computed on annual fixed pay which includes basic salary, other allowances, and performance linked incentive / ex-gratia paid to the employees who were in the services of the Bank as on March 31, 2023, along with the value of perquisites.

\*\*\*During FY 2022-23, Mr. Shyam Srinivasan, MD & CEO has relinquished 2,80,000 Stock Options (non- cash) and ₹ 32,00,000/- (cash) offered to him as Variable Pay pertaining to FY 2022-23.

# Arrears of Salary paid to Ms. Shalini Warriar for the period from April 01, 2023 to March 31, 2023, vide RBI order no.DoR.GOV.No.55217/08.38.001/2022-23 dated November 18, 2022.



### Giving back to the society



### Setting up of a new modern Chemistry Lab at St. Michaels College, Cherthala



### Skill Academy



### Speak for India



# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL ECONOMIC SCENARIO

### BANI IN BANI

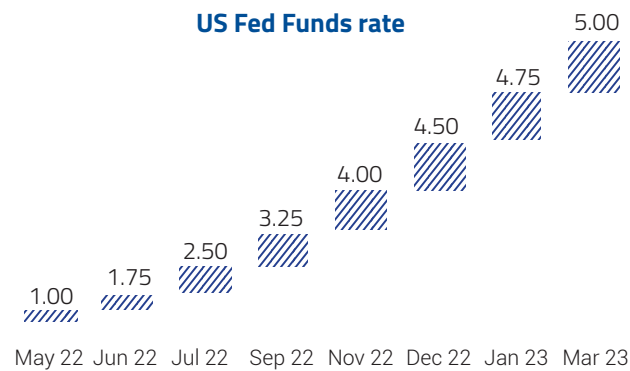
**Building A New India (BANI)** in a Brittle, Anxious, Non-linear and Incomprehensible (BANI) environment, has been a progressive narrative of the past 12 months, coming with its own set of challenges.

While India was not isolated from events around the world, however from the point of intersection, as a nation we are showing the world the India Way. Be it Geopolitical Relations, Financial Sector Stability, Currency Exchange Rates etc the Government, Regulators and even citizens of the nation have kept the ball rolling through purposeful resilience.

The Russian invasion of Ukraine at the beginning of 2022 spiked tensions, and nations split themselves into for and against camps. The faultlines have been sharp impacting prices of commodities, particularly Oil, Coal and Natural gas. Spurred on by the regulation of output by the OPEC+ countries, crude oil prices saw large swings and remained above \$100/ per barrel for most of the first quarter of FY23. Metals also saw elevated

various financial support measures post pandemic, saw the US hit its debt ceiling. Countries such as Sri Lanka saw forex reserves decline substantially, devaluing their currency and plunging their economies into crisis. Over time, it seemed that a soft landing was becoming more and more tricky to achieve. Bank of England was the first Central Bank to kick off the global liquidity tightening cycle with a 25bps increase in their Bank rate in February 2022. This was soon followed by the US who also increased their Fed Funds rate by 25 bps. However as the situation worsened due to various crises, the quantum of rate hikes increased. Over the course of the Financial Year, the US Fed had increased key rates by a cumulative 450 bps and the Bank of England had increased rates by 350 bps. As the Financial Year drew to a close, the aggressive nature of hikes had abated but the terminal rates were still uncertain.

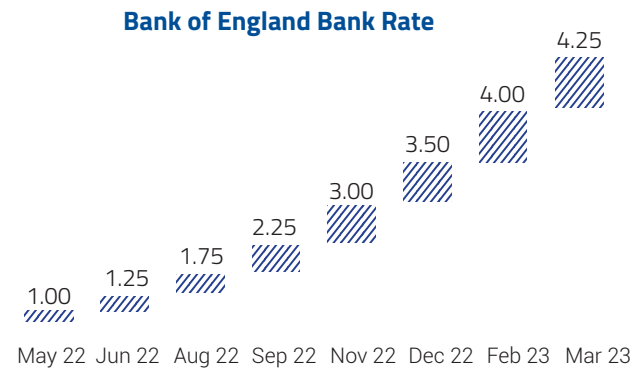
Just as Central Banks started seeing the light at the end of the tunnel in the form of softening inflation rates, another crisis was brewing in the US financial system. Over the course of a few weeks in March 2023, two US Banks collapsed due to a



prices led by Gold which saw surge due to safe haven demand. The volatility and uncertainty put pressure on Governments who were dependant on imports for important commodities and the common consumer who saw fuel bills and food prices go up.

### WORLD ECONOMIES

After almost two years of abundant liquidity, inflation was already inching up prior to the start of the Financial Year. Governments around the world were starting to get wary of the elevated inflation rates, looking at ways to wear their respective economies off the surplus liquidity and engineer a soft landing. It was in this backdrop that commodity prices spiked suddenly due to geo-political tensions. US, UK and many developed economies saw persistently high inflation rates. The



run on their deposits. The regulator responded immediately to contain the situation with the FDIC stepping in to calm depositors' nerves. Close on the heels of the disruption, we saw the winding up of another global Bank through a merger with its closest competitor with the assistance of the country's Government. Ongoing developments in this sector shows that we may not be out of the woods yet.

Looking back, the global economy is swimming against the tides and the volatile and uncertain environment may persist for some more time; an ebb seems distant for now.

### MEANWHILE IN INDIA

As India continued to give alternatives to an embattled world, its broadside had its own share of dents, albeit no significant







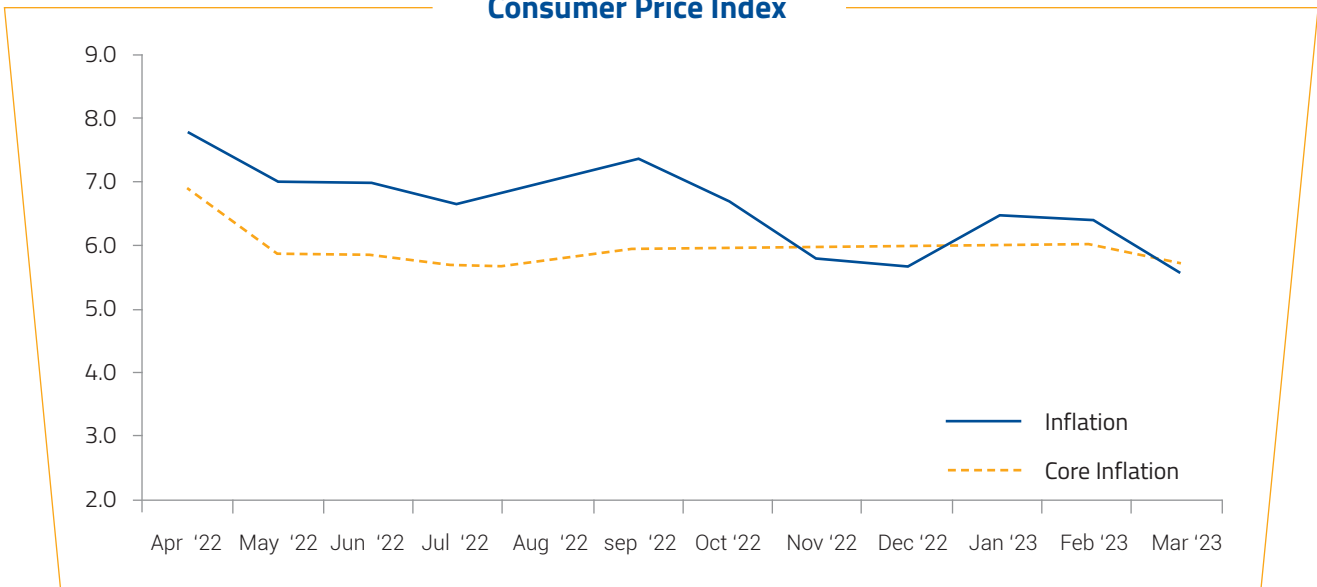
## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

breaches. The Government and regulators managed the turmoil well by ensuring adequate policy support and timely interventions in the market.

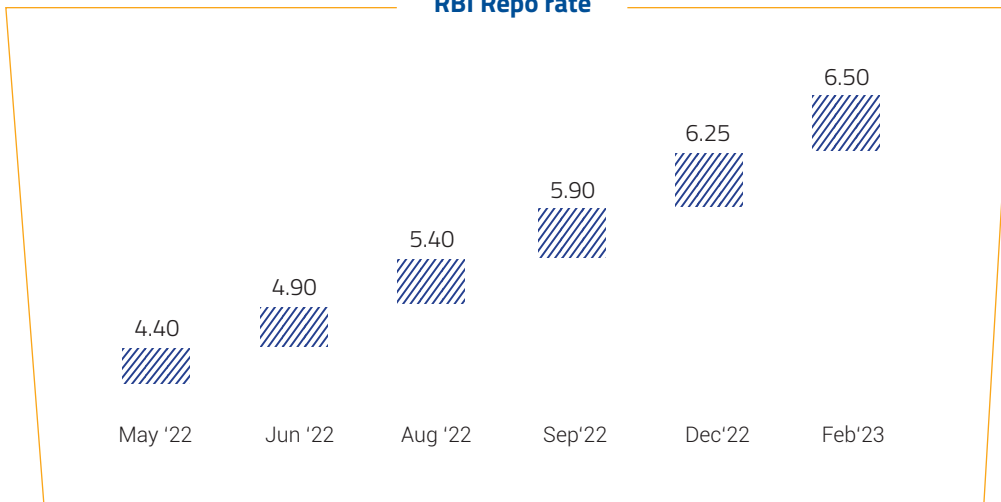
### **Ambidextrous and Unambiguous**

Inflation needed skillful handling to demonstrate optical significance and effective control. The ambidexterity of its management was demonstrated in a slew of support measures. Various supply side measures such as export bans on essential food products, discarding of import duties for edible oils etc ensured food safety. A deal to procure oil at discounted rates from Russia ensured that the country was insulated from the worst of fuel inflation while at the same time Open Market Operations by the RBI managed to cushion the fall in value of Rupee. On the demand side, India's Central Bank embarked on unambiguous measures to reduce the liquidity in the system while at the same time ensuring that the green shoots of growth are not cut off.

### Consumer Price Index



### RBI Repo rate



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

RBI started off on the policy tightening path in the MPC meeting conducted in April 2022 where the Central Bank had shifted its focus from 'accommodative' to 'withdrawal of accommodation'. Soon afterwards, the rate hike cycle was started in a surprise off-cycle rate hike of 40 bps in May 2022 along with an increase in CRR to 4.5%. Since then, RBI has raised the Repo five more times by a cumulative 250 bps taking the Repo rate to 6.50%. Compared to the 400-450 bps cumulative hike by Central Banks of large economies, the increase seems diminutive, but along with various other market intervention measures, the Central Bank managed to bring inflation within its target band of 2%-6% by the end of the financial year. Most importantly, the feat was accomplished without extinguishing the country's growth prospects.

The Indian Economy is perceived as a bright spot in the Global Economy by supranational organisations such as IMF and is expected to grow at a faster pace than most world economies. By the end of the calendar year 2022, India had grown to become the 5th largest economy in the world by GDP. Aided by a strong domestic demand, focussed long term investments by the Government and surprisingly upbeat services export, the provisional GDP growth for the Financial Year has come out to a strong 7.2% which is one of the highest among large economies.

The growth story of India is just taking wings. Rich demographic mix, coupled with strong investments in long term capacity building and increasing ease of doing business, aided by the geo-political fallout of trade tensions between the largest economies in the world, form a perfect stage for the Indian economy to take-off in the coming days.

Building A New India ( BANI ) is a kinetic journey leading to a destination full of potential. Almost like the infinity loop.

### INDIAN BANKING INDUSTRY

FY23 was a strong year for the Banking industry in India. With the recovery from the pandemic going strong, aggregate credit growth outpaced deposit growth throughout the year. Even the rate hikes did not dampen the appetite for credit with Gross Bank Credit growing by an average of 14%. Higher lending rates along with strong credit demand aided Banks to increase NIMs and post excellent profit numbers. The general upbeat trend in the sector can also be seen in the stock market Bank indices which have generally outperformed general indices over the year.

#### **Containment of GNPA and NNPA**

Despite the robust growth in credit, asset quality in the banking system held up well. GNPA and NNPA ratios of Scheduled Commercial Banks were at multi-year lows. Banks held

sufficient provisions to tide over stress in their books with Private Sector Banks maintaining PCR in excess of 74% at the end of FY23. The close watch kept by the regulator on asset growth along with frequent dialogues initiated with Banks, may ensure that the asset quality in the banking system remains stable into the future.

#### **Congestion in Deposits**

The major challenge that Indian Banks faced during the year was the lagging deposit growth to fund the robust demand in credit. With an average deposit growth of only 9%, there was strong competition in wooing deposit customers. Many large Banks also explored alternative sources of raising funds with bond issuances, asset securitisation etc seeing heightened activity. And with credit demand showing no signs of abating, the rush for raising funds may continue to play out in the near term.

#### **Investments And Innovation for Inclusion**

Another general trend in the sector which was ushered in by the actions of the Government and RBI, was a democratisation of financial products with a push for more financial inclusion. From opening up investments in Government securities for retail customers to various regulations to increase the depth and liquidity in corporate bond markets, the general public now has various avenues for channelling their investments. At the same time, new regulations by the Central Bank aimed at Buy Now Pay Later products, digital lending, storage of card data, usage of recovery agents and penal interest rates along with the expansion of Integrated Ombudsman scheme serve to ensure protection for the common consumer. With the ever-increasing presence of UPI, establishment of DBUs and a roll out of the CBDC, it is now easier and safer than ever to be included in the financial ecosystem.

### TECHNOLOGY LEVERAGING BUSINESS STRATEGY

India saw a broad-based recovery this fiscal for the first time after the onset of the pandemic in 2020 as services caught up with manufacturing. Credit growth has remained robust even amid the significant rise in interest rates, and global uncertainties related to geo-political, and supply chain issues. In this background, your Bank devised strategies to tap into the mega trends while strengthening the core and investing in the adjacencies. As the appetite for credit in the industry remained unaffected by the hike in rates, your Bank was able to leverage its strong base of retail clientele for low-cost funding, put in enablers to grow higher margin lending with well-designed risk architecture, built capabilities around Priority Sector Lending





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

and generate scale with unique FinTech partnerships.

As technology and digital takes centre stage, your Bank continued its obsession with customer convenience by launching many customer-centric products and services which had a positive influence on the way we do business. During the year, your Bank launched an add-on Card facility for its Credit Card customers. Bank became a live issuer of e-RUPI, which is a cashless and contactless person and purpose-specific digital payment solution launched by the National Payment Corporation of India, introduced SoftPOS - a mobile application-based solution which enables merchants to accept cash, card, QR or UPI transaction on merchant's mobile phone, which is in line with the Banks strategy of tapping into the emerging trends.

### **Stack Strengthening**

In order to attain the vision of making your Bank the 'Most Admired Bank' in the country and the ambition to become the first choice Bank, the strategy plan was further tweaked during the year. Plans were laid out focusing on gaining scale and with the right mix of higher yielding products such as Credit Cards, Personal Loans, Gold Loans, Microfinance, CV/CE etc, within the overall risk appetite of the Bank. The strategies identified

include focusing more on higher margin lending with well-designed risk architecture, building capabilities around Priority Sector Lending, building scale with unique FinTech partnerships, embedding ESG parameters in the business strategy not only to meet the stakeholders' requirements but also factoring in environmental, social and governance (ESG) aspects and building sustainability. Your Bank has envisaged a clear vision, aiming to be a compelling Brand that attracts clientele, to provide them with Banking services that embrace the latest technology, which is transparent, secure and to achieve economies of scale to Increase efficiency and Cost Advantage.

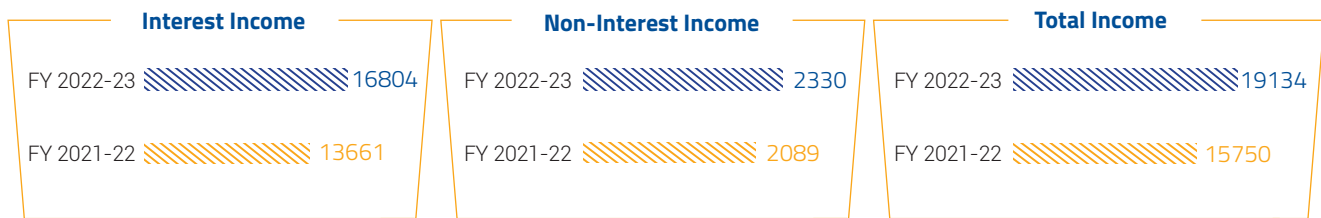
### **Strong Delta of Improvement**

With stability and predictability in performance, best-in-class liability franchise, improved operating metrics, shift in credit mix towards granular retail, top-tier asset quality and robust coverage ratios, your Bank believes that the Bank is fully poised to move towards an ever-improving P&L and Balance Sheet. This eventually should enable your Bank to leverage many more opportunities available in the market to build significant delta. Over the next three years, the Bank plans to clock 15-17 % of Business CAGR, i.e., around 1.5x increase in business.

## OVERVIEW OF PERFORMANCE (STANDALONE)

### Income

(₹ in Crore)



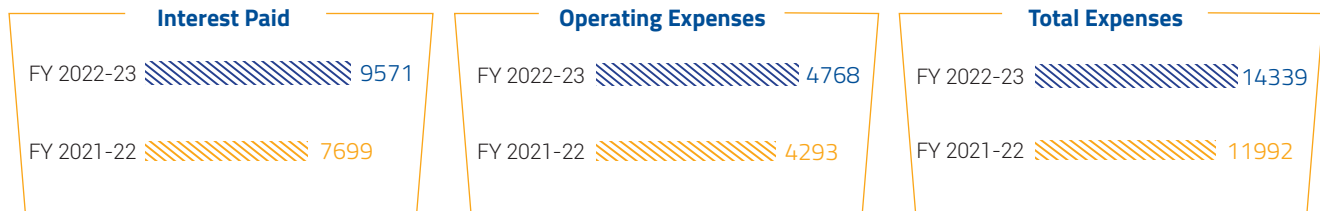
During the financial year, the yield on average advances (gross) stood at 8.56% as compared to 8.05% in the previous year and the yield on investments (excluding trading gain) stood at 6.35%. The interest/discount on advances/bills improved to ₹ 13,492 Crore (March 31, 2023) from ₹ 10,830 Crore (March 31, 2022), interest on investments reached ₹ 2,796 Crore on March 31, 2023, and other interest including interest on balances with RBI / other interbank funds reached ₹ 516 Crore on March 31, 2023. The share of interest income of your Bank to total income stood at 88%.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Expenditure

(₹ in Crore)

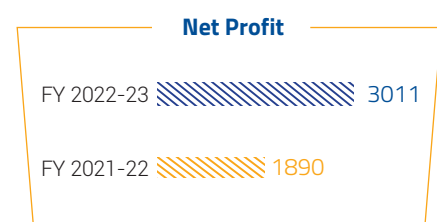


During the financial year, the average cost of deposits of your Bank increased to 4.58% from 4.33% as on March 31, 2022. The interest paid on deposit stood at ₹ 8,613 Crore with YoY increase of 17 % and other interest expenses stood at ₹ 958 Crore. The staff opex dropped by 6% and other operating expenses increased by 32% translating to 11% increase in operating expenses.

### OPERATING PERFORMANCE

(₹ in Crore)

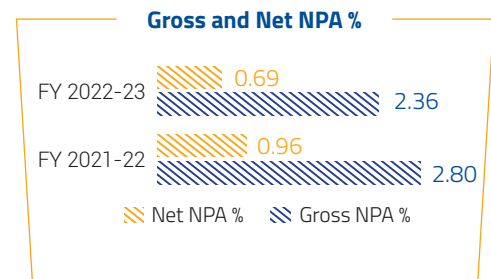
Particulars	March 31, 2023	March 31, 2022
Net Interest Income	7,232	5,962
Non-Interest Income	2,330	2,089
Net Total Income	9,562	8,051
Operating Expenses	4,768	4,293
Operating Profit	4,794	3,758



The net interest income of your Bank registered a growth of 21% YoY and Non-Interest Income grew by 12% YoY. Fee for the same period improved by 38%. During the financial year, your Bank's spread on advances (net) is at 3.60% and spread on investments (gross) is at 1.95%. Net profit registered 59% growth.

### ASSET QUALITY PARAMETERS

Particulars	March 31, 2023	March 31, 2022
GNPA (₹ in Crore)	4,184	4,137
NNPA (₹ in Crore)	1,205	1,393
Provision Coverage Ratio (%)	70.02	65.54
Provision Coverage Ratio (%) (Inc TWO)	83.49	80.60



The asset quality metrics improved during the FY, with reduction in NPA ratios year on year. The Gross NPA of your Bank as on March 31, 2023, stood at ₹ 4,184 Crore. Gross NPA as a percentage to Gross Advances is at 2.36%. The Net NPA stood at ₹ 1,205 Crore and this as a percentage to Net Advances is at 0.69%. The Provision Coverage Ratio (including technical write-offs) stood at 83.49%, an improvement of 289 bps. Provisions (excluding technical write-offs) improved by 448 bps to reach 70.02%.

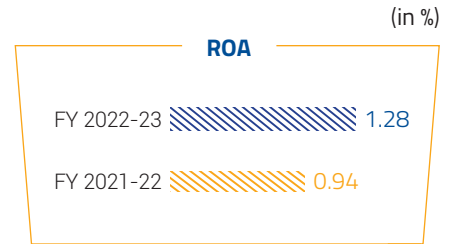




MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

**KEY RATIOS**

Particulars	March 31, 2023	March 31, 2022
Return on Average Equity	15.02	10.87
Cost to Income Ratio	49.86	53.32
Net interest margin	3.31	3.20
Earnings per Share (EPS) ₹ (Annualised)	14.27	9.13
Book value per share (end period) ₹	101.22	88.75



Return on assets and return on equity improved during the year and stood to 1.28% and 15.02% respectively. Earnings per share improved to ₹14.27 from ₹ 9.13, while book value per share increased to ₹ 101.22 from ₹ 88.75.

**BALANCE SHEET PARAMETERS**

(₹ in Crore)

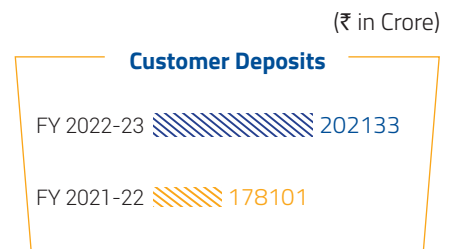
Particulars	March 31, 2023	March 31, 2022	% Change
<b>Liabilities</b>			
Capital	423	421	0.6%
Reserves & surplus	21,083	18,373	15%
Deposits	213,386	181,701	17%
Borrowings	19,319	15,393	26%
Other Liabilities & provisions	6,130	5,059	21%
<b>Total</b>	<b>260,342</b>	<b>220,946</b>	<b>18%</b>
<b>Assets</b>			
Cash & balances with RBI	12,591	16,049	-22%
Balance with Banks & Money at call	5,098	4,961	3%
Investments	48,983	39,179	25%
Advances	174,447	144,928	20%
Fixed Assets	934	634	47%
Other Assets	18,289	15,194	20%
<b>Total</b>	<b>260,342</b>	<b>220,946</b>	<b>18%</b>

Total assets increased by 18% to reach ₹ 260,342 Crore as on March 31, 2023, from ₹ 220,946 Crore on March 31, 2022, driven by 20% growth in Net Advances and increase in investments by 25% to reach ₹ 48,983 Crore as on March 31, 2023.

**DEPOSITS**

(₹ in Crore)

Particulars	March 31, 2023	March 31, 2022	% Change
Customer Deposits	202,133	178,101	13%
Certificates of Deposit	9,461	2,437	288%
Interbank deposits	1,792	1,163	54%
<b>Total Deposits</b>	<b>213,386</b>	<b>181,701</b>	<b>17%</b>



Deposits growth held up well for your Bank during FY 2022-23 with Total Deposits growing by 17% Y-o-Y, Core Deposits constituting 99% of Total deposits and Term Deposits growing by 25%.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### ADVANCES

(₹ in Crore)

Particulars	March 31, 2023	March 31, 2022	% Change
Retail Advances	56,077	47,863	17%
Business Banking	14,173	12,529	13%
Agri Advances	23,355	19,228	21%
CV/CE Advances	2,186	1,275	71%
Gold Loans	19,841	17,316	15%
Commercial Banking	17,274	14,651	18%
Corporate Banking	64,311	52,094	23%
Gross Advances	177,377	147,639	20%

### Net Advances



### CAPITAL MANAGEMENT

(₹ in Crore)

Particulars	March 31, 2023	March 31, 2022
Common Equity Tier-1 Capital	20,431	17,639
Additional Tier-1 Capital	0	0
Total Tier-1 Capital	20,431	17,639
Tier-2 Capital	2,813	1,637
Total Capital	23,245	19,276
Common Equity Tier-1 Ratio (%)	13.02	14.43
Total Tier-1 Capital Ratio (%)	13.02	14.43
Tier-2 Capital (%)	1.79	1.34
Total Capital Ratio (%)	14.81	15.77

Capital Adequacy Ratio at 14.81% stood well above the regulatory minimum requirement of 11.50%, including a Capital Conservation buffer of 2.50%.

### CRYSTAL GAZING AND TELESCOPING INTO FY-24.

The banking industry in India is expected to perform well in FY24, with controlled asset quality, strong credit growth and greater financial inclusion. The upside surprise sprung by the Provisional GDP growth of 7.2% for FY23, shows that the Indian economy has recovered well after the pandemic. Cleaner corporate balance sheets, Government thrust on capital expenditure, strong domestic demand and a diversification of global manufacturing should help the economy steam ahead in the following year as well.

Various initiatives by the Govt such as PLI and the Green Hydrogen Mission should kindle capital asset creation in the corporate world. This along with an unwaning domestic demand should ensure that credit growth continues its momentum into the next year. The challenge will continue to be on the deposit side which could lead to Banks turning to other alternatives to continue to fund asset growth. Increased instances of capital raising and bond issuances may be expected in the next

FY. With the peaking of interest rates which is expected in FY24 along with stability and moderation in pricing of new assets, Banks with a high-quality asset base and robust underwriting standards will be able to sustain their credit growth without sacrificing on asset quality. Meanwhile Banks with granular low-cost deposits will be able to maintain margins and continue their recent streak of high profit numbers.

Another factor which could play out in the coming year is the continuing democratisation of financial products. With this ongoing process, the universe of clients and products that can be serviced by Banks will continue to increase and the Banks that are most nimble and able to adapt, will be able to reap the benefits. On the downside Banks will need to compete not only with other Banks but all other kinds of businesses for attracting the wallet of the customer. The digital transformation initiatives of the Government and regulators, such as the open API policy, India Stack, UPI, e-KYC, e-signing, etc will help improve Bank's operational efficiency, customer convenience and service delivery. Add to this the efforts by the regulators to provide a level playing field for all institutions by removing regulatory and other arbitrage opportunities, it is certain that the Banks which connect the most with the customer will be able to succeed into the future.

### BUSINESS OVERVIEW

#### CORPORATE AND INSTITUTIONAL BANKING

The Corporate and Institutional Banking division offers the most comprehensive suite of banking products and services, catering to Business Houses and Large Corporates, MNCs, Capital Market clients, PSUs, FinTechs and Financial Institutions. It offers customised products and services across working capital, term funding, structured finance, cash management, trade finance and forex management backed by comprehensive electronic banking solutions, which provide seamless customer onboarding and service management journeys.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### **Africa, LatAm and South Asia Powering Growth**

To boost flow-based businesses and trade transactions, your Bank has entered into Trade Assistance Program (TAP) with Exim Bank, India to grow trade businesses linked with Africa, Latin America and the South Asian Region. To acknowledge the effort of your Bank, Asset Magazine has awarded your Bank with "AAA- Best Trade Solution" for factoring a deal under the category of Trade Finance, Risk Management & Working Capital Solutions for India region.

### **Digital at the Fore, Human at the Core**

The distribution continues to expand through the Relationship Management structure at numerous locations and touchpoints, catering to the entire value chain across Business Departments. This approach has helped your Bank in tapping various Retail, SME and cross-sell opportunities. On the digital front, we have (Application Programming Interfaces (API) / Host 2 Host (H2H) integration with large corporates to make their digital payment flawless. Most of your Bank's clients have moved to the digital platform of the Bank and all products are being offered and serviced through this platform, in line with the philosophy of "Digital at the Fore, Human at the Core."

### **Growth Trajectory**

During FY 2022-23, Corporate advances increased to ₹ 64,311 Crore from ₹ 52,094 Crore (excl Credit substitutes). The focus of wholesale banking continues to be the preferred banking partner to its clients, with a well-designed client selection strategy and a robust credit underwriting process, which is reflected in its asset quality.

## **COMMERCIAL BANKING**

The Commercial Banking division focuses on providing end-to-end financing solutions to Mid-Market and MSMEs. Your Bank's offerings in this segment include working capital, term loan, trade finance and advisory services, cash management, supply chain finance, foreign exchange services, structured offerings, gold metal loans and liability products. The Bank leveraged its relationship structure spread across different geographies to add many New to Bank clients as well as increase its wallet share of business with existing clients.

### **Supply Chain Finance**

Your Bank has launched a fully digital end-to-end integrated supply chain finance platform for corporate clients and their vendors and dealer. SCF book has a balanced mix of products such as dealer finance, vendor finance, factoring and payable finance. Your Bank has encapsulated strong risk management

practices in managing the portfolio, with an objective to enhance the asset quality, reduce concentration risk and build a granular book.

### **Bank of First Choice**

During FY 2022-23, this business scaled up further with a closing advance position of ₹ 17,274 Crore as against ₹ 14,651 Crore in FY 2021-22. The business continues to have a diversified and granular portfolio in terms of sectors and geography. Your Bank's focus on Commercial Banking will continue to be the "Bank of First Choice" for all its clients.

## **CV/CE BUSINESS**

The CV/CE Division finances a range of customers, right from First Time User (FTU) to Super Strategic Customers (having more than 25 vehicles or Equipment). Even though a recent entrant in the CVCE financing space, your Bank has been able to make a meaningful impact in the market with excellent service and competitive rates. In FY 23, your Bank has spread geographically to the North and East and now has a pan India presence.

During last year, your Bank further grew its CV/CE book by 71% to reach ₹ 2,186 Crore of advances with a good mix of new and used vehicles while ensuring robust asset quality. Over 80% of this book qualifies for PSL. Your Bank has created a dedicated CV/CE team of professionals for business acquisition, credit underwriting and collections. Your Bank has been able to onboard the best clients in the CV/CE market. The Department has signed MOUs with all major OEM players like Tata Motors, Ashok Leyland, Eicher Motors, Schwing Stetter and JCB, to be a preferred financier for them. With the Construction, Infrastructure & Mining industries doing well, your Bank is poised to cross more milestones in the years to come in CV/CE finance business.

## **GOVERNMENT BUSINESS**

Government Business Department focuses on providing end-to-end solutions to Government Departments and entities, thereby building CASA and Term Deposits. This Department is managed through Relationship Managers posted across numerous locations and touchpoints to canvass liability business from Central & State budgetary allocations and Local and State Government offices like Panchayats, Municipalities, etc. Your Bank offers bespoke CASA products exclusively designed to suit the needs of the Government & its related entities. The Department actively engages with Government Departments to digitalise various operations for the Government functioning.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### **During the year FY 2022-23:**

- Your Bank has gone live on (i) Direct Tax Payment Service on behalf of CBDT, (ii) Collections of Customs and (iii) Collections of GST, both on behalf of CBIC.
- SNA model – 1 final Scheme level integration is under process and your Bank's name is included in the PFMS site for System-1 activation.
- Govt of Goa has empanelled your Bank to conduct its business as Agency Bank.
- Govt. of Odisha has empanelled your Bank among the list of Bankers for handling business & deposits of State Public Sector Undertakings (SPSUs) and State Level Autonomous Societies (SLASs) for the year 2022-23.

### **BUSINESS BANKING**

Business Banking comprises business loans up to ₹ 10 Crore, mainly Micro, Small and Medium Enterprises. The segment registered a growth of 13%, disbursing 12,000+ loans (excluding GECL) during FY 2022-23, of which 50% of loans were disbursed to New to Bank customers.

Business Banking focused on granular growth through neighbourhood banking and remained one of the high-yielding portfolios of your Bank in FY 2022-23. While the business is mainly driven through the traditional stronghold branch network, Relationship Managers posted at potential centres across the country contributed to bringing good quality fresh customers to our fold. Business Banking Development Managers posted at all Zones, focused exclusively on adding New to Bank Customers to our fold. Strategic tie-ups have also contributed to additional sourcing from unexplored markets.

Your Bank is actively engaged in introducing and improvising the loan products to meet the market demand and to assist the economy to revive after the pandemic period. To cater to the Geographic and sector-specific needs your Bank introduced customised products to suit specific requirements pertaining to selected geographies and sectors (Loan scheme to Medical Professional and Loan scheme to textile sector for geographies-Surat, Ahmedabad, Vadodara, Jaipur Rajkot, Coimbatore, Tirupur and Chennai).

In tune with the Environmental and Social Management System (ESMS) policy, your Bank has adopted, a scheme for financing green loans was introduced for supporting the business units investing in the activities coming under green financing in FY 2022-23. The Business Banking Department of your Bank is also ensuring an environmentally friendly approach in all its

lending, disassociating from all environmentally detrimental projects based on its exclusion list.

### **Agile Products and Awards Galore**

The Business Banking Department of your Bank is actively engaged in the implementation and improvisation of various digital channels for quick loan sanctions. Data and analytics were employed to offer quick loan delivery to existing customers during FY 2022-23, ensuring customer delight. A digital process was implemented for the renewal of loans too, thereby simplifying the process.

Your Bank also enhanced the scope of its digital lending platform- 'Federal Insta Loans' including more products, for providing instant In-principle sanction for MSME customers in a digital manner and got recognition for the platform by bagging the prestigious award 'THE BEST DIGITAL BANKING PRODUCT – PRIVATE SECTOR BANK' at the 'Lentra Digital Lending Transformation Global Summit 2022 in Association with Economic Times Edge, held at Mumbai on July 29, 2022, by surpassing major private sector Banks.

### **RETAIL BANKING**

During FY23, your Bank could register a growth of 17% in total deposits amidst domestic and global issues, recession threats, etc. The NR portfolio growth was steady over the period, registering a growth of ₹ 3,757 Cr. The Bank had come up with exciting campaigns and programs that has helped us to grow its NR rupee deposits in a faster than the industry. Your Bank has entered into a strategic tie-up with UAE-based Mashreq Bank to facilitate the first-of-its-kind online facility for Mashreq Neo customers to open their NRI account with Federal Bank.

Your Bank is continuing its growth in the cross-border personal inward remittance business. In FY 23, the Bank handled ₹ 1,72,463 Crore of inward remittance through Rupee Drawing Arrangement (RDA), registering a growth of 25%. Your Bank now holds a market share of 19.30% in personal inward remittances to India. In FY 23, Bank tied up with Lulu Money PTE Limited, for facilitating remittance for the Indian diaspora from Singapore to India.

### **RETAIL ADVANCE**

The retail advances of your Bank grew by 17% reaching ₹ 56,077 Crore, forming 32% of the total advances of your Bank. The retail book has seen good traction across all its major products. Housing Loans and Retail Loans against Property (Retail LAP) continue to be the major components of the retail loan book with a combined share of 64%. During the year, the Housing





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Loan portfolio crossed ₹ 25,000 Crore, registering a growth of 17%, the Retail LAP portfolio crossed ₹ 9,900 Crore, registering a growth of 18%, and the Auto Loan portfolio grew by 29%, crossing ₹ 5,400 Crore in book size. Your Bank continues to refine products/policies and streamline the internal processes and digital capabilities, thus ensuring better productivity and cost reduction. During FY 23, your Bank created a preapproved top-up program for housing loan customers through BYOM (Be Your Own Master) application. It is one of the unique propositions in the Digital mortgage space where the eligible customer can complete his Loan journey through a few clicks, without the need to provide all the documents as is generally followed. Your Bank has also associated with IMGIC (India Mortgage Guarantee Corporation) and created a new variant for home loans which allows a larger segment of customers to be eligible for the Housing Loan product.

As part of our commitment towards embracing and enhancing the digital journey in Mortgage loans, your Bank has tied up with Valocity Global for digitisation of the valuation process whereby the valuation process by the vendors will be integrated into the digital ecosystem. For enhancing the Auto loan business, your Bank continues to tie up with all the major OEM players including Maruti, Honda, TATA, Hyundai and Toyota Motors. Additionally, your Bank had integrated into the digital platform of the largest Passenger Car OEM, Maruti by offering Instant Car Loan approvals for salaried customers through their portal. To give focus on the higher yield retail segment, your Bank has launched a Digital journey for Used Car and Two-wheeler loans also.

### CARDS AND UNSECURED LOANS

The credit card and debit card business of your Bank continues to be a significant source of revenue and growth for the Bank. The Bank offers a wide range of credit and debit cards with various rewards programs to cater to the diverse needs of its customers. During the current financial year, the Bank witnessed growth in its credit card and debit card business and continues to garner market share in both segments.

The credit card business of your Bank witnessed steady growth during the year. The Bank continued to focus on acquiring new customers and retaining existing ones through innovative marketing strategies, attractive rewards programs, and superior customer service. Your Bank's credit card portfolio comprises a mix of premium, classic, and co-branded cards curated for young professionals, family and HNI segments, with features such as cashback, travel rewards, and discounts on dining and shopping. During the year, your Bank's credit card

business witnessed an increase in spending and could achieve total spending of ₹ 1,476 Cr in the organic Credit card portfolio during FY 23.

Your Bank has set up best-in-class features for its credit card business consisting of a fully digital onboarding journey, instant issuance of virtual credit cards, differentiated reward point structure, dynamic APR, etc to name a few. The Bank currently issues credit cards on a Secured and preapproved basis to existing customers. New customers to your Bank can also complete their onboarding journey and get a card issued on a fully digitised platform, which requires only a few clicks. Your Bank is in the process of rolling out several initiatives shortly, including the launching of new cobranded credit card partnerships, to continue to gain market share and be a significant player in the credit card industry.

The Debit card business of your Bank witnessed a 16% growth in spending during the year. Your Bank continues to be the 5th largest private sector Bank in the country with monthly debit spending reaching an all-time high of ₹ 1,490 Crore in March 2023. Your Bank continued to focus on offering superior customer service and innovative features such as cashback on transactions, and discounts on shopping and dining thereby providing round-the-year offers to its customers. This has not only helped in enhancing your Bank's brand presence across leading e-commerce merchants but has also played a key role in increasing spending on debit cards.

Your Bank's debit card portfolio comprises a range of card products that are specifically curated to the diverse needs of its customer base including NRIs. During the year, your Bank witnessed an increase in the number of new customers acquiring debit cards. Your Bank also witnessed an increase in the usage of its debit cards for online transactions, which is a positive trend for the Bank.

Your Bank offers a wide range of personal loan products to meet the diverse needs of its customers. Your Bank has been actively growing its personal loans portfolio over the years, and this trend is expected to continue in the coming years. Your Bank has been using analytics to identify existing customers who are likely to take a personal loan and offering them personalised preapproved loan offers. Your Bank also uses credit scores and other credit assessment tools to assess the credit risk associated with each borrower. Your Bank has implemented an end-to-end digital automated loan origination system that ensures faster loan processing and reduces the turnaround time for loan approvals. Your Bank has been able to maintain its asset quality in the personal loan portfolio, and we believe



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

that your Bank's risk management framework and technology-enabled processes will help it manage the credit risk associated with the portfolio effectively.

Growing the Credit Card and Personal Loan business of your Bank is going to be one of the important strategies during the coming Financial Year and beyond. Along with leveraging its existing customer base by offering them pre-approved loans/offers, your Bank is also offering attractive propositions for new customers as a means to ensure effective onboarding. Your Bank's strong distribution network and focus on customer acquisition and retention will help it continue to grow its Cards & Personal Loans portfolio in the future.

### FEE INCOME

In FY 2022-23 the Wealth Management Service (WMS) business, in collaboration with M/s Equirus Wealth, reached new heights, increasing both AUM and income from the previous year. Overall, AUM reached ₹ 3,621 Crore as of March 31, 2023, earning fee income of ₹18.63 Crore. The total client base reached 92,229, by adding over 44,000 customers in FY 2022-23 itself, mainly through digital business acquisition via investment platform in FedMobile. SIP sourcing crossed 20,000 with a monthly AUM of ₹ 5.4 Crore.

Your Bank offers various insurance products such as life insurance, health insurance and property insurance. These products help customers to mitigate financial risks and protect their financial needs. Improving the PPC and offering the right products to clients are important strategies of the Bank. Your Bank registered a business figure of ₹ 123.20 Crore via the distribution of Insurance and Para Banking products. Some of the key highlights of FY 23 are given below.

- The insurance distribution has been the largest contributor to non-banking fee income totalling ₹ 113.10 Crore.
- Your Bank has upgraded its NPS platform to improve product penetration among the Bank's clientele.
- The Bank has improved the penetration of 'Sovereign Gold Bond' with pan India market share @ 4.30%.

### AGRI BANKING

Agriculture, with its allied sectors, continues to be an essential sector of the Indian economy, employing nearly three-quarters of the population contributing significantly to the country's GDP. India has a rich agricultural history dating back thousands of years, and its agricultural practices have evolved to meet the

challenging needs of the population. India continues to be a dominant player globally in terms of export of Agri commodities. Your Bank offers all types of Agricultural products suitable for the farmer community to take care of his pre- and post-harvest requirements, infrastructure facilities, allied and ancillary related activities, etc which are delivered through the distribution channel spread across the country well supported by a specialised team of Agricultural relationship managers.

### Kisan Credit Card Scheme

Last year, your Bank introduced a product that has revolutionised the approach towards rural lending. Faster delivery of rural credit to the underserved was always a challenge in agricultural lending. To address this, your Bank has introduced a digital version of the Kisan Credit Card scheme in association with Reserve Bank Innovation Hub (RBIH), which presents a new experience to the farmer in terms of credit delivery. The entire process, which is a paperless, seamless one, takes the farmer through a digital journey starting from onboarding the customer to disbursement of the loan. The loan is delivered to the doorstep of the farmer within 5 minutes. Agricultural advances of your Bank have registered a growth of 21% in FY 2022-23 and stood at ₹ 23,355 Crore as on March 31, 2023, against the base figure of ₹ 19,228 Crore. Your Bank is committed towards giving additional focus on this sector which holds a significant place in the Indian economy. Your Bank continued its focus on priority sector lending overachieving the targets for Priority sector and Agriculture lending.

### Gold Loan

Your Bank's gold loan business registered a growth of 15% earning a yield of 10.14%. Your Bank launched a unique digital lending platform 'FedGold@Home' that enables seamless integration with multiple partners for offering doorstep gold loans. The platform is compliant with digital lending guidelines. Your Bank launched innovative gold loan products and reached out to customers at their doorsteps offering gold loan services in partnership with fintech partners.

### Micro lending through Business Correspondents (BCs)

With the motto of 'extending credit where credit is due', your Bank has been redefining the Micro lending portfolio in an awe-inspiring journey to becoming the "Most Admired Bank". Your Bank has always prioritised Financial Inclusion. Through various initiatives driven through both Branch and Business Correspondent (BC) channels, your Bank is bringing the unbanked under the financial umbrella.







## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Upholding the vision of RBI and in compliance with Bank's Board approved policy on engaging Business Correspondents, your Bank now boasts of a network of eleven Corporate Business Correspondent tie-ups across selected geographies, exclusively for sourcing and servicing of the Microlending portfolio. It is a matter of pride for your Bank that four Corporate BCs were onboarded in FY 2022-23. In FY 2022-23, your Bank could onboard more than 3 Lakh new customers with a total business of around ₹ 1,200 Crore through these Business Correspondent tie-ups.

Your Bank's exclusive Loan Origination System for the Micro-Lending Department, FEDMI, has been instrumental in bringing in more than 50% of the business.

### **Financial Inclusion**

Financial Inclusion initiatives aim at extending financial services to the large unserved population of the country to unlock their growth potential. Your Bank has always been a forerunner in its determination to achieve inclusive growth by ensuring the availability of financial services to the poor. Your Bank is committed to bringing the unserved population of the country into the formal ambit and offering new lending avenues to this group through various Financial Inclusion initiatives.

### **Financial Literacy through rural branches and Financial Literacy Centres (FLCS)**

Your Bank understands that business exists in the society and therefore, social sanction is of utmost importance when it comes to their survival and growth. Social commitment, is, therefore, an extremely important aspect of any business.

Your Bank has pioneered initiatives including organising financial literacy classes by the branches to spread financial awareness amongst the masses. Currently, 175 Rural branches of your Bank conduct financial literacy campaigns regularly for all segments of the general populace including women, senior citizens, self-help groups, school children, etc.

Federal Ashwas Financial Literacy Centres (FAFLCs) are the face of your Bank's commitment to providing free, unbiased, fair, and coordinated financial education through financial literacy classes as well as credit counselling. These Centres continue to serve as an extremely efficient and effective provider of financial literacy in rural and semi-urban areas. Your Bank's FAFLCs ensure that the target segments, which includes farmers, micro & small entrepreneurs, self-help groups, senior citizens, and school children, are provided a deeper insight into various Banking products and initiatives, without bias. Your Bank's FLCs organise 'Going Digital' camps regularly for the rural populace to create general awareness about Digital Banking as well as Digital payment services in the banking industry.

During the financial year that ended March 31, 2023, FLCs could conduct around 2,378 literacy classes and provide financial counselling to needy people. FLC Counsellors regularly participate in Block Level Bankers' Committee (BLBC), District Level Review Committee (DLRC) and other meetings convened by the lead bank/ SLBC through both Offline and online modes. Around 75 online sessions and 1,347 counselling sessions (including Tele counselling) were undertaken by these centres during the FY 2022-23, benefitting more than 1.50 Lakh people.

Your Bank has participated in the Financial Literacy Week (FLW) observed by RBI from February 13 to 17, 2023 across the country. The theme for FLW 2023 was "Good Financial Behaviour - Your Saviour", which is one of the strategic objectives of the National Strategy for Financial Education 2020-25 with a focus on Active Savings, Planning and Budgeting as well as Prudent use of digital financial services.

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

- Branches displayed posters on the FLW-2023 theme in English, Hindi & other regional languages at prominent places within the branch premises and distributed FLW-2023 leaflets to customers.
- Displayed the FLW-2023 theme on the Bank's website, Mobile application, and digital display/notice boards deployed in the branches and all the ATMs of the Bank.
- Conducted financial literacy classes through Financial Literacy Centres (FLCs) of your Bank during the FL Week.
- Financial Literacy Centres (FLCs) of your Bank conducted special camps on each day of the FLW-2023 while focusing on the key theme - 'Good Financial Behaviour - Your Saviour'.

Your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the public with an overdraft (OD) facility available to eligible customers (mainly to weaker sections & low-income household groups), up to ₹ 10,000/-, with an objective to ensure access to financial services, namely savings & deposit accounts, remittance, credit, insurance and pension in an affordable manner. The PMJDY scheme is a zero-balance Bank account with added RuPay debit card and comes with free accidental death insurance cover of ₹ 2 Lakhs. To date, your Bank has opened more than 6,23,678 PMJDY accounts with an outstanding balance of ₹ 342.21 Crore. The average balance in PMJDY accounts as on March 31, 2023, is ₹ 5,486.98/-.

Aadhaar and mobile seeding in PMJDY accounts with your Bank is 88.80% and 96.10% respectively as on March 31, 2023.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Your Bank actively promotes the PM's social security schemes (Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) launched by the Government of India in 2015. The PMSBY and PMJJBY schemes provide low-cost insurance benefits to the public for death or disability due to accident and for death due to any reason respectively. Atal Pension Yojana (APY) is the Government backed pension scheme provided to the unorganised sector.

To date, your Bank could help around 780 families of our deceased customers who joined the low-cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹ 15.60 Crore.

### TREASURY & MARKETS

Your Bank's Treasury manages the crucial functions of maintaining the statutory reserve and liquidity ratios, as well as managing the liquidity of the Bank by raising resources required to support the credit book and deploying the surplus resources optimally. Apart from liquidity management and reserves maintenance, Treasury manages the Investments and utilises the trading and arbitraging opportunities across different markets. Also, the unit provides hedge and cover operations for both proprietary and its clients for the foreign exchange and interest rate risks. The Treasury dealing room is located in Mumbai with a disaster recovery site at Cochin and your Bank has dedicated full-fledged dealing desks in the major segments namely, Foreign Exchange Interbank and Treasury Sales, Derivatives-Currency Options / Cross Currency Swaps / Interest Rate Swaps, Currency Futures, Interest Rate 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. The Non-SLR desk of your Bank has actively started building the NSLR portfolio and is continuously striving to improve the process and system of the bank to account for the cost of funds. Your Bank is also providing a web-based trading platform and intraday trading facilities to clients in the CSGL segment. Treasury activities are further being augmented by a robust Front Office System which efficiently captures all the front-end dealings of the Bank and has a robust risk management and monitoring capability. This ensures total automation of the treasury activities and its seamless integration with your Bank's core banking system.

The Treasury Sales Team, spread across the country collaborates with the coverage team and provides tailored risk management solutions and help our diverse clients hedge their risks arising from foreign exchange or interest rate exposures. Your Bank is a preferred banker of Choice across segments through best-in-class service delivery, customised solutions and optimum use of technology. The Bank's key strength in providing structured risk management solutions, hedging advisory and execution skills makes it a preferred Treasury solutions provider to the clients. The Interbank desk of your Bank is catering close to 21% of inward remittances into India. The Derivatives Desk of your Bank has significantly expanded its Treasury product basket, thereby bringing in a diversified revenue stream, besides significantly adding value to the existing customer relationships. The extensive usage of data analytics in understanding customer business has also helped your Bank in increasing the Forex business through its branches.

The Financial Institutional Group (FIG) team manages the correspondent banking ecosystem of the Bank and ensures a smooth flow of cross-border transactions. Incrementally, it spearheads discussions with Institutional Clients, viz. Banks, Insurance Companies, Mutual Fund Companies, Alternate Investment Funds (AIFs) & other clients of institutional nature for wider engagement and treasury business opportunities.

The Bank has been giving thrust to the development of the forex business and is continuously working to improve the operating skills of relevant personnel through meetings, interactions and training programs. Your Bank is also at the forefront of conducting Foreign Exchange Dealers Association of India (FEDAI) training programs for the banking fraternity. This enables the designated branches to improve their operating efficiency substantially. Your Bank holds a position on the Board of FIMMDA and also is a member of the Managing Committee of FEDAI and FAI.

### FEDERAL BANK – IFSC BANKING UNIT (IBU)

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





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

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

- Credit facilities to overseas companies, Wholly Owned Subsidiaries (WOS)/ Joint Ventures (JV) of Indian companies registered abroad.
- Deposit and loan facilities to Retail Individuals, including Non-Residents Individuals.
- External Commercial Borrowings (ECB), Trade Credit to Indian Entities.
- Acceptance of foreign currency corporate deposits.
- Treasury operations.

With the opening of IBU, your Bank caters to both domestic and international clients for their various funded and non-funded banking requirements in multiple jurisdictions. IBU has undertaken transactions with clients across various geographies covering more than 20 countries. IBU boosts the balance sheet of your Bank by empowering it to extend various foreign currency facilities to entities and individuals across various foreign jurisdictions. Your Bank also participated in facilities in Foreign Syndicated Loans to large corporates. It also extends facilities like External Commercial Borrowing (ECBs), Trade Credit facilities, etc to resident entities. Federal Bank IBU has executed transactions in various segments like pharma, manufacturing, metals, media & entertainment, health care, electrical, food, construction, retail, etc.

### DIGITAL & TECHNOLOGY

Your Bank's Digital Journey is progressing well with the adoption of the latest technology and your Bank continues to ensure Digital innovation and is focused on launching new products to enrich the customer experience. 90% of the Bank's transactions are done through Digital mode and more than 80% of the accounts are opened digitally. Bank's UPI transactions recorded an increase of 139% for the FY 2022-23.

Bank is making use of the latest technologies such as Artificial Intelligence, Machine Learning & Blockchain to gain faster and deeper insights and make better and quicker decisions in order to offer personalised, contextual offers and services in real-time. Your Bank is focused on building simple, frictionless, safe, secure, and engaging experiences seamlessly across any channel.

Your Bank is future-ready and has tied up with nearly 75+ Fintech's and most of the processes have been automated, wherein 285 processes are running under Robotic Process Automation mode. Your Bank is also working very closely with Reserve Bank Innovation Hub for launching innovative products

to improve credit flow to newer and underserved customer segments and digitising further areas of Banking operations.

Bank's various channels such as FedMobile, FedNet and FedCorp are getting revamped considering the increase in the volume of transactions and the need to provide newer functionalities to make it convenient for the customer to carry out Digital transactions. FedMobile, the mobile banking application for the retail customer is being widely used and accepted by the customers and the Mobile Banking monthly volume of your Bank has surpassed ₹ 18,000 Crore as of March 31, 2023. The usage of the Mobile Banking App has increased by 26% in volume for FY 2023. The increase in transaction count is 35%. Improving the customer experience was the primary focus of your Bank which resulted in the improvement of the Playstore rating of the FedMobile App by customers from 3.9 to 4.5. Launching credit cards for NTB customers was a major feature addition along with many other feature improvements.

### **During FY 2022-23, Bank launched the following Digital initiatives**

#### Facility for Direct Tax, GST and Customs Duty Collection

Bank has integrated with the Government of India's Direct Tax, GST and Customs Departments for collection of Taxes and customs duty through Digital mode. As an empanelled Bank, Federal Bank offers a wide range of payment services to taxpayers, including online payment through net banking, UPI, debit card and credit card. The Bank also provides a hassle-free payment experience to taxpayers by ensuring timely processing of payments and providing instant payment confirmation. Overall, the empanelment of Federal Bank by CBDT, GST and Customs Department is a testament to the Bank's commitment to providing quality payment services to its customers and supporting the Government's efforts in Digitising its revenue collection.

#### Feddy

Bank's Chatbot Feddy has gone live for A/c balance inquiry and has started offering a Live Agent facility to the customers and is the first Bank to offer such a facility. The customers who need support will be directed to the Live Agent for gathering further information and resolve their queries if they remain unanswered through chat mode.

#### SoftPos

Bank has launched a mobile application-based solution, which enables merchants to accept payments through merchant's own cell phones with NFC capability. It is comparatively less expensive than hardware-based POS and offers greater



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

convenience due to its size and mobility. SoftPOS provides a wide range of payment modes to merchants such as Tap N Pay (card-based payment), Dynamic QR & Payment Links.

### Digital Personal Loan

Bank has launched a Digital Personal Loan platform that will cater to both New to Bank (NTB) and Existing to Bank (ETB) customers. The end-to-end customer journey from onboarding the customer to the disbursement of the loan is done digitally without manual intervention. The disbursal is ensured 24x7. Bank has also tied up with Paisabazaar for offering Personal Loan to its customer through digital mode.

### Facility for Current A/c Opening

Your Bank has launched a Digital Current Account Opening Application which is configured with various identity and address verification tools (Viz, UIDAI, NSDL PAN, GSTN Verification and FSSAI). The portal is enabled for opening Current Accounts of Sole Proprietors and Individuals through an assisted mode and will ease the process of opening Current Accounts by the branches of the Bank.

### Digital Banking Unit (DBU)

Bank has set up a Digital Banking Unit (DBU) at Salt Lake (North 24 Parganas District) of West Bengal as part of the Azadi ka Amrit Mahotsav initiative of the GOI and the unit was inaugurated by our Hon'ble Prime Minister via a Video Conference on October 16, 2022. The DBU will help the customers in undertaking a host of Banking transactions including account opening, Cash and Cheque Deposits, Cash Withdrawal, KYC updation and various other day-to-day banking functions through a DIY mode. Currently, Bank is providing more than 20 services via DBU.

### Mobile Banking Unit

Bank's Mobile Banking Vehicle "BankOnTheGo" was flagged off on August 17, 2022. Three Banking Kiosks have been set up in the Vehicle, to help the public to carry out many banking functionalities viz. creation of deposits, transfer of funds, passbook printing, cash withdrawal/deposit, etc. The services are currently provided in Madurai and Lucknow.

### Digital KCC

In Association with Reserve Bank Innovation Hub (RBIH), Bank launched an instant Kisan Credit Card facility. This will ensure end to end digitalisation of KCC lending. The digital loan scheme, the first of its kind in Agriculture lending will offer a new experience to the farmers when compared to the conventional method of lending, in terms of convenience and turn-around time. The 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 (Application Programming Interfaces) developed by the TN-eGA and machine learning capabilities. The facility aims at providing small-value loans to small & marginal farmers and is designed to facilitate efficient credit flow to unserved and underserved rural populations.

### Cross Border BBPS

Your Bank became the first Bank to launch Cross Border BBPS services in association with NBBL. This facility will facilitate NRIs to undertake utility, education and other bill payments on behalf of their families in India. This will also facilitate the payment of bills of any biller on-boarded on the BBPS Platform in an interoperable manner.

### New partnership for sourcing NRE Accounts

Your Bank has partnered with Mashreq Neo to offer savings accounts to UAE Customers. "Federal Mashreq Neo" is a real-time online NRI account opening facility, the first of its kind in India.

The NRI account opening project is an end-to-end digital flow, where Mashreq will offer the option to open a Federal Bank NRE account using the Mashreq Neo app to its Indian clients. The system is active 24x7 and can be accessed from anywhere anytime.

### Micro Lending Platform- FEDMi

As part of bringing process improvements in Banking Correspondent (BC) driven Micro Lending, your Bank has launched a technology platform – FEDMi (Federal Bank's exclusive tech platform for Microlending). FEDMi is engaged as a common platform for facilitating Micro Lending through BCs. FEDMi, through its Mobile & Web mode, facilitates the automation of various processes right from loan sourcing to loan collections, replacing the present manual mode of Loan Origination System (LOS) and Loan Management System (LMS). FEDMi, which is integrated with your Bank's Core Banking Solution through API calls, eases the process of onboarding clients, opening of accounts, disbursements, and field collections. Overall, it helps in effective Credit delivery at reduced TAT with minimum operational expenses.

### FedGold@home

Your Bank reaches out to the Customer's doorstep to offer Gold Loans through its Banking Correspondents (BCs). The onboarding of Customers is done by the BCs by collecting the documents and gold ornaments from the Customer's residences





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

or places of business. This model envisages instantaneous credit of loan amount to the customer's account and delivery of gold ornaments back at his doorstep on loan repayment. Reaching out to the customers at their doorstep using a low-cost model is made feasible by adopting a technology platform and by engaging Business Correspondents.

### **FINTECH PARTNERSHIPS -**

#### **Fostering new Partnerships in the Open Banking Era.**

The Indian FinTech Ecosystem is maturing and has seen a lot of success for companies who have focussed on cutting-edge technology, innovating for better customer experience, simplifying product delivery and ensuring relentless focus on regulatory compliance. Emerging models will likely see traction on the back of the phenomenal public-private infrastructure that is evolving in financial services. The regulatory framework is also striking a fine balance between innovation, compliance, data privacy and security. There has been a strong demand for partnering with FinTech firms for solving some of the challenges in the BFSI.

Your Bank is the most preferred Banking Partner for FinTech in the country where the FinTech makes use of the state-of-the-art API/Open Banking capability and business knowhow of the Bank while making a contribution in terms of the use of cutting-edge technology to create innovative products and enabling a hyper-personalised customer experience.

FY 2022- 23 saw your Bank partnering with multiple FinTech Companies for customer acquisition in Savings, Personal Loans, Gold Loans, Bovine Loans, Remittances and Payments, as a part of the strategy to grow business.

A few partnerships that commenced in FY 2022-23 are:

#### INDmoney (Savings accounts + Fixed Deposits + Outward Remittances)

INDmoney is a super app that allows customers to track all their investments in one place while allowing customers to make investments in various instruments like Mutual Funds, Stocks, Bank Deposits, etc. With the partnership with the Bank, INDmoney is offering Fixed Deposits and Investments in US Stocks where customers can open a savings account with your Bank and then make the desired investment choice. The partnership is expected to enable your Bank to acquire a good number of investment-savvy customers and strengthen its retail deposit portfolio. The partnership is expected to bring more business and cross-selling opportunities for the Bank as we progress with more features and products.

#### Paisabazaar (Personal Loan):

Paisabazaar Marketing and Consulting Private Limited is a marketplace for financial products that allow customers to access various financial services suiting their needs. We have partnered with Paisabazaar to offer digital personal loans to the customers who visit the Paisabazaar marketplace. The partnership has helped your Bank to acquire a good number of high-quality credit customers and has clocked very good growth in the personal loan portfolio ever since the launch. The digital personal loan arrangement was launched in full compliance with the guidelines on digital lending.

#### Epifi Technologies Private Limited (Personal Loan):

We had gone live with the partnership with Epifi Technologies Private Limited in December 2022 to source digital personal loans to Existing- To- Bank customers. Your Bank had partnered with EPIFI to source new savings accounts, and this is the first major cross-selling program that your Bank has launched on the existing set of customers onboarded through a Fintech Partner. Your Bank is in the process of launching many products including Credit cards and Outward remittances through this partnership.

#### Empowering the Milk farmers in rural areas of Gujarat State (Digivridhhi Technologies Private Limited):

We launched our partnership with M/s Digivridhhi Technologies Private Limited (DGV) as a digitalisation project in Gujarat for automating the payment lifecycle of farmers who supply milk to the Gujarat Co-operative Milk Marketing Federation. The farmers now get the credit in their savings account after they supply milk to Amul. This has enabled the farmers to have digital footprints, and this is allowing them to have access to credit from the formal banking ecosystem at lower interest rates. Farmers can now get personal loans, farm loans, bovine loans, credit cards, bovine loans, etc as they now have sufficient digital data to prove their income.

Your Bank has now launched a Digital Bovine Loan for farmers for buying bovine/cattle from a digital bovine/cattle marketplace exclusively created for the farmers, in partnership with DGV. Farmers can get cattle loans at their doorstep digitally and instantly. When a farmer expresses interest in buying cattle, a relationship manager visits the farmer and completes formalities like biometric account opening, digital loan sanction and digital document signing in a matter of few minutes and the farmer's milk pouring data is used to underwrite the loan. The payments are directly credited to the seller once the bovine is handed over to the borrower(buyer). This is a first-of-its-kind digital bovine loan in the country, linked to an online digital bovine marketplace where the farmers can buy and sell healthy cattle and get instant loans as well.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

While we continue to onboard new partnerships that would help your Bank in customer acquisition and distribution, your Bank is also working with existing partners to enhance the customer value proposition and upsell and cross-sell. We have launched many services to existing customers who have been onboarded through Fintech Partnerships and continue to work with the Partners for new products and services.

### CREDIT HEALTH MANAGEMENT

The Credit Administration Department ensures the credit administration functions of your Bank for borrowers with aggregate exposure of ₹ 2 Crore and above for zones in the State of Kerala and ₹ 1 Crore and above for the rest of India. The Department ensures compliance with all pre-disbursal covenants of credit sanctions and error-free documentation before disbursing a limit. The Department prepares the documents as per sanction terms, verifies the executed documents once they are submitted for setting up of limit, and ensures the creation of charge and perfection of securities within the stipulated timeframe through regular follow-up. The Department also regularly follows up and ensures proper compliance with post-disbursal covenants of credit sanction. Further, the Department ensures the sufficiency and protection of underlying assets and also ensures that the securities are updated and revalued at regular intervals. The Department constantly reviews existing processes to identify process improvements and endeavours digitisation of such processes for ensuring an excellent turnaround time.

### CREDIT MONITORING

The preservation of asset quality is of paramount importance for your Bank and the Credit Monitoring Department deploys various tools to closely monitor the credit health of the portfolio on an ongoing basis. The Department has put in place defined systems, procedures and practices, and developed various tools for gathering and analysing data from internal as well as external sources. To stay sharp and relevant in the dynamic socio-economic environment, your Bank's Credit Monitoring Department is continuously upgrading its tools. Identifying stress during the nascent stage and initiating prompt corrective actions based on the data analysis forms the crux of the credit health management process. Thus, stressed situations are identified well in advance and corrective action plans are implemented wherever required. Asset quality and credit discipline with compliance culture on an ongoing basis is ensured by your Bank through an end-to-end monitoring process by the Credit Monitoring Department.

### ASSET QUALITY MANAGEMENT

Gross NPA as a percentage of Gross Advances of your Bank stood at 2.36% and Net NPA as a percentage of Net Advances of your Bank stood at 0.69%. Your Bank strengthened its Balance Sheet by increasing the Provision Coverage Ratio (including technical write-offs) to 83.49%.

Your Bank has managed its NPA portfolio prudently and relentlessly improved its collection and recovery architecture to improve its asset quality. Different collection activities were initiated based on the risk profile of borrower. Your Bank has used various analytical tools to predict the propensity to default and the collection score of the borrowers. Collection strategies were formed based on these analytics-driven reports. Your Bank has strengthened the collection mechanism through increased team strength and improved partnerships. As part of further strengthening, it has centralised sending demand notices under SARFAESI Act. Enhanced use of digital tools and analytics have also helped your Bank to maintain one of the industry best collection practices and efficiencies. Your Bank has recorded the highest ever recovery and upgradations in NPA accounts during FY 23 and contained credit cost at 0.40%.

### RISK MANAGEMENT

The Risk Management philosophy of your Bank is to take risk by choice, rather than by chance. Your Bank seeks to build scalable and resilient businesses by strictly adhering to the best risk management practices. Your Bank is exposed to various risks, that are inherent to any banking business. The major risks are credit risk, market risk including interest rate risk, liquidity risk, information and cyber security risk and other operational risks. Your Bank has a robust risk management framework in place, which covers the policies, procedures, methodologies and framework established to systematically manage these material risks.

- The Board of Directors oversees and approves the risk policies and strategies to establish an integrated risk management framework and control system in your Bank.
- The Risk Management Committee (RMC) of the Board oversees the management of various risks associated with business, systems, and processes.
- Executive Level Committees ensure the effective implementation of risk management policies.
- Integrated Risk Management Department headed by the Chief Risk Officer coordinates various risk management functions of your Bank.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- An independent risk governance structure has been put in place, duly ensuring the independence of risk measurement, monitoring and control functions.

The risk management framework is subjected to review and upgradation on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. To focus on maximization of risk adjusted return on capital, your Bank has aligned its business strategies to a Risk Appetite Framework. A risk-based pricing framework has been implemented for the pricing of loans to evaluate returns vis-a-vis risks taken.

### **Credit Risk Management**

Macro factors such as a slowdown in economic growth, high inflation, imbalances in the economy, the stress in certain industries, etc and micro-level factors such as borrower-specific issues, poor underwriting standards, inadequate monitoring, weak collection and recovery mechanism, etc are some of the few factors that contribute to the credit risk of a Bank. Your Bank has a robust system to monitor such developments and take remedial actions.

Your Bank has a centralised credit risk management division, independent of its business functions. It has strong credit appraisal and risk management practices in place for identification, measurement, monitoring, controlling, and reporting credit risk.

Further, your Bank has a distinct credit risk architecture, policies, processes, and systems for managing credit risk in both its retail and wholesale businesses. Credit risk policies approved by the Board, best industry standards and risk controls are followed while extending credit to the borrowers. Wholesale lending is managed on an individual as well as portfolio basis. In comparison, Retail lending, due to the granularity of individual exposures, is managed largely on a portfolio basis across various products and customer segments. Credit risk is meticulously managed by capping exposures based on the individual borrower, group, industry, credit rating grades and geography, amongst others.

For both categories, there are robust follow-up and monitoring mechanisms including an automated EWS system in place to ensure credit quality and minimise defaults. Your Bank has a comprehensive risk rating system that serves as a single-point indicator of diverse risk factors of counterparty. Robust statistical scorecards are used in the retail credit appraisal process. Your Bank also uses Behavioural/transactional models for monitoring the transaction behaviour of retail loans, including MSME and agricultural loan accounts. Commercial/

Wholesale Borrowers are subjected to credit rating and loans are granted only to those borrowers falling within defined thresholds of risk levels.

Your Bank follows a policy of portfolio diversification and evaluates its total financing exposure to a particular industry in the light of its growth forecast and profitability. Your Bank's Credit Risk division monitors all major sectors of the economy and specifically tracks industries in which your Bank has credit exposures. Your Bank also has a framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record of the borrowers. The exposure limits for lower-rated borrowers and groups are substantially lower than the regulatory limits. Your Bank reviews the performance of major sectors in the economy on a periodical basis and identifies the sectors which are in stress / expected to be in stress. Such sectors are internally classified as stressed and additional exposures to such sectors are not normally entertained.

Your Bank has framed an Environmental and Social Management System (ESMS) policy to ensure that more focus is provided for lending to environmentally and socially sustainable projects. Environmental and social risks posed by the business activities of the borrowers are assessed at the time of underwriting of the loan proposal and suitable corrective actions are stipulated, wherever required, to mitigate such risks.

Your Bank is continuously reviewing and validating the credit rating models/scorecards for their appropriateness and predictiveness. As part of upscaling the high margin credit portfolios, your Bank has been transitioning to state-of-the-art look-alike rating models using Bureau inputs for both secured and unsecured facilities for arriving at the best-informed Credit decision. Credit risk management in your Bank, through its various policies, risk-assessing tools and risk-mitigating measures, ensures robust credit growth with superior asset quality. Stress levels are periodically benchmarked against the peer group as part of continuous monitoring and to take appropriate remedial measures. Your Bank also ensures on a regular basis that stress is contained within the risk tolerance levels fixed for each business segment.

Your Bank has formed a dedicated Market Intelligence Unit with a focus on large borrowers to facilitate the collection and processing of multiple sources of information with an objective to preventing adverse selection of borrowers and throw up early warning signals of possible fraud or credit risk, both at the sanctioning stage and through the lifecycle of the credit relationship.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Macroeconomic models are overlaid on the internal ratings to capture the challenges emanating from external environments, during which the economic activities become highly dynamic and volatile. Your Bank conducts stress testing of the portfolios and ensures necessary remedial actions, wherever warranted.

Currently, capital charge for Credit risk is computed using the standardised approach. RBI guidelines on Basel III capital regulations have been implemented and your Bank is sufficiently capitalised as per the current requirements under Basel III. Your Bank is gearing up for migration to ECL regime as and when announced by the Regulator.

### **Market Risk Management**

Market Risk arises largely from the Bank's statutory reserve management and trading activity in interest rate instruments, equity and forex market. Your Bank has a well-developed framework, comprising of Board approved policies and established practices, for the management of the market risk. Your Bank has set risk appetite and Value at Risk (VaR) limits to measure and control interest rate risk, equity price risk, forex risk, liquidity risk and other market-related risks. Your Bank is using various tools like stress testing, modified duration, PVBP, VaR, position limits, loss limits, NOOP limit, AGL, etc to monitor and contain market risk. It has established an independent Mid Office on the floor of Treasury, as 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 Treasury and IBU. Your Bank's Market Risk Division monitors key parameters on a periodic basis and recommends changes in policies, processes and methodologies. The Mid Office scrutinises treasury deals and transactions from both market risk and operational risk perspectives. Your Bank has put in place detailed policies for the conduct of business, exposure to market risk and effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling liquidity risk arising out of its banking book, trading book and off-balance sheet exposures.

Currently, capital charge for market risk is computed under the Standardised Duration Approach. Value at Risk (VaR) is the tool used for monitoring risk in your Bank's trading portfolio. The VaR and Stressed VaR for market portfolios are monitored daily.

### **Liquidity Risk Management & Interest Rate Risk Management**

Liquidity risk is the potential inability to fund an increase in assets, decrease in liabilities or meet obligations as they fall due, without incurring unacceptable losses. Your Bank monitors Liquidity Risk through Liquidity Coverage Ratio (LCR), Structural Liquidity Gaps, Dynamic Liquidity monitoring, Liquidity Ratio analysis, prudential limits for negative gaps in various time buckets, etc.

Interest rate risk is the risk where changes in market interest rates affect the Bank's earnings through changes in its Net Interest Income (NII) and the market value of equity through changes in the economic value of its interest rate sensitive assets, liabilities and off-balance sheet positions. Interest Rate Risk on Trading Portfolios is monitored through Market Risk Measurement tools such as VaR, PVO1, etc on a daily basis.

The policy frameworks for the management of liquidity risk and interest rate risk are established vide the Bank's Asset Liability Management Policy. Your Bank has established appropriate risk appetite limits and other tolerance limits for both liquidity risk and interest rate risk. While the maturity gap and stock ratio limits help manage liquidity risk in your Bank, regular assessment of its impact on the NII and economic value help mitigate interest rate risk. This is complemented by a stress testing program covering both liquidity and interest rate risk. Your Bank conducts various studies to assess the behavioural pattern of non-contractual assets and liabilities and embedded options available to customers, which are used while managing maturity gaps. Further, your Bank also has the necessary framework in place to manage intraday liquidity risk. Your Bank's Asset Liability Management Committee (ALCO) is responsible for monitoring its adherence to liquidity risk and interest rate risk limits.

Liquidity Coverage Ratio (LCR), a global standard to assess an organisation's ability to meet its payment obligations, is used as a measure to assess your Bank's liquidity position. LCR level ensures that the Bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. Based on Basel III norms, RBI has mandated a minimum LCR of 100% from January 01, 2019. Your Bank's LCR as on March 31, 2023, stood at 123.10% and the average LCR was at 128.12% for the quarter ended March 31, 2023.

RBI has also mandated a minimum Net Stable Funding Ratio (NSFR) of 100% with effect from October 01, 2021. NSFR indicates that the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities. As a prudent risk management practice, your Bank has been monitoring this ratio on a periodical basis, to ensure that your Bank is maintaining the ratio above the benchmark stipulated by RBI. Your Bank's NSFR as on March 31, 2023, stood at 137.32%.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### **Operational Risk Management**

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

### **Business Continuity Management**

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

Your Bank has received ISO 22301 certification for the Business Continuity Management System implemented in its IT, centralised operations and clearing functions.

### **Information security & Cyber security**

Your Bank has a robust information and cyber security framework for securing its IT infrastructure and systems. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices. Your Bank has a Security Operations Centre (SOC) which performs security

monitoring around the clock. Dissemination of information and cyber security awareness among the staff and customers is undertaken regularly through various modes. Your Bank has received ISO 27001 accreditation for its critical IT areas including Data Centre, DR Site, ATM Switch, etc. Your Bank has also received the PCI-DSS certification for its card payments infrastructure.

### **Internal Financial Controls**

Your Bank has put in place a comprehensive internal control framework which is supplemented with appropriate procedures across all its business and support activities. The internal controls implemented are intended to manage/ mitigate the risks, ensure compliance with laws and regulations, and provide reliable and timely financial reporting. Your Bank has sound processes for periodic assessment and review of internal controls. Risk Control Matrices are prepared for all processes and products. Risks inherent in all business/support activities are identified and assessed on a periodic basis. The related controls are also identified and evaluated in terms of their effectiveness. The adequacy and effectiveness of these controls are independently assessed regularly and if gaps are observed, action plans are prepared and implemented by the product/ process owners for remediation of risks and control improvements. These aspects are periodically reviewed by the Operational Risk Management Committee.

### **Compliance with Basel Framework**

Currently, your Bank is using Standardised Approach for credit risk, Basic Indicator Approach for operational risk and Standardised Duration Approach with respect to market risk for the computation of capital charges under Basel guidelines. Further, your Bank is gearing up with data build-up and system requirements for migrating to advanced approaches. The Capital Adequacy Ratio of your Bank as on March 31, 2023, under Basel III norms stood at 14.81%. Your Bank's Common Equity Capital level of 13.02% offers good cushion for further expansion and growth in your asset portfolio and complies with the requirements of Basel III norms. The Capital Adequacy Ratio at the consolidated Bank-level stood at 15.24%. RBI guidelines on Basel III demand the building of capital and liquidity buffers in phases and seek to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Your Bank has complied with the guidelines for maintaining Capital Conservation Buffer and is well-capitalised and fully prepared for maintaining Countercyclical Capital Buffer when RBI mandates it. Your Bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

III norms. The LCR of your Bank on a consolidated basis as on March 31, 2023, stood at 122.85%. Your Bank's approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management involves an ongoing review of the level of capitalisation against the set risk appetite and maintaining a strong capital base to support long-term stability, planned business growth and mitigate inherent risks in various businesses. Your Bank endeavours to maintain a strong Tier I capital position as part of the overall business strategy and as a source of competitive advantage. It assures regulators and credit rating agencies while protecting the interests of depositors, creditors and shareholders. Strong capitalisation also enables your Bank to take advantage of attractive business opportunities. Your Bank strives to strike a balance between the need for retaining capital for strength and growth while providing an adequate return to shareholders and sets an internal Capital Adequacy ratio target that includes a buffer in excess of the minimum regulatory requirement. In addition to the regulatory risk-based capital framework, your Bank is also subject to a minimum Leverage Ratio requirement and maintains a Leverage ratio that is higher than the regulatory requirement. Your Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/ financial position/ capital adequacy. The ICAAP framework is guided by a comprehensive Board approved ICAAP Policy. ICAAP is aimed to ensure that your Bank maintains capital commensurate to its risk profile and improves upon its risk management systems and framework on an ongoing basis. It involves a realistic assessment of the level of risks inherent in the business operations of the Bank and setting aside adequate capital to cover all such risks. The annual ICAAP is placed before the Board and the Risk Management Committee (RMC). A quarterly review of the ICAAP is conducted and placed before the RMC. The capital management framework is also complemented by the risk management framework, which covers the policies, processes, methodologies and frameworks established for the management of material risks. Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. Based on the stress testing policy approved by the Board, your Bank conducts stress tests on various portfolios and assesses its impact on the capital ratios and the adequacy of capital buffers for current

and future periods. Your Bank periodically assesses and refines its stress testing framework to ensure that the stress scenarios capture material risks as well as reflect possible extreme market movements that could arise as a result of market conditions and the operating environment.

### **Environmental & Social Management System**

Your Bank has put in place an 'Environmental and Social Management System (ESMS) Policy' for all lending activities as part of strengthening the Bank's commitment to the cause of sustainable development as desired by the Government, regulators and other stakeholders. ESMS policy enables Bank to mitigate the negative environmental and social impacts posed by the lending activities. The policy prescribes an exclusion list i.e., the list of activities restricted for lending operations considering its potential significant impact on the environment and/ or the society. Your Bank has also adopted evaluation of high value proposals against the IFC Performance Standards as defined in the ESMS policy. Detailed E&S Due Diligence (ESDD), internal or external, is conducted for high value project loans/ long term loans falling in certain high E&S risk sectors. Such proposals are classified into one of the three categories (Cat A, Cat B or Cat C) based on the inherent E&S issues associated with the project and the remedial actions /mitigants already put in place/agreed to be put in place by the borrower. Based on the outcome of ESDD, certain proposals also warrant pre-sanction review by MD & CEO level E&S Committee/ Board level committees. Specific E&S covenants, both pre-sanction and post sanction may be prescribed by the committee, if warranted. The Environmental and Social Action Plan (ESAP), thus agreed between the Bank and the borrower is periodically monitored for its compliance. Your Bank has also developed an internal team for conducting E&S due diligence by recruiting E&S specialists on its roll. Effective implementation of ESMS policy helps your Bank to address the E&S risks arising from its lending portfolio in a timely manner.

### **Covid -19 concerns**

The outbreak of the Covid-19 pandemic posed a serious threat to lives and livelihoods across the world and impacted the global economy, including that of India. The impact of the pandemic posed various challenges in terms of aspects like business continuity and asset quality. The RBI and the Government of India came out with various measures to manage the situation and adequate measures were put in place by your Bank to respond dynamically to these challenges and minimise impact. Though the impact has subsided, your Bank is also closely







## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

watching the liquidity position, contingent liquidity position and available sources of funds to meet contingent scenarios, if any, that may arise. The credit quality is assessed under various stress scenarios at close intervals. Your Bank is also closely watching the liquidity position and contingent liquidity position and available sources of funds to meet contingent scenarios are being assessed periodically.

### **HUMAN RESOURCES**

In FY 2022-23, Federal Bank continued to deliver towards its ambitious goal of being the Most Admired Bank and it was possible due to the unwavering commitment, the right skills and the best capabilities of our people. We take pride in our people in the way they have continued to deliver success by consistently contributing towards the growth of your Bank. Our commitment to creating a productive environment at work that is balanced and positive remains our priority as it serves as an enabler for our people to perform at their best, stay happy at work and be healthy as well. Our people practices and strategies have guided us and have served as a catalyst in the process. It is on the ethos of commitment, agility, relationship orientation, ethics and sustainability that we have the heart of our people strategies. The diverse and inclusive environment of our workplaces helps each employee feel valued and stay purpose-driven, these elements have not only strengthened our Rishtas with one another in the organisation, but also helped us focus on delivering the best by engaging, enriching and empowering our people to create a culture that enables to thrive, thereby contributing towards the goal of being a future-ready organisation. The total human capital of your Bank stands at 13,457 at the end of the financial year. The average age of the employees is 36 years, and the current male to female ratio is 59:41. Your bank has achieved a commendably low voluntary turnover rate of permanent employees at 3.75 %.

#### **Enriched, Engaged & Healthy Employees**

At your Bank, employees are the core strength and creating employee experiences that are meaningful is a business responsibility and priority; having helped us build pride, trust and commitment towards the organisation. In Federal Bank, we engage through a basket of approaches, and it has always proven to maximise the interconnectedness of the team. These approaches through various tools have been comprehensive and strategically devised, thereby ushered to the social, mental and physical health of employees. We consider employee wellness as an inherent nature of the workplace and is of monumental relevance therefore it has always remained a strategic imperative.

#### **Sunshine – The Employee Volunteering Programme**

As a fuel towards supporting and encouraging our employees in creating a sense of responsibility towards the community that we belong, volunteering is the best initiative that can be utilised to stimulate the effort of contributing back to society. On Founder's Day, we rolled out the SUNSHINE program. The name "Sunshine" was thoughtfully chosen - an idea to be rays of sunlight in the lives of people around us in our communities. Through the medium, we intend to provide avenues of service opportunities to our employees thereby a chance to illustrate our core organisational ethos into action. As an organisation that has a holistic approach towards all endeavours that we place ourselves in, this volunteering initiative has not only created a social impact but also has enhanced employee morale.

#### **The PULSE of Federals**

PULSE – our employee engagement application was rolled out early this financial year. We incorporated various features that help to connect and communicate better, ensure employee health and well-being and elements to stay tuned with the values of the organisation. Such an application has been necessary for an organisation like Federal Bank which houses in geographically dispersed locations, 13k+ employees to build connections through effective communication and to bring in the best through collaborative work. It has a mission to enrich our employees' lives and our workspaces even better. Thus, in the process of a strong desire towards improvement and to outdo ourselves in the endeavors we do, a ground-breaking and impactful achievement has been attained, being able to integrate Fed-e-HRM into Pulse. It is a testament to outstanding quality, innovation and positive impact.

#### **The Reward Culture**

Each of our employees, consistent and determined efforts have been enabling your Bank to climb up the steps towards being the Most Admired. It is the connection and bonding that we share with each other that make the expedition a cherished and smoother one. Your Bank has been considerate and appreciative of all the great work being done by providing premium comforts and thoughtful facilities for the employee and their families. Periodic refinements and improvements of these facilities are ensured by your Bank, which is always the best and most enviable among the peers in the market. Enhancements in various allowances and benefits have been made this financial year as well that would motivate your Bank's employees to contribute their best and perform with passion through wholehearted co-operation and commitment



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

towards the institution, which in turn has kept the Federal spirit high in each one of us. Further, your Bank through its rewards & recognition program executed at the Zone level recognises professional achievements as a means to foster a culture of appreciation for the extra mile contributions that have been made by your Bank's employees.

### **Great Place to Work**

Your Bank has been conferred with the "Great Place to Work" award for the third time in a row! This is a significant achievement for us and a testament to our commitment to creating a positive and engaging work culture. It is a collective effort that has helped us build a workplace where everyone feels valued, respected, and motivated to perform their best. Your Bank understands that building a great workplace is a continuous effort, and your Bank is committed to ensuring that we maintain and improve our work culture to provide an even better workplace for all our employees.

### **Talent Acquisition**

Our people are our most important asset and so we continue to attract and retain the best talent to achieve the strategic priorities of your Bank. Providing an engaging candidate experience has become one of the key drivers in the design of hiring processes in your Bank, leveraging the technologies of Artificial Intelligence and Machine Learning. Your Bank has well-crafted competency based - objective mechanisms to evaluate the fitment of the candidate – scientifically assessing them on their knowledge, skills, abilities, behaviours, and personality – to ensure a data-driven and holistic view of the candidate.

To win and keep top talent, we provide a workplace culture that encourages employee behaviours aligned with our values, fulfilling their long-term individual aspirations and providing experiences that make individuals feel valued, included and engaged. Diversity and inclusion (D&I) form an integral part of the talent strategy.

### **Training Highlights FY 2022-23**

Building and maintaining a strong leadership pipeline: Our Leadership interventions include Executive Coaching, Leadership Development Programs and Digital Leadership Initiatives. Coaching interventions are long-term in nature and are more focused on personal effectiveness and leadership orientation. This includes group coaching, peer coaching and self-learning. There are exclusive leadership programs designed for Women Executives with blended learning and digital leadership programs.

Programs Instilling Federal Culture and Building Rishta: Aligning with the corporate theme for the FY, a flagship training series "Good to Great" was launched pan-India. In addition to specific role-based functional objectives, the programs focused on instilling the passion, purpose, and confidence for employees to be 'Most Admired Professionals' (Aligning to Banks vision and value framework)

Massive Open Online Course partnerships and eLearning: We have partnered with Coursera Learning for à la carte learning in a continuous and engaging way. 99% of our officers actively participate in our self-paced e-learning programs, which is a testimony to how well our Learning & Development strategy drives Business and Individual Growth because we strongly believe that the Future of Digital is Human. Our Learning Management System provides an immersive experience for our employees via gamified content, digital badges and dynamic learning dashboards thus elevating the impact and quality of learning.

E-academies for Talent Pool: We have launched longer duration blended interventions which include self-learning, training, assessment tests and certifications to build talent pools in functional areas like Forex, Analytics, etc.

Capacity Building Certification Support: To ensure our employees possess the required regulatory certifications, we provided support and reimbursement for select role-specific certification programs.

Upskilling & Scholarship Programs: This FY we have also launched employee scholarship programs for professional courses from premier institutes on Management, Digital and Technology Programs, etc.

Diversity & Inclusion: Women Leadership Certification Programs and focused Executive Development program for women officers by various external partners, in addition to multiple internal women leadership training. Training programs were conducted for ICC members (Internal Complaints Committee) and employees on various aspects of POSH.

Communication & Management Clubs: Tie-ups/ arrangements with Industry partners for Communication upskilling, confidence building and managerial effectiveness for aspiring leaders.

DAKSHA: An online webinar series by external industry experts and stalwarts in industry enabling knowledge sharing.

Master Class Series: An online webinar series by internal resources for tacit knowledge sharing and soft skills.

Podcasts: In this FY, we have released Podcasts focusing on Work-Life Excellence to cater towards our employee's needs.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Compliance through mandatory eLearning programs: Dedicated E-learning drives in all regulatory prescribed areas like Information Security Awareness, KYC & AML Guidelines, Banking Ombudsman, etc to ensure Growth with Compliance. E-Learning on Information Security Awareness was provided to 97.5% of Officers and Non-officers as part of the mandatory learning programs.

### Key Statistics 2022-23

- 3.9 Lakh Person Hours of Training
- 99% of Officers participated in self-paced e-learning programs.
- Average 3.7 Days of training per employee

### **INTERNAL AUDIT**

Internal Audit independently evaluates the adequacy, completeness, operational effectiveness and efficiency of all internal controls, risk management/governance systems and processes of your Bank. The Audit Committee of the Board provides direction and reviews the adequacy of the internal audit function, including its reporting structure, staffing, coverage and frequency of audits. The Head of the Internal Audit Department is designated as the “Chief Internal Auditor” of the Bank and reports directly to Managing Director & CEO. An executive-level committee named the “Inspection Review Committee of Executives” headed by the Managing Director & CEO, oversees the audit and inspection functions and reviews the audit procedures and methodologies, the effectiveness of audit systems, progress in completion of audits, risk rating of branches and significant audit findings.

The Audit & Inspection Policy, Information System Audit Policy, Policy on Appointment of Statutory Central Auditors and the Internal Audit Procedure & Guidance Manual, which serve as the basic guidance documents for the Internal Audit function, are subjected to annual review. The review covers appropriate modifications and refinements based on the observations made by the Reserve Bank of India in Risk-Based Supervision, other regulatory guidelines, changes in internal rules and guidelines and directions of the Audit Committee of the Board and the Board of Directors. The review and modifications ensure that the audit systems and procedures are contemporary and continue to be an effective tool for monitoring control and compliance in your Bank. Internal Audit is responsible for self-assessment of the Bank’s internal financial controls by testing and validating the effectiveness of controls on an ongoing basis.

All activities (including outsourced activities) and all entities (including subsidiary companies) of your Bank fall within the

ambit of internal audit. The major audits undertaken by your Bank during the financial year are:

Risk-Based Internal Audit - Your Bank has leveraged Risk-Based Internal Audit (RBIA) as a tool to assess the risks in its processes, operations and the effectiveness of related controls. Risk-Based Internal Audit conducted at branches focuses on prioritising the audits and audit resources based on the level of inherent business risks and control risks.

Information System Audit - Information System Audit collects and evaluates the evidence to determine whether the information system safeguards assets, maintains data integrity and availability, achieves organisational goals effectively and consumes resources efficiently. It focuses on the risks that are relevant to information assets and assesses the adequacy of controls implemented for mitigating the risks. All critical IT infrastructures in your Bank are subjected to Information System Audit by information systems professionals from reputed CERT-IN empanelled external audit firms and Certified Information System Auditors (CISA) of your Bank. Critical Information Systems are subjected to Vulnerability Assessment & Penetration Testing (VAPT) every quarter. In addition to this, Information System Audit covers the physical security of IT systems and business continuity procedures followed at branches/ offices.

Management Audit - Management Audit in your Bank essentially focuses on identifying the adequacy and effectiveness of processes adopted for decision-making in various Head Office Departments of the Bank, Zonal Offices, Large Corporate Hubs, National and Regional Credit Hubs, Loan Collection & Recovery Divisions, your Bank’s Subsidiary Companies, etc. The feedback from management audit is relied upon by the auditee units to improve the processes, procedures and systems in place in such offices.

Offsite Audit - Offsite audit is a forward-looking diagnostic tool to identify gaps in the systems and procedures of your Bank. The entire revenue audit in your Bank is undertaken through Offsite Audit. Your Bank leverages Computer Aided Audit Tools (CAAT) for generating and analysing exceptions while conducting offsite audits.

Concurrent Audit - Your Bank is increasingly relying on ‘Concurrent Audit’ as an early warning system to ensure near real-time detection of irregularities and lapses and also used as a tool to prevent fraud. Your Bank has implemented the revised Concurrent Audit framework, duly approved by the Audit Committee of the Board, as per the RBI circular dated September 18, 2019, with effect from April 01, 2020. During the year under review, Concurrent Audit was in place in 253



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

branches and 85 offices, covering 59.06% of total advances and 44.42% of total deposits of your Bank. The offices covered under the Concurrent Audit include the Treasury Department, Operations Department, Information Technology Department, Loan Collection and Recovery Department, Zonal Credit Administration Divisions, Depository Participant, International Financial Service Centre Banking Unit, National Credit Hubs, Large Corporate Hubs, Regional Credit Hubs, Centralised Retail Credit Hubs, Corporate Client Service Centres, Retail Assets and Cards, Transaction Banking Department, Digital Centre of Excellence, Regional Cheque Processing Centres, Transaction Monitoring and Fraud Prevention Department, AML Monitoring Department, Credit Monitoring Department, Exceptionally Large Branches and Branches where RBIA risk rating is assessed as “High”. Concurrent Audit is also conducted in all the currency chests as required by the Reserve Bank of India. 314 External Auditors / Audit Firms, 9 Retired Officers and 7 internal audit staff were engaged for concurrent audit assignments during the period.

**Due Diligence Audit** - A comprehensive Risk-Based Due Diligence of Partners/Service providers is conducted to ensure that they are financially stable, comply with all regulatory norms and have all the required information security controls in place to safeguard the interests of all the stakeholders of your Bank.

The Internal Audit Department is manned by appropriately qualified personnel and has a staff strength of 121 officers (as on March 31, 2023) with expertise and exposure in all activities of your Bank, such as branch operations, credit sanction, credit monitoring, clearing operations, information technology, risk management and treasury operations.

During the FY 2022-23, audits were undertaken at various operating units, considering the audit universe and in tandem with the Annual Audit Plan approved by the Audit Committee of the Board. Data on major audits conducted during the year is as follows:

Type of Inspection/Audit	Number of Audits
Risk-Based Internal Audit	1,017
Information System Audit	1,097
Management Audit	132
Revenue Audit	1,267
Gold Loan Audit	1,936
Credit Audit	1,591
Legal Audit	441
Bi-monthly audits at Currency Chests	54
Audits of outsourced agencies / managed services	205

## TRANSACTION MONITORING AND FRAUD PREVENTION

Your Bank is having a fully equipped Transaction Monitoring & Fraud Prevention Department with state-of-the-art monitoring tools working round the clock. The transactions in Core Banking and various online channels are monitored by the Transaction Monitoring Team. We have specific scenarios to monitor the accounts opened through Fintech partnerships. With a special focus on UPI, a new team has been set up to monitor UPI transactions on NPCI’s e-FRM tool. Monitoring of POS acquiring, and Payment Gateway (Cards) transactions is also under the purview of the Department, to have holistic control over the transaction monitoring activities of the Bank. A Proactive Risk Manager (PRM) tool has been implemented for monitoring Debit Card transactions. Monitoring of Credit Card transactions is carried out on a dedicated tool – Falcon. Transaction Monitoring Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. The close association with Cyberdome of Kerala Police has been instrumental in preventing many fraudulent transactions and making recoveries to a reasonable extent. Your Bank has associated with the Ministry of Home Affairs on their new initiative of the Citizen Financial Cyber Fraud Reporting Portal. A dedicated team has been set up, which is working on a 24X7 basis, to attend to the cases reported by Police authorities, initiate immediate preventive steps to arrest the further flow of disputed funds and help police authorities in the investigation of financial cybercrimes.

## LEGAL COMPLIANCE

In recent times, the legal environment in the country has become very dynamic, with new laws and amendments to the existing laws being enacted at a very brisk pace. In order to cope with this change and to ensure legal compliance, it is imperative that a robust legal risk management process be laid down. The process helps your Bank to mitigate the legal risk which falls under the larger umbrella of operational risk.

Your Bank has a healthy compliance and legal risk management culture. The processes are designed to ensure legal and regulatory compliance and to enable the detection and prevention of any breaches. The Legal Department of your Bank frames processes and controls that can efficiently manage and mitigate the legal risks originating from the daily business transactions of your Bank. Further, your Bank has a well-laid system, which ensures that the documentation process is contemporary and in tune with industry standards, thus minimising the menace of legal risk, and in the meantime





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

enhancing customer experience. Additionally, a “Manual of Instructions on Documentation” has been published by the Legal Department comprising of all the general instructions pertaining to documentation for the reference of branches and other functionaries, and the same is also updated periodically.

Legal Hubs are set up at all the Zones of your Bank to ensure compliance with local laws and render legal support to the branches, underwriting teams and credit administration teams. New products, processes and schemes introduced by your Bank invariably undergo legal vetting by the Legal Department to ensure legal compliance and proper analysis of the legal risks involved. Moreover, Legal Department is rendering professional and expert advice on various legal issues associated with your Bank.

With the strong objective of making your Bank a Zero Customer Complaint Bank, strenuous efforts are being made to reduce the number of suits/ complaints filed against your Bank before different courts/consumer forums. The periodic publication of “Legal Decisions Affecting Banks” circulated by the Legal Department based on verdicts rendered by the Supreme Court/ various High Courts/ Tribunals coupled with various educational circulars issued by the Legal Department, keeps all teams well informed on legal challenges/ issues and steps to be taken to avert compliance failures. The Legal Department, a repository of statutes, also updates the teams/offices/ branches of the relevant amendments/ modifications made to statutes from time to time. Standard Loan Agreements are modified/ simplified from time to time to make them contemporary and in tune with industry standards.

Other than this, the Legal Department has formulated a framework for legal compliance with local laws compiling the Land and Stamp Laws, related customs and practices, etc., in vogue in different states. It has also published a Stamp Duty tracker for the guidance of branches/ offices. Moreover, Zonal Legal Hubs have been holding sessions on legal topics for enriching branch-level functionaries. With a view to impart awareness of the latest developments/ amendments in law and strengthening the knowledge base of the Legal Officers of your Bank, the department is also conducting a Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics.

Value addition is imparted by holding interactions amongst the members of the Legal Department and Legal Hubs through audio-visual means, which also helps in resolving the hitches faced by the Legal Hubs, thereby enabling them to function efficiently and contribute to the overall growth of your Bank.

## REGULATORY COMPLIANCE

Compliance with all applicable laws and regulations, is crucial to the success of the Bank. Your Bank strives for the Most Admired Bank status while maintaining a balance between growth and controls. Your Bank’s compliance philosophy states that the Bank has no appetite or tolerance for any compliance risk arising from non-compliance with regulations.

To ensure enterprise-wide compliance, your Bank has adopted a risk-based approach and implemented appropriate policies and processes. To manage compliance risk, Bank has built a comprehensive Enterprise Compliance Risk Management Framework (ECRMF), containing processes covering regulation implementation, identification of risks, and remedying risks on time. The Bank has a range of monitoring and testing programs, such as Branch and Department self-testing by frontline staff, review by Compliance Monitoring Officers and Compliance Quality Assurance Cell (C-QAC), to identify any known or hidden risks. In recent years, Bank has enhanced its capabilities by incorporating areas like Data Analytics and Reg Tech. Every employee of your Bank is committed to maintaining the highest level of compliance standards, both in professional and personal life.

The Bank has taken several steps to strengthen its compliance structure. It has revised the Compliance Policy and the Policy on Combating Financial Crime, keeping the regulatory requirements and best practices, both domestic and international, in mind. It has also extended the compliance program to the subsidiaries and group companies. Your Bank has created a robust annual Compliance Risk Assessment Program and Quality Assurance Program to assess compliance risk and ensure the sustenance of compliance standards. Key objectives of the Compliance Department are (a) Benchmark Regulatory Compliance, (b) Integrate Compliance Risk Management in Business, (c) Never Err on Critical Compliance, (d) Always be Fair and Transparent and (e) Be Fit to Partner the Digital & Fintech Journey. To achieve these objectives, Bank has set a protocol where every Business Unit and Department will have Compliance Monitoring Officers who handle the first level of compliance, closely associating with respective heads. Zonal-level Compliance Monitoring Officers, who directly report to Central Compliance, provide additional support. To assess and assist the branches in enhancing the Compliance culture, Compliance Monitoring Officers and senior officials of the Central Compliance team visit the branches and conduct awareness sessions. Annual Certification of Compliance Monitoring Officers at all levels ensures that they are aligned with the Compliance policy and processes, enabling them to embed regulatory requirements in day-to-day business processes.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Your Bank has embarked on tech-based innovations to rewrite its compliance controls and standards. Bank's Continuous Compliance Monitoring (CCM) is an industry-first technological solution leveraging data analytics and artificial intelligence to comprehensively monitor scenario-based alerts on any transactional deviations within 24 to 48 hours. The state-of-the-art Anti-Money Laundering solution provides exhaustive list management and screening capabilities of individual transactions and customers, in line with the Financial Action Task Force (FATF) recommendations and international standards. Bank has also developed an electronic comprehensive obligation register covering over eighty statutes and thirty regulatory authorities/ industry bodies, supplemented by a manual of instructions to each Department for process mapping, gap identification and periodic confirmation of compliance through self-testing, monitoring, concurrent and internal audits. The periodic compliance confirmation to the Board and the Regulator by the Bank is based on the actual testing and affirmations carried out on all transactions from time to time. Additionally, the Compliance Department ensures that all major policies are reviewed to align with regulatory requirements before approval by the Board. With these efforts, your Bank proudly presents its Compliance Model as a benchmark for the industry.

### **Initiatives undertaken by the Bank to further improve compliance and controls**

#### Integrated Platform for Managing Operational Risk

Your Bank has gone live with Governance and Compliance Manager (GCM) platform, an integrated platform for standardising and managing Operational Risk. Your Bank's Operational Risk Division carries out various Risk Management activities which include RCSA, KRI, Scenario Analysis, Capital computation etc. Considering the need for having robust control of risk management activities, migration to the new GCM platform has been done.

#### Continuous Compliance Monitoring Solution (CCM)

Your Bank has implemented a solution for Continuous Compliance Monitoring (CCM). The capability is used extensively by the Compliance, Internal Audit and Transaction Monitoring Departments. SAS Detection and Investigation for Banking solution helps your Bank to take a risk-based approach to monitor transactions for illicit activity and to comply with respective regulations. It accommodates a wide variety of disciplines, enables your Bank to triage and manage alerts, entails your Bank to search and discover relevant details about an alert.

#### Early Warning Signal Solution (EWSS)

Your Bank has engaged CRISIL for implementing an Early Warning Signal Solution which will proactively identify the

risk being built in loan accounts through available internal and external sources and facilitate a corrective action plan for the credit portfolio. The platform is enabled to capture and assess 100+ EWS parameters which include all the 42 illustrative items as laid out in RBI's circular. The platform has the capability to generate alerts based on system feeds as well as manually fed indicators. This helps your Bank to monitor the loan portfolio effectively and maintain better asset quality.

### **MARKETING**

Your Bank's marketing initiatives have effectively hyper-accentuated the Federal Bank brand across the country, resulting in increased recognition and engagement with both existing and new clients. We remain committed to adapting to changing customer requirements, enhancing customer satisfaction, and embracing digital innovations. Furthermore, our CSR activities continue to build our brand reputation by creating a positive impact on individuals and communities.

The strategy of your Bank – 'Segment, Scale & Sustainable' was shaped with the intention to strengthen the brand Federal in its journey from Presence to Prominence to Dominance™. Your Bank appointed its first Chief Marketing Officer in FY 23.

#### **Marketing Campaigns and Objectives**

In today's fast-paced and technology-driven world, it's easy to fall into the trap of relying solely on digital means for all our interactions. We know that building strong relationships with our customers means more than just transactional and digital interactions. To convey the same, your Bank launched 'Rishta Aap Se Hai, Sirf App Se Nah!' The 360-degree brand campaign talks about the power of personalised relationships in a digitally suave world. Through this campaign, the message being delivered is – human relationships are paramount to us despite being digitally superior. The philosophy is being practiced across all our branches and offices; with the campaign, a visual face has been given to the mantra. The campaign included 2 advertisements and the same were launched in 7 languages and across various platforms. By the end of FY, both the ads garnered 39.9 Million video views on YouTube with employees and customers equally echoing the thought on social media platforms.

Foundations were laid to create ecosystems around the brand. Various campaigns with equal emphasis on brand and product were rolled out to connect with the cultures of various geographies and ensure visibility across the country. Under Sonic branding, your Bank came up with 8 adaptations of the MOGO for various campaigns/ festivals. World Music Day campaign created awareness of the MOGO through a symphony of sounds available in a branch. The campaign created 7.6 Million impressions across social media platforms in 10 days.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Moment marketing as in the case of welcoming NRIs, cultural immersion by participating in festivals across the country, playing inside out by improving visibility across branches as well as external media including Hoardings, Metros, Taxis, TVCs.

An NR campaign was launched with a special focus on NRKs (Non Resident Keralites) who were coming back to Kerala after a hiatus of 2 years.

Your Bank also celebrated 15 years of its glorious presence in UAE last year.

Digital Media, especially social media continued to get prime importance with daily content. Additionally, importance was given to RTMs (Real Time Marketing posts), festival-related greetings content, milestones, etc.

### **Target Market and Tailored Marketing Efforts**

From a geographical perspective, your Bank's strategy is to move from presence to prominence and ultimately dominance. Kerala remains a dominant market, and we continue to strengthen our position there. Tamil Nadu is progressing towards a dominant market status, while Karnataka and Maharashtra are gaining prominence. As we move north, our presence is gradually building. Additionally, our marketing efforts are tailored to appeal to our target audience, with a focus on young teams that understand the next generation of customers. Your Bank's digital platforms offer a top-notch customer experience, free from legacy issues. Simultaneously, we recognise the importance of a personal touch for long-term clients, as human empathy is unique and irreplaceable.

### **Customer Satisfaction and Proliferation of Services**

Customer satisfaction is a paramount goal for your Bank and we aim to achieve an NPS (Net Promoter Score) of 75, which is an industry high across sectors. To ensure customer satisfaction, your Bank emphasises impeccable service across the board. We believe in taking ownership and promptly resolving any issues that arise, striving to create an "instance of one" experience, where any unforeseen occurrence is treated as the first and last time it happens. This signifies how Nimble, Passionate, and Sharp your Bank aims to be (paraphrasing NPS).

### **Building Brand Reputation**

The role of a Bank is to help people, communities, society and a nation to be able to achieve a certain life-style, plan for life-stages, and be enabled to move up in one's station in life. Your Bank's CSR initiatives focus on education, skill development, women empowerment, and creating joyful spaces for people. These initiatives, which align with our culture, contribute to positive perceptions of our brand. We understand the

significance of accountability and ensure that every effort is accounted for and communicated to our stakeholders. That's why we emphasise "Rishta Aap Se Hai, Sirf App Se Nahi."

### **Awards and accolades**

Your Bank's exceptional efforts and achievements have been recognised through numerous accolades and awards including Most Preferred Workplace 2022-23 in the BFSI sector, Best Private Sector Bank in the 'large Private Sector Bank' Category at the SFBKC Banking Excellence Award 2022, instituted by State Forum of Bankers' Clubs Kerala. Your Bank was recognised among the Top 20 Most Innovative Practices - DivHERsity Awards 2023 and the only Commercial Bank in India to be recognised by Great Place to Work among Top 50 India's Best Workplaces™ for building a culture of innovation. Your Bank's CMO won the title "Futuristic CMO: Retention First Thinker Award" at the Pitch CMO Awards. The brand was recognized as India's leading private sector bank in Mid category by Dun & Bradstreet in BFSI & Fintech Summit 2023 and was named as one of the best BFSI brands 2023 by Economic Times.

### **SERVICE QUALITY**

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

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

In pursuit of this, your Bank has employed a dedicated team to facilitate the identification and implementation of process improvements which are critical from a customer point of view. This team liaises with other teams to evaluate various customer touchpoints and strives to improve various services. The team had identified and executed 75+ process improvements, large and small, to ensure responsive and frictionless customer service. One of the initiatives was upgrading Anywhere Banking Services to customers. Now, a customer can do 30 + services across any branch.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

**Customer Grievance**

I. Particulars No.	Year ended March 31, 2023	Year ended March 31, 2022
1 Number of complaints pending at the 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 of during the year	169,804	146,108
Of which, the number of complaints rejected by the Bank	73,002	46,394
4 Number of complaints pending at the end of the year	5,864	5,390
<b>Maintainable complaints received by the Bank from Banking Ombudsman (BO)</b>		
5 Number of maintainable complaints received by the Bank from BOs	1,049	569
Of which, a number of complaints were resolved in favour of the Bank by BOs	467	245
Of which, the number of complaints resolved through conciliation/ mediation/ advisories issued by BOs	571	324
Of which, a number of complaints were resolved after the Passing of Awards by BOs against the Bank	-	-
6 Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

**Customer Delight**

Your Bank is always keen on relationship building, customer convenience and delight. To enhance customer experience and brand trust initiated the opening of new branches, enhanced the capacity in the Call Centres, upgraded the services available in the web-based portal and rolled out many other initiatives designed to make the life of customers easier. Further, your Bank also observes Customer Day on the 15th of every month in the branches. Branches are also sanitised and furnished with fine interiors, at par with industry standards. The security aspect has been given utmost importance with modern equipment like closed circuit TV, motion sensors, infrared cameras and fire alarm systems. Your Bank has also started online real-time, remote security and surveillance of ATMs and branches towards this end. Further, it is progressively equipping its branches with fake note detectors, note sorting machines and currency authenticating machines, in compliance with the regulatory guidelines. Your Bank has installed 1,916 ATM/ Recyclers which will enable customers to withdraw/deposit cash in their account 24 X 7. With these measures, your Bank is focussing on ensuring excellence in operations and service delivery with the least gaps, based on customer feedback and strives to maintain a high level of customer satisfaction, along with a reduced count of customer complaints through an efficient redressal mechanism.

**STRATEGIC PLANNING**

In this new era of heightened economic volatility, strategic planning has become more relevant and critical. The Corporate Planning Department of your Bank works towards developing effective future-ready strategies aligned with the market realities and setting aspirational goals for your Bank to achieve. The Department coordinates diverse functions like Planning, Budgeting, Monitoring of Business Performance, Business Analytics, Cost Management and Management Information Systems to achieve its goals.

Your Bank adopted a 'Lite Branch, Heavy Distribution' approach, which means opening new branches in areas with high potential, while strengthening our existing presence with more distribution channels. We have 1,355 Branches, 1,916 ATMs/ Cash Recyclers (including 2 Mobile ATMs), and other channels such as Relationship Managers, Field Sales teams, and Digital Acquisition. With the opening of the first branch in the state of Himachal Pradesh and crossing 200 banking outlets in Tamil Nadu and Puducherry, your Bank remains committed to expanding its reach across geographies. In addition to the 75 new branches opened in FY23, your Bank also launched innovative solutions such as Mobile Banking Unit, so that banking services can be delivered to your doorstep. These help your Bank to attract and engage customers through various methods. The Bank pursues goals with focus, quality, granularity, regularity and





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

sustainability. The Department, through its various initiatives, brings synergy between the distribution channels to deliver desired results. Cost Management has become a compulsion to ensure sustainability in the long run pushing the Department to maintain a holistic approach and adopt an agile operating model while connecting cost reduction and investment decisions.

With a core analytics data science team functioning for more than 6 years now, your Bank has built a strong foundation with advanced capabilities for tapping the huge potential of data and uncovering the strategic opportunities it holds. The data science team is well equipped and is leveraging the rich underlying internal and external data across the business functions, evolving along the way into a Centre of Excellence for the efficient delivery of state-of-art analytical frameworks. The main focus includes addressing the core of business problems, thus optimising the costs with enhanced efficiency, and exploiting every possible opportunity for establishing enhanced and additional revenue centres for business. Powered by Machine Learning (ML), Artificial Intelligence (AI) and Deep Learning (DL) capabilities, the team utilises the booming data growth and is aligned towards enhancing customer experience, value, and delight by ensuring high-quality customer acquisition, servicing, personalisation, next best actions and retention, thereby enabling fostering the deeper healthy customer relationships at each step, while monitoring the fraudulent and risky behavioural instances.

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

### CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility activities of your Bank touches a wide footprint through areas like Skilling, Education, Women Empowerment, Environment Sustainability and other activities.

The CSR projects are executed under the Federal Bank Hormis Memorial Foundation, which acts as a special purpose vehicle for the implementation of CSR activities of your Bank.

Major CSR projects undertaken during FY 2022-23 by your Bank are as follows:

#### **Promoting Education**

a) Federal Bank Hormis Memorial Foundation Scholarships

The Foundation is providing scholarships to needy students for pursuing professional courses for many years. During the year, the Trust is offering scholarships to a maximum of 500 meritorious students pursuing the courses- BSc Agriculture, B Sc Nursing, BE/B Tech, MBBS & MBA-belonging to the states- Kerala, Tamil Nadu, Karnataka, Maharashtra, Gujarat & Punjab.

b) Federal Skill Academies

While India has the largest percentage of youth population in the world, it has a very high percentage of unskilled youth as well. Recognising that gaps exist between the knowledge imparted through formal education and the skills that are actually required at the workplace, your Bank has set up Federal Skill Academy as part of its thrust for social upliftment and eventually to be part of the National Skill Development Mission. As part of its Corporate Social Responsibility initiatives, your Bank started the Federal Skill Academy on Founder's Day 2015 to impart quality technical education to meritorious students coming from economically underprivileged backgrounds. The objective is to empower the youth, to mentor and assist them to upgrade their skills for improved employability, increased efficiency, and career growth. Presently the Bank is having four Skill Academies-at Kochi, Coimbatore, Kolhapur & Faridabad.

c) Speak for India Debating Programme

In the year 2014-15, Federal Bank launched a state-wide student debating competition in Kerala under the auspices of Federal Bank Hormis Memorial Foundation. Through the program, your Bank is providing a platform for young minds to showcase their critical thinking and prove their oratory skills by having a debate.

Speak for India events have become a calendar event for the college-going students of the country. Except for the last two years, events were consistently executed in chosen markets with flair and poise. A journey that started as a CSR initiative has now grown into a stature where it commands respect for your Bank's initiative in connecting with the youth, satisfying the twin objectives of brand building and youth empowerment.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Your Bank has re-launched the Speak for India events this year as the nation is back to normal from the pandemic and college campuses are brimming with activities. The students are also back and so are the competitive sentiments.

This year your Bank has conducted the debating program in the states- Kerala (in association with Mathrubhumi) & Tamil Nadu, Karnataka, Maharashtra, NCR & West Bengal (in association with Times of India).

In the Speak for India Kerala Edition, a remarkable 14,000 students registered for the programme, with an active participation of 4000 students. Across the Tamil Nadu, Karnataka, Maharashtra, NCR & West Bengal Editions of Speak for India an impressive total of 100,500 students registered for the program, out of which 20,700 actively participated in the program.

In aggregate the Speak for India program, witnessed a substantial number of 114,500 registrations across all states with a commendable participation of 24,700 students.

d) Support to ASAP-Promoting Education

Support to ASAP (Additional Skill Acquisition Programme) by Govt of Kerala for establishing Community Colleges in Kerala enabling access to better education and professional training. Your Bank has sponsored a part of the tuition fee of 70 students for one year. This is being continued in the 2nd & 3rd year also.

e) Transformation of Govt Schools- Odisha under 5T scheme of Govt of Odisha & Nammukku Naame Project- Govt of Tamil Nadu

Partnered in many Governmental programs like 5T in Odisha which provided upgraded educational facilities to Govt Schools in Odisha and Namakku Naame Thittam which aims at developing basic amenities in the state of Tamil Nadu.

f) Promoting Education, Safety Traffic Engineering and Creating traffic awareness among general public

Support to City Traffic Police, Traffic East Subdivision, Kochi City for installation of traffic kiosks in various locations in Kochi City. Apart from the above, your Bank has also done various CSR Activities to support various educational institutions, organisations and NGOs for infrastructure development, education support, installation of smart classrooms, setting up libraries, etc.

g) "Joy of Freedom" campaign to commemorate 75 years of Indian Independence through a plethora of goodness drives across the country

The campaign resonated closely with the 'Azadi ka Amrit Mahotsav' campaign launched by Govt of India. As part of the campaign CSR activities were conducted across nine zones of your Bank including, distribution of 75 Wheelchairs to eligible hospitals, distribution of 75 Solar powered streetlights in select geographies and support for the education of 75 underprivileged Girl Children across the country.

h) CSR through Employee Volunteering

As part of CSR through the Employee Volunteering program, Community project on behalf of your Bank was initiated at Sembakam Village & Kupathukunram Village for the construction of a Multipurpose Learning Centre & 8 Public Toilets.

i) Support to differently abled

Your Bank has supported MANN, a centre for persons with disabilities, situated at Goregaon, Mumbai, towards setting up a stitching unit at Goregaon for the differently abled youth with Intellectual Developmental Disability for providing self-employment and livelihood opportunities.

Your Bank has supported Project Thulir in association with United Way of Chennai to train 10 differently abled women belonging to economically weaker sections and to set up 10 Aavin bunk shops for them. The project was implemented through employee volunteering.

Through these projects, your Bank could help these less privileged sections of society to lead dignified lives.

j) Health Care

In FY 2022-23, your Bank has supported the Health Care sector through various activities, such as providing Ambulances, Dialysis machines, support to Govt Hospitals for procuring medical equipment's, etc.

Some of the major activities are: -

- First Aid & CPR (Cardiopulmonary Resuscitation) - Basic Life Supports Skilling.

CPR is a lifesaving technique that's useful in many emergencies, such as heart attack, or near drowning, in which a person's breathing or heartbeat has stopped. The awareness of such skills is minimal among the youth. According to a study, 4 out of 10 sudden Cardiac Arrest victims can be revived if CPR is given in time. This program was conducted at educational institutions in Ernakulam/ Thrissur districts to skill 8,015 youth in First aid & CPR.

The program was conducted through the implementing partner of Federal Skill Academy Viz M/s SB Global







## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- Preventive Health Care – Support to “Drug Rehabilitation Education and Mentoring” (DREAM) program by Bangalore Rural Educational and Development Society (BREADS).

This is an awareness program among youth against substance abuse being conducted across 10 districts of Kerala.

- Other Major Health Care support: -

Support has been extended for Palliative care, purchasing vehicles for providing home care services to bedridden patients, purchasing Anaesthesia workstation, Dialysis Machines, ECG machines, ambulances for Government hospitals and the construction of labour rooms.

- Welfare & Poverty Alleviation

Your Bank has supported various projects for the upliftment of economically backward sections, countering malnutrition and supporting the right to education of socio-economically disadvantaged children by associating with various Govt initiatives and NGOs across India. Your Bank has also done various CSR projects for old age homes, Orphanages, and other NGOs, for setting up hostels, day-care centres, anganwadis/improving infrastructure facilities/ for the welfare of the scheduled caste/tribes/ other backward classes, minorities and women and for providing food kits to the needy.

### k) Promoting Women Empowerment

- Project “Swayam Sakthi”

The Project envisages enabling Girl Child who has not completed her education by providing ‘Bridge Education’. Remedial Education is given to them for fulfilling their aspirations and dreams for a better livelihood and career prospects by continuing their study in a regular school. Since 2018-19, your Bank is supporting Drshtikona Consultancy and Program Management Services Private Limited partnering with Himalayan Social Institute for the above project.

- Saukhyam Reusable Pads project

In India today, there are about 18-20 brands of reusable sanitary pads available. Most of them are sold online and serve only customers in urban areas. While the modern, informed woman in our towns and cities are increasingly turning into reusable products for menstrual hygiene, her rural counterparts remain unaware of the availability of such products. Saukhyam is trying to solve this issue.

- Support to Ferrando Nikethan, C/o Sacred Heart Province, Tinsukia

Support was given for purchasing 25 desktop computers for setting up a computer lab in Ferrando Nikethan, run by the province for the skill training of girls from the labour community of tea garden workers of Tinsukia and Dibrugarh districts of Assam.

- Support to SABS Socio-Educational Society (SSES), SABS Provincial House, Chumukedima, Dimapur, Nagaland

Support was given for purchasing 20 brand new sewing machines for their tailoring unit for women and school dropout girls.

### l) Promoting Environment Sustainability & Swatch Bharat

- SEED – Student Empowerment for Environment Development

To build awareness amongst the student fraternity to conserve the earth’s natural resources, your Bank joined with Mathrubhumi, a leading newspaper daily in Kerala in the SEED Programme since 2012. SEED (Student Empowerment for Environmental Development) is an initiative aimed at spreading the message of ecological conservation. Your Bank has been supporting this noble cause for the past ten years.

- Support to District Administration for restoration of 4 water bodies in Tirunelveli District as a part of Azadi Ka Amrit Sarovar Mission.

Support for restoration of 4 water bodies-at Perumalkulam, Kadambakulam, Adichaperikulam, of Thirunelveli Districts. The restoration process includes the removal of garbage, invasive plants and weeds.

- Support to Kancheepuram City Municipal Corporation. Support for purchasing 10 brand-new Battery-Operated Vehicles towards the development of infrastructures for the Municipal Solid Waste Project.

- Support to Kival Grama Panchayath, Pune.

Support for installing 50 numbers of 12W Solar streetlights at various identified locations in Grama Panchayath Kival Taluk Karad.

- Support to District Administration, Amritsar

Support for the Installation of an Organic Waste Compost Machine at the International Border situated at Attari.

Apart from the above, your Bank has also done various CSR activities in this category such as the installation of Solar Power Systems, the construction of Toilets, and the Protection of Flora & Fauna to support various organisations, NGOs, etc.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### m) Promoting Sports & Culture

Your Bank has supported various organisations/Educational institutions for the promotion of sports activities:

<b>Other initiatives</b>	
<b>Support extended for</b>	<b>Support to:</b>
For running the academy for one year	Kochi City FC, Aluva
Support to Women’s Team/promotion of sports	Cochin Don Bosco Society,
Towards training expenses, mess expenses, salary of coaches, jerseys, etc for their Senior Team during the FY 2022-23 season	M/s Kovalam FC
For supporting the Senior Girls team of M/s Don Bosco Football Academy in the 2022 edition of Kerala Premier League	M/s Cochin Don Bosco Society- Don Bosco Football Academy
For Promoting Sports	M/s Gokulam FC

### FEDERAL OPERATIONS AND SERVICES LIMITED

FedServ is a wholly owned subsidiary company of Federal Bank, established in 2018, that is fully dedicated to providing operational and technology-oriented services to your Bank. Since its inception, FedServ has played a crucial role in re-engineering various operational activities and implementing process improvements, contributing to your Bank’s overall efficiency and effectiveness.

During the year ended March 31, 2023, FedServ has provided support on 128+ operational activities, demonstrating its wide-ranging capabilities and expertise. Furthermore, FedServ has received approval from the Reserve Bank of India (RBI) to add more activities to its portfolio, which will facilitate the migration of additional processes from your Bank to FedServ during FY 2023-24.

FedServ’s primary objective is to enhance the customer experience by focusing on standardisation, process efficiency, error reduction, and continuous improvement. This ensures that customers receive consistent and high-quality services while minimising risks associated with operational activities. FedServ also places a strong emphasis on mitigating perceived risks through robust risk management practices, ensuring compliance with regulatory guidelines and best practices.

FedServ’s unwavering commitment to excellence, innovation, and customer-centricity has been instrumental in driving positive outcomes for your Bank. By leveraging its operational and technological expertise, FedServ continues to contribute to the Bank’s overall operational efficiency, effectiveness, and customer satisfaction.

### FEDBANK FINANCIAL SERVICES LIMITED

Promoted by The Federal Bank Limited, Fedbank Financial Services Limited (“**Fedfina**”). Fedfina is a retail focused non-banking finance company (“NBFC”), catering to the micro, small and medium enterprises (“**MSMEs**”) lending and the emerging self-employed individuals (“**ESEIs**”) sector. Fedfina was incorporated in the year 1995 and received its license from RBI to operate as an NBFC in 2010. Fedfina has a vision to “Empower Emerging India with Easy access to Loans”. Headquartered in Mumbai, Fedfina is registered with the Reserve Bank of India as a Systemically Important Non-Deposit Taking Non-Banking Financial Company. As of March 31, 2023, The Federal Bank holds a 73.22% stake in Fedfina. Fedfina with its 575 branches as of March 31, 2023, has a strong presence across the Southern and Western regions of India.

#### **Focused on Secured Retail Lending to MSMEs**

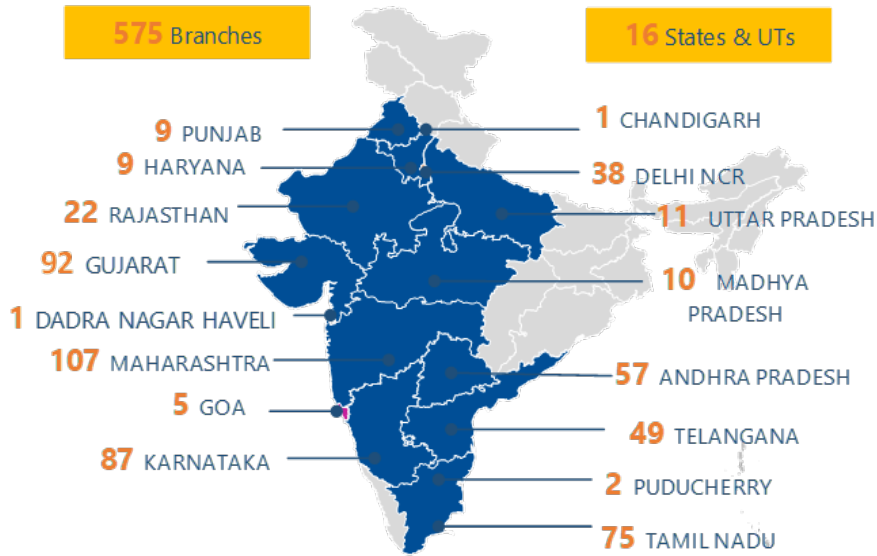
Fedfina is focused on catering to MSMEs and ESEIs sector. Fedfina believes that this segment provides a sizeable opportunity to rapidly grow and expand further. Fedfina has a well-tailored suite of products targeted to match customers’ needs, which includes mortgage loans such as housing loans; small ticket loan against property (“**LAP**”); and medium ticket LAP, unsecured business loans, and gold loans.

Fedfina is largely focused on retail loan products with a collateralized lending model targeting individuals and the emerging MSME sector which is difficult to replicate. As on March 31, 2023, 85.98% of Fedfina’s total Loan Assets were secured against tangible assets, namely the customer’s gold or property. Out of the collateral for the medium ticket LAP and small ticket LAP, 77.52% of the collateral is self-occupied residential or commercial property.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)



Industry Leading Growth

Fedfina with its wide range of products across the mortgage and gold loans has seen industry leading growth. Fedfina’s offerings are focused towards the growing emerging self-employed segment to meet their credit needs. Fedfina since its inception is engaged in sourcing loans for your Bank. For FY 23, Fedfina sourced loans to the tune of ~ ₹ 2,165.45 Crore for Federal Bank.

Product Mix (% AUM)	FY23	FY22
<b>Gold Loans</b>	32.92%	36.33%
<b>Mortgage Loans</b>	49.69%	47.40%
Medium Ticket LAP	25.23%	24.66%
Small Ticket LAP	18.37%	17.56%
Housing Loans	6.08%	5.18%
<b>Unsecure Business Loans</b>	16.03%	14.56%
<b>Other</b>	1.36%	1.72%
<b>AUM (₹ Cr)</b>	<b>9,069.60</b>	<b>6,187.20</b>

As per IND-AS

During the year ended March’23, Fedfina ramped-up its mortgage business, expanding into much deeper geographies with granularisation of the portfolio. The overall portfolio expanded 46.59% YoY to ₹ 9,069.60 Crore, driven by strong performance in the mortgage business.

Performance in FY23

The revenue from operations increased by 35.60% to ₹ 1,178.80 Crore for Fiscal 2023 from ₹ 869.32 Crore for Fiscal 2022, primarily due to an increase in interest income to ₹ 1,110.17 Crore for Fiscal 2023 from ₹ 821.89 Crore for Fiscal 2022. This was primarily attributable to an increase in interest on loans to ₹ 1,034.63 Crore for Fiscal 2023 from ₹ 794.97 Crore for Fiscal 2022, due to 46.59% growth in AUM. The profit for the year increased by 74.11% to ₹ 180.13 Crore for Fiscal 2023 from ₹ 103.46 Crore for Fiscal 2022.

Profitability (₹ Crore)	FY23	FY22
Net Interest Income	638.02	474.24
Profit before exceptional items and tax	258.39	139.21
Profit before tax	243.02	139.21
Profit after tax	180.13	103.46

As per IND-AS

Financial Parameters (₹ Crore)	FY23	FY22
Net Worth	1,355.68	1,153.52
Total Assets	9,070.99	6,555.71

Gross NPA %	2.03%	2.23%
Net NPA %	1.59%	1.75%



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### As per IND-AS

Net worth in FY23 improved 17.53% to ₹ 1,355.68 Crore, on the back of healthy internal accruals. The balance sheet grew 38.37% to ₹ 9,070.99 Crore (PY ₹ 6,555.71 Crore). Gross NPAs declined 20 bps in FY 23 to 2.03 %. The Net NPAs declined by 16 bps in FY 23 to 1.59%.

### Strong Underwriting and Robust Risk Management

Fedfina has formulated a risk management policy taking into account, among others, the practices and principles governing risk management prescribed by the RBI. Fedfina has set up a Risk Management Committee (RMC) of the Board to assist the Board by supervising and assessing company's risk management principles, policies, strategies, processes and controls. This committee will be supported by an operational Risk Management committee and Asset Liability Management Committee (ALCO).

### Higher Credit Rating

Fedfina's NCDs have been rated 'AA' by CARE since 2022, and AA- by India Rating for its NCDs and bank loans since 2018. Its commercial paper is rated A1+ by ICRA and CRISIL.

### Employees at the core of organisation

People focused initiatives led to Fedfina getting the "Great Place to Work" (GPTW) certification for four consecutive years. Fedfina has also been awarded "Top 50-India's Best Workplaces in BFSI 2023" by Great Place to Work® Institute India.



### Superior Technology Framework

Fedfina continues to invest in technology and digitization to ensure that its information technology systems continue to help us with several functions, including loan origination, credit underwriting, risk management, collections, customer service and retention. Fedfina has consolidated its data in the form of a cloud-based central repository and to store data from its different applications in an external data repository.

The gold loan branches of Fedfina also have heightened security measures, including a grill gate for safe rooms, physical security personnel with metal detectors, CCTV surveillance and sensors active during non-office hours. Within the safe room of the gold loan branches, there are safe lockers under the joint custodian model, 24/7 security alarms and central security controlled safe room operations.





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

*"Fedbank Financial Services Limited (the "Company") is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India ("SEBI"). The DRHP is available on the websites of the Company at [www.fedfina.com](http://www.fedfina.com), SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) the book running lead managers, ICICI Securities Limited, BNP Paribas, Equirus Capital Private Limited and JM Financial Limited, at [www.icicisecurities.com](http://www.icicisecurities.com), [www.bnpparibas.co.in](http://www.bnpparibas.co.in), [www.equirus.com](http://www.equirus.com) and [www.jmfl.com](http://www.jmfl.com), respectively, and the stock exchange(s) at [www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com), respectively. Any potential investor should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP, when available. Potential investors should not rely on the DRHP for any investment decision. The Equity Shares offered in the Offer have not been, and will not be, registered under the U.S. Securities Act 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 law. Accordingly, the Equity Shares are only being offered and sold outside the United States in "off shore transactions" as defined in and in reliance on 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 offering of securities in the United States."*

### AGEAS FEDERAL LIFE INSURANCE COMPANY LIMITED

#### Performance Summary

During FY 2022-23, AFLI continued to play to its strengths such as best-in-class customer service, focus on digitalisation and a committed workforce, among many others. This has helped it to keep its overall premium growth over the previous year. AFLI has witnessed strong and sustainable growth in New Business Premium (NBP) by 12%.

AFLI also maintained a good balance in Individual New Business Premium contribution of Regular Premium - 67% and Single Premium - 33%.

FY 2022-23 saw a continued thrust on customers shopping for financial products to build a stronger future and in turn, live the life and lifestyle of their choice. AFLI continues to work on its stated objectives and build a healthier and better society by helping its customers in this process.

In today's hyper-connected world, the importance of digitalisation cannot be overemphasised. Ageas Federal progressed firmly on its pre-defined path to embrace the

importance of putting people at the centre of everything it does. Employees were fully equipped with all the digital interventions needed to discharge their roles. To make insurance easy and straightforward for its customers, AFLI has reimagined the customer experience with its digital innovations. By investing in newer technology and focusing on digital channels and online applications, it has attempted to make the process simple and straightforward for its customers at each stage of its journey.

AFLI has been agile and swiftly moved in line with macroeconomic changes like interest rates and the performance of various financial markets and modified its product suite to ensure a balanced product mix for the company and at the same time, offer better terms to its customers.

With the retail life insurance market expanding at a pace lower than the previous year, existing insurers are chasing a smaller globe and trying to increase their pie. AFLI stayed well connected with its distribution partners and improved its market position in New Business Premium sales.

The life insurance market continues to be fiercely competitive. AFLI continues to hold the fort and is working on surging ahead at the opportune time. With a growth of 20% in APE, AFLI has had another successful year.

Against this backdrop of business performance, the Operating Cost Ratio (Operating Cost to Gross Written Premium) for the current year is at 16.1%. The Company registered a profit before tax of ₹ 125.74 Crore, higher by 21% over the earlier year due to increasing in business, lower death claims, and proportionate release of COVID reserves created earlier on account of reduction in COVID cases and deaths due to COVID.

#### Awards and Accolades

The organisation's commitment to creating an exceptional employee experience has earned it several accolades during the year. Ageas Federal was recognised as a Great Place to Work® for the fourth consecutive time and featured among 'India's Best Workplaces in BFSI 2023 - Top 50' by Great Place to Work® Institute (India) for the third time.

AFLI's 'Young Sachin' brand campaign, launched the previous year, helped it to receive honours at industry award platforms. AFLI won the award for 'Best Innovation and Creativity' in the Content Marketing: B2C category at the MINT Marketing Awards 2022 and the award for 'Most Innovative Marketing Campaign - Insurance' at the BFSI Leadership Awards 2022. The campaign also won a Silver at the New York Festival





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Advertising Awards 2022, two 'Baby Elephant' awards at the Kyoorius Creative Awards 2022, and it was shortlisted as a contender for a Cannes Lion at the Cannes Lion International Festival of Creativity in 2022.

The organisation's long-term commitment to its CSR program received due recognition with the award for 'Excellence in Corporate Social Responsibility' at the ASSOCHAM Leadership Conclave Awards 2022 and the award for 'Best Insurance Company in Sustainable Corporate Social Responsibility' at the BFSI Leadership Awards 2022.

### Transformation Journey

Further to the Company transitioning to its new identity - Ageas Federal Life Insurance in 2021, the Boston Consulting Group (BCG) was engaged for a comprehensive strategic review. The outcome of the comprehensive review identified the 8 pillars of its Transformation Journey. Through these **8 pillars**, AFLI aims to achieve its **strategic objectives** of building a multi-channel business model; shaping its products to fulfil customer needs; focusing on digitalisation and data analysis to drive growth; re-imagining the customer journey; and nurturing a culture of sustainability.

In line with these objectives, AFLI further strengthened its relationship with Federal Bank, its shareholder and bancassurance partner by implementing an end-to-end microservices-based application enabling digital acquisition and processing of insurance. AFLI also focused on growing its proprietary channels - agency, group, online, and DST in a smart, calibrated manner.

During the year, AFLI launched an automated underwriting platform and introduced OCR (Optical Character Recognition) aimed at achieving faster TATs and higher FTR (first-time right) for customers. Further focusing on customer centricity, AFLI has embarked on the journey of using the Net Promoter Score (NPS) with the objective of delivering better business outcomes through transformational strategies driven by customer insights.

As a concerned corporate, AFLI is committed to the UN Sustainable Development Goals (SDGs). Working towards the SDGs, AFLI is in the process of embedding sustainability into the heart of its business focusing on four impact areas: People, Products, Investments and Planet.

### Products

AFLI offers its customers a diverse bouquet of 26 plans which cater to customers' diverse needs and varying life-stage requirements while effectively managing risk.

During the year, the regulator extended the 'use-and-file' framework to the life insurance sector which allows insurers to launch a wide range of products without the prior approval of the regulator. While this means stricter internal compliance and governance, the move adds agility and flexibility to the life insurer's product design and launch process.

Taking advantage of this new framework, AFLI launched 6 new products and revamped 4 existing products, during the year. The Company launched a more exhaustive health plan that covers 30 critical illnesses, as well as a ULIP Single Premium plan that has been upgraded in the interest of all stakeholders, including customers and promoters.

While the country has moved towards normalisation, customers are still cautious about economic uncertainty, and they continue to show a preference for guaranteed plans. Catering to this need, AFLI launched a new plan on the non-par savings platform which has been well-received by customers and has performed better than similar past products.

The Company also launched a revised Group Credit Plan which has been modified in line with underlying reinsurance support. The new plan offers more flexibility to customers and distributors and allows for greater customisation for its Group clients. Furthermore, through a partnership with eBaoTech, it has built an entirely new digital sales B2B2C distribution channel for credit life linked to the digital personal loans of Federal Bank, its bancassurance partner.

Its Group Microinsurance Plan was also enhanced during the year, offering expanded eligibility and greater flexibility to customers.

### **EQUIRUS CAPITAL PRIVATE LIMITED (ECPL /THE COMPANY)**

Based on Consolidated Financials, the total gross revenue generated by the Company during the financial year ended March 31, 2023, was ₹ 157.60 Crore as compared to ₹ 152.23 Crore. During the previous financial year. Profit before tax posted by the Company for the financial year ended March 31, 2023, was ₹ 30.90 Crore (19% of revenue) as against ₹ 43.57 Crore (28% of revenue) reported in the previous financial year ended March 31, 2022. Profit after tax was ₹ 21.86 Crore for the financial year ended March 31, 2023, as against ₹ 35.16 Crore in the previous financial year. Net worth is increased to ₹ 17.67 Crore from ₹ 97.82 Crore in the previous year.

As on March 31, 2023, below are the subsidiaries of ECPL along with their key businesses:





## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- Equirus Securities Private Limited (ESPL) - Institutional broking business in the cash and derivative segment and also registered as Research Analysts and Depository Participant.
- Equirus Wealth Private Limited (EWPL) – Distribution of wealth products, Portfolio Management Services, Stock Broking, Depository Participant (w.e.f. March 23). EWPL (IFSC Branch) also received registration as Registered FME (Non- retail) with IFSCA (w.e.f. Dec 22).
- Equirus Insurance Broking Private Limited (EIBPL)- Insurance Broking (Direct- Life & General)
- Equirus Finance Private Limited (EFPL)– Incorporated to carry out NBFC activity subject to receipt of approval of RBI license.

The company has observed strong growth during the year in all businesses, including the businesses of subsidiaries. Some of the highlights of the performance are as under:

- As a BRLM, the Company had closed the Initial Public Offers (“IPOs”) of (1) Divgi Torqtransfer Systems Limited (2) Inox Green Energy Services Limited (3) Harsha Engineers International Limited (4) Dreamfolks Services Limited (5) Prudent Corporate Advisory Services Limited.
- During FY 2022-23, the Company had filed DRHP’s for 7 Companies for the purpose of IPO. i.e., for (1) Netweb Technologies India Limited (2) Zuggle Prepaid Ocean Services Limited (3) Divgi Torqtransfer Systems Limited (4) Concord Enviro Systems Limited (5) Allied Blenders and Distillers Limited (6) Inox Green Energy Services Limited (7) Biba Fashion Limited.
- As a BRLM, the Company had closed a total of 5 public issues of NCDs of (1) Edelweiss Housing Finance Limited (2) Nuvama Wealth and Investment Limited (Formerly known as Edelweiss Broking Limited) (3) IIFL Finance Limited (4) two issues of Edelweiss Financial Services Limited.
- Successful closure of Secured structured debt facility for Sify Technologies Limited (First Structured Product Transaction)
- Fixed income business ranked #2 in closed public issues of NCDs.
- Institutional broking business (equities) achieved a 2.2% Market share.
- With the integration of Fed Mobile app, its wealth business has onboarded 92k+ clients.
- Equirus Long Horizon Fund (fund of wealth business) was awarded as one of the top-rated funds in the small and medium funds category by CRISIL.
- Equirus Wealth was awarded “The Asset Triple A Award – Best Wealth Manager Experience” in 2022.
- Insurance broking business empanelled with 35 insurance companies and has 90+ corporate clients.
- Equirus has now been certified as a “Great Place to Work” (Feb 2023 to Feb 2024).



# CORPORATE GOVERNANCE REPORT

In accordance with the provisions of Regulation 34(3) read with Schedule V and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”), the Directors of The Federal Bank Limited (“the Bank”) have pleasure in presenting the Bank’s Report on Corporate Governance for the Financial Year 2022-23.

## BANK’S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance has been an integral part of the way we have been doing our business since inception. We believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics. The Bank fosters a culture in which high standards of ethical behavior, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its Board of Directors, Management and Employees. The Bank has established systems and procedures to ensure that its Board of Directors are well-informed and well-equipped to fulfil its overall responsibilities and to provide the management with the strategic direction needed to create long-term shareholder value. The Bank places utmost importance in creating value for all its stakeholders and it actively promotes sustainable business practices. The Bank promotes a safe, healthy and happy workplace and always strives to be the employer of choice. The Bank’s initiatives towards improving its Environmental, Social and Governance (ESG) performance and its contribution towards Sustainable Development Goals are placed in the Annual Report.

The Bank has complied with requirements of Corporate Governance set forth in Regulation 17 to 27, as well as Schedule and clauses (b) to (i) of sub regulation (2) of Regulation 46 of the Listing Regulations, as applicable.

## BOARD OF DIRECTORS

### A. COMPOSITION OF THE BOARD

The Board has an optimum combination of Executive and Non-Executive Directors with Independent Directors constituting more than one-third of its total strength. As on March 31, 2023, Bank’s Board comprises of 11 Directors out of which eight Directors are Non-Executive Directors and three are Executive Directors, including one-woman executive director. The Bank has a Non-Executive Independent Chairman and seven other Independent Directors, including one-woman Independent Director.

The Board represents a diverse combination of professionalism, knowledge, expertise and experience as relevant for the banking business. As on date of the report, the Board consists of 10 Directors comprising of 7 Independent Directors, and 3 Executive Directors. 70% of the Board is represented by Non-Executive Directors and 30% by Executive Directors.

The Board of the Bank is formed with an optimum combination of executive and non-executive directors, which not only meet the legal obligation but also make a diversified Board with a mixed blend of experiences, expertise, and professionals. The Board, while discharging its responsibilities and providing effective leadership to the business, uphold the corporate value, promote the ethical culture, endorse sustainability and leverages innovation. Independent directors play a pivotal role in upholding Corporate Governance norms and ensuring fairness in decision-making. Being experts in various fields, they also bring independent judgement on matters of strategy, risk management, controls, and business performance.

The Bank’s Board comprises highly experienced and competent individuals of notable integrity. They possess strong financial acumen, strategic astuteness, leadership qualities, and are committed to the Bank, devoting sufficient time to meetings and preparation.

The Board periodically evaluates the need for change in its composition and size. Detailed profile of our directors is available on the website of the Bank at [www.federalbank.co.in/key-personnel](http://www.federalbank.co.in/key-personnel).

The composition of the Board is governed under the relevant provisions of the Companies Act, 2013 read with the relevant rules made thereunder, the SEBI Listing Regulations, the Banking Regulation Act, 1949, the guidelines issued by the Reserve Bank of India (RBI), as amended, from time to time and the Articles of Association of the Bank. None of our Directors serve as Director in more than seven listed companies and neither of the Executive Directors serve as Independent Directors in any listed company. Further, none of our Independent Directors serve as Non-Independent Director of any company on the board of which any of our Non-Independent Director is an ID.

Independent Directors are Non-Executive Directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act along with rules framed thereunder. In terms of Regulation 25(8) of SEBI Listing Regulations, they have confirmed that they





CORPORATE GOVERNANCE REPORT (Contd.)

are not aware of any circumstance or situation which exists or may reasonably be anticipated that could impair or impact their ability to discharge their duties. Based on the declarations received from the Independent Directors, the Board of Directors has confirmed that they meet the criteria of independence as mentioned under Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI Listing Regulations and that they are independent of the management. Further, the Independent Directors have in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014, confirmed that they have enrolled themselves in the Independent Directors' Databank maintained with the Indian Institute of Corporate Affairs. The present tenure of Independent Directors of the Bank is subject to Regulation 10 A of the Banking Regulation Act, 1949 and subject to the tenure fixed for appointment of all the Independent Directors of the Bank by the shareholders/Board. As required under Regulation 46 of

the SEBI Listing Regulations, as amended, the terms and conditions of appointment of IDs including their roles, responsibilities and duties are available on our website at [www.federalbank.co.in/shareholder-information](http://www.federalbank.co.in/shareholder-information).

During the Financial Year 2022-23, none of our directors served as Member in more than 10 Committees or as Chairperson in more than 5 committees across all listed entities where they serve as a director. For determination of limit of the Board Committees, chairpersonship and membership of the Audit Committee and Stakeholders' Relationship Committee has been considered as per Regulation 26(1) (b) of SEBI Listing Regulations. None of the Directors or their relatives are related to each other. None of the Directors have any business relationship with the Bank nor have received any loans and advances from the Bank during the year. The Bank has not issued any convertible instruments; hence, disclosure in this respect is not applicable.

The composition of the Board and Directorships held as on March 31, 2023 are given below;

<b>Name of the Directors</b>	<b>Category</b>	<b>Number of Directors</b>	<b>% to total number of Directors</b>
Mr. C Balagopal <sup>#</sup>	Non - Executive Independent Directors	8	72.73
Mr. A P Hota			
Mr. Siddhartha Sengupta			
Mr. Manoj Fadnis			
Mr. Sudarshan Sen			
Ms. Varsha Purandare			
Mr. Sankarshan Basu			
Mr. Ramanand Mundkur			
Mr. Shyam Srinivasan	Executive Directors	3	27.27
Mr. Ashutosh Khajuria*			
Ms. Shalini Warriier			
<b>Total</b>		<b>11</b>	<b>100</b>



## CORPORATE GOVERNANCE REPORT (Contd.)

The shareholders in the 91<sup>st</sup> Annual General Meeting held on July 27, 2022 approved the appointment of Mr. C Balagopal (DIN: 00430938) as Part-Time Chairman of the Bank with effect from November 22, 2021 till June 28, 2023 and approved the payment of remuneration to Mr. C Balagopal of ₹ 25,00,000 (Rupees Twenty five Lakh only) per annum. The shareholders in the 91<sup>st</sup> Annual General Meeting held on July 27, 2022 approved the appointment of Mr. Sankarshan Basu (DIN: 06466594) as an Independent Director of the Bank to hold office for a term of five consecutive years with effect from October 01, 2021, not liable to retire by rotation. The Shareholders further approved appointment of Mr. Ramanand Mundkur (DIN: 03498212) as an Independent Director of the Bank to hold office for a term of five consecutive years with effect from October 01, 2021, not liable to retire by rotation.

The shareholders in the 91<sup>st</sup> Annual General Meeting held on July 27, 2022 approved re-appointment of Mr. Shyam Srinivasan (DIN: 02274773) as Managing Director & Chief Executive Officer of the Bank for a period of three years with effect from September 23, 2021 to September 22, 2024.

Ms. Shalini Warriar (DIN: 08257526), Executive Director was re-appointed as the Executive Director of the Bank for a period of three years with effect from January 15, 2023 to January 14, 2026 with the approval of RBI vide its letter DoR. GOV. No. S6506/08.38.001/2022 23 dated January 11, 2023. The shareholders through Postal Ballot approved re-appointment of Ms. Shalini Warriar on April 06, 2023 with requisite majority.

As on date of the report:

- Mr. Harsh Dugar (DIN: 00832748) was appointed as Additional Executive Director of the Bank for a period of three years with effect from June 23, 2023 for a period of 3 years with the approval of Reserve Bank of India vide letter DoR.GOV.No. 1627/08.38.001/2023-24 dated June 22, 2023. Accordingly, approval of the shareholders for the appointment of Mr. Harsh Dugar as the Executive

Director of the Bank through ordinary resolution is being sought at the ensuing AGM of the Bank.

- RBI had had vide its letter DoR.GOV No.1676/08.38.001/2023-24 dated June 26, 2023 accorded its approval for the appointment of Mr. A P Hota (DIN- 02593219), Independent Director, as Part Time Chairman of the Bank with effect from June 29, 2023, till January 14, 2026, consequent to retirement of Mr. C Balagopal (DIN: 00430938), Part time Chairman and Independent Director from the Board of the Bank with effect from end of June 28, 2023 upon completion of his tenure of 8 years on the Board of the Bank, in accordance with the regulatory requirements.
- \*Mr. Ashutosh Khajuria, Executive Director of the Bank retired from the Board of the Bank upon completion of his term of office from end of the day, April 30, 2023.
- \*Mr. C Balagopal, Chairman & Independent Director of the Bank retired from the Board of the Bank upon completion of his term of office from end of the day, June 28, 2023.

**B. NO. OF BOARD MEETINGS, ATTENDANCE, AND OTHER DIRECTORSHIPS/ COMMITTEE MEMBERSHIPS**

During the review period, the Board met seventeen (17) times with meetings held on May 06, 2022, June 27, 2022, June 30, 2022, July 05, 2022, July 15, 2022, September 06, 2022, September 22, 2022, September 27, 2022, October 10, 2022, October 14, 2022, November 24, 2022, December 16, 2022, December 22, 2022, January 16, 2023, March 01, 2023, March 04, 2023, and March 18, 2023. The maximum gap between any two consecutive meetings was less than one hundred and twenty days, as stipulated under the Companies Act, 2013, Regulation 17 of the Listing Regulations and Secretarial Standards. The requisite quorum was present for all the meetings.

Relevant details of the Board of Directors of the Bank as on March 31, 2023 are given below:





## CORPORATE GOVERNANCE REPORT (Contd.)

Name of the Director	Attendance Particulars			No. of Directorships and Committee positions in other Public Companies (1 & 2)			Shareholding in the Bank (equity shares of ₹ 2/- each) (As on March 31, 2023)
	No. of Board Meetings		Attendance at the last AGM held on July 27, 2022	Other Directorships <sup>#</sup>	Committee Memberships	Committee Chairmanships	
	Held	Attended					
Mr. C Balagopal	17	16	Yes	1	Nil	Nil	Nil
Mr. A P Hota	17	15	Yes	4	3	2	Nil
Mr. Siddhartha Sengupta	17	17	Yes	5	2	2	Nil
Mr. Manoj Fadnis	17	17	Yes	4	1	3	Nil
Mr. Sudarshan Sen	17	16	Yes	1	1	Nil	Nil
Ms. Varsha Purandare	17	15	Yes	9	4	5	Nil
Mr. Ramanand Mundkur	17	17	Yes	Nil	Nil	Nil	Nil
Mr. Sankarshan Basu	17	17	Yes	Nil	Nil	Nil	Nil
Mr. Shyam Srinivasan	17	17	Yes	2	Nil	Nil	7,98,595 equity shares
Mr. Ashutosh Khajuria	17	15	Yes	1	1	Nil	5,27,000 equity shares
Ms. Shalini Warriar	17	16	Yes	1	1	Nil	2,60,000 equity shares

**Note:**

1. Directorships in Indian Public Companies (listed and unlisted) excluding The Federal Bank Limited and Section 8 Companies.
2. In terms of Regulation 26(1)(b) of the SEBI Listing Regulations, the disclosure includes chairmanship/membership of the Audit Committee and Stakeholders' Relationship Committee in other Indian Public companies (listed and unlisted) excluding The Federal Bank Limited. Further, membership excludes positions as Chairperson of Committee.

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

**C. LIST OF CORE SKILLS/ EXPERIENCE/COMPETENCIES IDENTIFIED BY THE BOARD**

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

Section 10A (2) of the Banking Regulation Act, 1949 read with RBI notification no. DBR. Appt. BC. No.38/29.39.001/ 2016-17 dated November 24, 2016, requires that not less than 51% of the total number of members of the Board of Directors of a banking company shall comprise of persons who shall have special knowledge or practical experience, in respect of one or more of the matters, namely: Accountancy, Agriculture and rural economy, Banking, Co-operation, Information Technology, Accountancy, Credit, Treasury Operations, Human resources, Governance, Compliance, Economics, Finance, Small – Scale Industry, Law, Payment & settlement systems, Risk management, Business Management. The Bank is in compliance with the above requirements as the Directors of the Bank has rich experience and specialised knowledge in the said areas of relevance to the Bank.



## CORPORATE GOVERNANCE REPORT (Contd.)

To operate effectively, the Board has identified key skills, expertise, and competencies that are relevant to the Bank's business and sector. The following skills, expertise, and competencies have been recognised by the Board as fundamental to the Bank's efficient operation:

Skill set/Area of expertise/Knowledge	Mr. C Balagopal	Mr. A P Hota	Mr. Siddhartha Sengupta	CA Manoj Fadnis	Mr. Sudarshan Sen	Ms. Varsha Purandare	Mr. Sankarshan Basu	Mr. Ramanand Mundkur	Mr. Shyam Srinivasan	Mr. Ashutosh Khajuria	Ms. Shalini Warriar
<b>KNOWLEDGE</b>											
Specialisation / Expertise in one or more fields	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
In the field of:											
Banking	Yes	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes
Economics	Yes	-	-	Yes	Yes	-	Yes	Yes	-	-	Yes
Governance	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes
Compliance	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes
Law								Yes			
Agriculture	Yes	-	-	-	-	Yes			-	Yes	-
Rural Economy	Yes	-	-	-	-	-			-	-	-
Information Technology	-	Yes	-	-	-	Yes			Yes	-	Yes
Payment and Settlement Systems	-	Yes	-	-	-	-			Yes	-	Yes
Investment Banking	-	-	-	Yes	-	-		Yes	-	-	-
Finance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Accountancy	-	-	-	Yes	Yes	-			-	Yes	Yes
Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Risk Management	-	-	Yes	-	Yes	Yes	Yes		Yes	Yes	-
Credit	Yes	Yes	Yes	Yes	Yes	Yes			Yes	Yes	Yes
Treasury Operations	-	-	Yes	-	Yes	Yes	Yes		Yes	Yes	-
SSI	Yes	-	Yes	-	-	Yes			-	Yes	-
Retail Lending	-	-	-	-	-	Yes			Yes	-	Yes
Wealth Management	-	-	-	-	-	-			Yes	-	Yes
SME Banking	-	-	Yes	-	-	Yes			Yes	-	Yes
Investment	Yes	Yes	Yes	Yes	Yes	Yes			Yes	Yes	Yes
Human Resource			Yes								
Co- Operation	Yes						Yes				
Business Management			Yes		Yes	Yes					





## CORPORATE GOVERNANCE REPORT (Contd.)

### D. BOARD PROCEDURE

The Board has complete access to all information within the Bank. All the meetings are conducted as per a well -designed and structured agenda and in line with the compliance requirement under the Companies Act, 2013, SEBI Listing Regulations and applicable Secretarial Standards prescribed by ICSI. All the agenda items are backed by necessary supporting information and documents (except for the critical price sensitive information, which is circulated separately in advance or placed at the meeting) to enable the Board/Committee to discharge their responsibilities effectively and take informed decisions. The agenda also includes minutes of the previous meetings of all the Board and unlisted subsidiaries for the information of the Board. The information mentioned in Part A of Schedule II of the SEBI Listing Regulations is placed before the Board at its meeting for its consideration, whenever applicable. The Board/ Committee agenda and notes are uploaded on the Bank's e-meeting portal wherein the Directors can review the same in a secure environment and at their convenience. A video conferencing facility is provided to facilitate Directors to participate in the meetings. The members of the Board exercise due diligence in the performance of their functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment. For any business exigencies, the resolutions are passed by circulation and later placed at the subsequent Board / Committee Meeting for noting.

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

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

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

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

### E. REMUNERATION TO DIRECTORS

During the year, Mr. Shyam Srinivasan, Managing Director & Chief Executive Officer, was paid ₹ 2,96,47,104.00 (gross), Mr. Ashutosh Khajuria, Executive Director was paid ₹ 1,55,43,122.00 (gross) and Ms. Shalini Warriar, Executive Director was paid ₹ 1,53,04,332.00 (gross) in accordance with the terms and conditions approved by Reserve Bank of India.

During the Financial Year 2022-23, the Bank did not advance any loan to any of its Directors.

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

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

SI No.	Name of Directors	Sitting fee paid to Non-Executive Directors for FY 2022-23 (In ₹)
1	Mr. C Balagopal*	15,25,000
2	Mr. A P Hota	27,95,000
3	Mr. Siddhartha Sengupta	34,90,000
4	Mr. Manoj Fadnis	30,10,000
5	Mr. Sudarshan Sen	30,50,000
6	Ms. Varsha Purandare	31,20,000
7	Mr. Sankarshan Basu	34,90,000
8	Mr. Ramanand Mundkur	44,80,000

#### Note:

In addition to above sitting fees, Profit related Commission for FY 2021-22 was paid.

- ₹ 10.00 Lakh each were paid to Mr. A P Hota, Mr. Siddhartha Sengupta, Mr. Manoj Fadnis, Mr. Sudarshan Sen and Ms. Varsha Purandare towards profit related commission.
- ₹ 6.44 Lakh and ₹ 4.82 Lakh were paid to Mr. C Balagopal and Mr. K Balakrishnan respectively towards profit-related commission.
- ₹ 4.99 Lakh each were paid to Mr. Sankarshan Basu and Mr. Ramanand Mundkur towards profit-related commission.
- \*₹ 25.00 Lakh was paid to Mr. C Balagopal towards honorarium during the year



CORPORATE GOVERNANCE REPORT (Contd.)

**The details of remuneration paid to Mr. Shyam Srinivasan, MD & CEO, Mr. Ashutosh Khajuria and Ms. Shalini Warriar, Executive Directors during FY 2022-23 are as under:**

Particulars	Mr. Shyam Srinivasan MD & CEO (₹)	Mr. Ashutosh Khajuria ED (₹)	Ms. Shalini Warriar ED (₹)
Basic Pay	2,25,00,000.00	26,00,004.00	30,42,469.00
Allowances & Perquisites	71,47,104.00	78,95,500.00	84,24,041.00
Stock Option*	-	28,47,618.00	20,77,822.00
Severance fees	-	-	-
Variable Pay (Cash)	Nil	22,00,000.00	17,60,000.00
<b>Total</b>	<b>2,96,47,104.00</b>	<b>1,55,43,122.00</b>	<b>1,53,04,332.00</b>

\*Fair Value of Stock Options granted as per the Guidelines on Compensation of Whole-Time Directors / Chief Executive Officers / Material Risk Takers and Control Function staff, issued by the RBI on November 04, 2019.

**Note:**

- In addition to above, employer contribution to Provident Fund of ₹ 22,50,000/- was paid to Mr. Shyam Srinivasan, MD & CEO, ₹ 2,60,004/- was paid to Mr. Ashutosh Khajuria, Executive Director and ₹ 3,04,236/- to Ms. Shalini Warriar, Executive Director during the FY 2022-23.
- During FY 2022-23, Mr. Shyam Srinivasan, MD & CEO has relinquished 2,80,000 Stock Options (non-cash) and ₹ 32,00,000/- (cash) offered to him as Variable Pay pertaining to FY 2022-23.
- In addition to the above Mr. Ashutosh Khajuria, Executive Director had exercised 200000 ESOS options having a perquisite value of ₹ 94,22,000/- and Ms. Shalini Warriar had Exercised 260000/- ESOS options having a perquisite value of ₹ 1,93,85,000/-, during the FY 2022-23.
- Arrears of Salary is paid to Ms. Shalini Warriar for the period from April 01, 2021 to March 31, 2022, vide RBI order no.DoR.GOV.No.S5217/08.38.001/2022-23 dated November 18, 2022.

**F. SEPARATE MEETING OF INDEPENDENT DIRECTORS**

In compliance with Regulation 25 (3) of the Listing Regulations and Schedule IV of the Act, a separate meeting of Independent Directors was convened on May 03, 2023, and June 22, 2023 for FY 2022-23. The meeting was chaired by Mr. C Balagopal and was held without the presence of Non-Independent Directors and members of the management.

As on date of report, separate meeting of Independent Directors were held on May 03, 2023 and June 22, 2023. All the Independent Directors attended the meeting except Mr. Sudarshan Sen in the meeting held on May 03, 2023. The Independent Directors, inter alia, evaluated the performance of the Independent Directors and the Board of Directors as a whole and Committees of the Board, evaluated the performance of the Chairman of the Board after taking into account the views of Executive and Non-Executive Directors and discussed aspects relating to the quality, quantity and timeliness of the flow of information between the Bank, the Management and the Board for FY 2022-23 in its meeting held on May 03, 2023. In the meeting held on June 22, 2023, Independent Directors evaluated the performance of the Non-Independent Directors for the FY 2022-23.

**G. FAMILIARISATION PROGRAM FOR INDEPENDENT DIRECTORS**

The Bank has an orientation process/familiarisation programme for its directors (including Independent Directors), which includes sessions on various business and functional matters, and strategy sessions. The Company ensures induction and training programmes are conducted for newly appointed Directors. New Independent Directors are taken through a detailed induction and familiarisation programme, including briefing on their role, responsibilities, duties, and obligations, the nature of the business and business model, matters relating to Corporate Governance, Code of Business Conduct, Risk Management, Compliance Programmes, Internal Audit, etc.





## CORPORATE GOVERNANCE REPORT (Contd.)

On an on-going basis, periodic presentations are made at the Board and Committee meetings on Risk Dash Board / ICAAP and Brand Perception Study etc. The Directors are also provided with quarterly update on relevant statutory changes, judicial pronouncements and important amendments.

The details of the familiarisation and training programmes attended by Independent Directors are available on the Bank's website <https://www.federalbank.co.in/shareholder-information>.

The Independent Directors are essential in the Board's decision-making process, bringing with them a diverse range of experience, expertise, and knowledge to oversee the Bank's performance and overall strategy. Their unbiased and focused insights are invaluable. Upon appointment, the Company issues formal letters to all Independent Directors outlining their roles, responsibilities, code of conduct, functions, and duties. The roles, functions and duties of Independent Directors are also disclosed in the Code of Conduct for the Board of Directors and Management and the same is available on the Bank's website <https://www.federalbank.co.in/shareholder-information>.

### H. DIRECTORS AND OFFICERS INSURANCE

In compliance with Regulation 25 (10) of the SEBI Listing Regulations the Bank had undertaken Directors and Officers insurance ('D and O insurance') for all its Directors, including Independent Directors, for a quantum and risks as determined by the Board of Directors of the Bank.

### I. SPECIAL CONTINGENCY INSURANCE POLICY FOR ISSUANCE OF DUPLICATE SECURITIES

In compliance with SEBI circular on Simplification of procedure and standardization of formats of documents for issuance of duplicate securities certificates, the Bank has undertaken special contingency insurance policy towards the risk arising out of the requirements relating to the issuance of duplicate securities in order to safeguard and protect the interest of the listed company.

### J. PERFORMANCE EVALUATION CRITERIA FOR INDEPENDENT DIRECTORS OF THE BANK

#### The performance evaluation criteria for Independent Directors include:

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

The outcomes of the evaluation of the Independent Directors of the Bank and Performance evaluation criteria of Non - Independent Directors are detailed in Directors' Report.

### BOARD COMMITTEES AND ITS TERMS OF REFERENCE

The Committees of the Board play an important role in the governance structure of the Bank and have been constituted to focus on specific areas and make informed decisions within the delegated authority. Each Committee is guided by its Charter or Terms of Reference, which provides for the composition, scope, powers, duties and responsibilities. The recommendation and/or observations and decisions are placed before the Board for information or approval. The Chairman of respective Committee updates the Board regarding the discussions held / decisions taken at the Committee Meeting. Details on the role and composition of Board Committees, including the number of meetings held during the financial year and the related attendance are provided below.





CORPORATE GOVERNANCE REPORT (Contd.)

**A. AUDIT COMMITTEE**

**Composition & Meetings**

As on March 31, 2023, Audit Committee comprises of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022-23, the Audit Committee met 21 (Twenty One) times on April 19, 2022, April 29,

2022, May 06, 2022, May 23, 2022, July 01, 2022, July 15, 2022, August 24, 2022, August 30, 2022, September 16, 2022, October 06, 2022, October 14, 2022, November 12, 2022, December 13, 2022, December 23, 2022, January 16, 2023, February 15, 2023, February 24, 2023, March 01, 2023, March 06, 2023, March 22, 2023 and March 30, 2023. The time gap between any two meetings was less than one hundred and twenty days.

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

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
CA Manoj Fadnis	Independent Director	Chairman	21	21
Mr. A P Hota	Independent Director	Member	21	20
Mr. Sudarshan Sen	Independent Director	Member	21	21
Mr. Ramanand Mundkur	Independent Director	Member	21	21

During the financial year 2022-23, the Committee was not re-constituted.

CA Manoj Fadnis, who is the Chairman of Audit Committee, attended the AGM held on July 27, 2022.

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

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

1. Review the Company's financial policies and, where necessary, recommend changes for the Board's approval.
2. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems
3. Review periodically the adequacy of internal control systems (including the risk-assessment and management systems) with the management and external and internal auditors, assure itself that the systems are being effectively observed and monitored, and, where necessary, approve changes or recommend changes for the Board's approval;

4. Review the adequacy of the internal audit function, including -
  - a. monitoring and reviewing the effectiveness of the Internal audit function;
  - b. the structure of the internal audit department, staffing, and the suitability and seniority of the official heading it, reporting structure coverage, and the frequency of internal audit, and, where necessary, approve changes;
  - c. approving internal audit plan, scope and budget;
  - d. reviewing and discussing internal audit reports;
  - e. ensuring internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee;
  - f. assessing the performance of the head of the internal audit function; and
  - g. approving / recommending to the Board for its approval, the appointment, re-appointment or removal of the head of the internal audit function and the key internal auditors;
5. Discussion with internal auditors of any significant findings and follow up there on.





## CORPORATE GOVERNANCE REPORT (Contd.)

6. Discussion with the Head of Internal Audit in a private session, in the absence of the management, on issues of interest.
7. Reviewing the findings of any internal investigations by the internal auditors or vigilance officials into matters where there is actual or suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board
8. Review of adequacy of internal control systems and internal audit functions through structural reporting formats specifically designed for the purpose, submitted by the respective functional heads. Engage one-to-one interaction with the functional heads so as to assure itself that the systems are being effectively managed. Direct the functional heads to implement necessary systems to plug the deficiencies in/ improve internal control, risk management and reporting systems and require them to report compliance with the directives to the Committee periodically
9. Review and have oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible, and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be;
10. Recommend to the Board for shareholders' approval, the appointment, reappointment, removal, or replacement and terms of appointment of statutory auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit.
11. Approve the terms of engagement of the services of the statutory auditors for rendering any other professional services to the Bank and the fee therefore;
12. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, and ensure coordination where more than one audit firm is employed.
13. Reviewing and examine with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - i) any changes in accounting policies and practices and reasons for the same.
  - ii) major accounting entries involving estimates based on the exercise of judgment by management
  - iii) significant adjustments made in the financial statements arising out of audit findings;
  - iv) compliance with the applicable accounting standards;
  - v) compliance with listing and other legal requirements relating to financial statements, and RBI guidelines and directives, concerning financial policies and statements;
  - vi) to review the Company's statement on internal control systems prior to endorsement by the Board
  - vii) the going-concern assumption;
  - viii) disclosure of any related-party transactions, i.e., transactions of the Bank with the Directors, senior executives, their relatives, or associated concerns, that may potentially conflict with the Bank's interests at large; and
  - ix) modified opinion(s) in the draft audit report;
  - x) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
14. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
15. Review with the external auditors, without the presence of the executive directors and Bank officials, and summarize their conclusion (in writing) at a full Board in the presence of the external auditors and without the presence of the management (Executive Directors, Bank Officials etc.)
  - i) The auditors' report on the annual, half-yearly, and quarterly financial statements,
  - ii) Their assessment of the internal control and reporting systems and procedures, the quality of the accounting principles applied and significant judgments affecting the statements, and the Bank's compliance with statutory and regulatory requirements, and



## CORPORATE GOVERNANCE REPORT (Contd.)

- iii) The auditors' long-form audit report and management letter and the management's response, and
  - iv) Any concerns of the auditors with respect to the said systems and procedures, the financial statements, any aspect of compliance, or any other matter arising from or related to the audit;
16. Discuss with the management the auditors' report and assessment, their qualifications, and concerns, if any, and the management's response to the auditors' management letter and long-form audit report;
  17. Review with the management, and if necessary, with the external auditors, any inspection or other report of RBI on the Bank or other communication from RBI on the audit, internal controls, financial reporting, or other aspects of the Bank falling within the remit of the Committee, and the management's response thereto;
  18. To review and oversight the functioning of the Whistle Blower mechanism.
  19. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
  20. Approval or any subsequent material modification of transactions of the Bank with related parties. ACB, shall review applicable information, for approval of a proposed RPT in line with regulatory requirements from time to time. The audit committee shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions.
  21. Approval of related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
  22. Valuation of undertakings or assets of the Bank, wherever it is necessary;
  23. Evaluation of internal financial controls and risk management systems.
  24. Monitoring the end use of funds raised through public offers and related matters.
  25. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
  26. Scrutiny of inter-corporate loans and investments, if any;
  27. To consider and approve/grant omnibus approval for certain Related Party Transactions (RPTs)
  28. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.
  29. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  30. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  31. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
  32. Review arrangements by which staff of the bank may confidentially raise concerns about possible improprieties in matters of financial reporting.
  33. reviewing the utilisation of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
  34. Periodic reviews on borrower entities in which directors of any wilful defaulter companies are present.





## CORPORATE GOVERNANCE REPORT (Contd.)

35. The Audit Committee of the Board shall:
  - i) ensure that senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner;
  - ii) address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors, and
  - iii) ensure that deficiencies identified by supervisory authorities related to the internal audit function are remedied within an appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.
36. Review of Internal Financial Control (IFC) process including Risk Control and Self- Assessment (RCSA).
37. Review of Position pertaining to opening of Internal/ branch GL heads, the purpose for which used and its reconciliation on a quarterly basis.
38. Oversee the Ind AS implementation process at quarterly intervals.
39. Ensure adequate coverage of internal audit to satisfy effective implementation of policies and procedures.
40. Constitute a Committee of Executives named the Inspection Review Committee of Executives to oversee the Inspection and Audit functions and review the structure and functions of the Committee periodically.
41. The audit committee shall review the status of long-term (more than one year) or recurring RPTs on an annual basis
42. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.
43. To review the policy for empanelment of advocates on a yearly basis
44. Review of Supervisory/regulatory compliance reports including Risk Mitigation Plan submitted to RBI
45. Review of responses to the regulator with respect to Regulatory Non- compliance

46. Periodical review of the Compliance functions through quarterly and annual reports submitted by Compliance Department

### **Powers of Audit Committee:**

The Audit Committee shall have the authority –

- a) to call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board.
- b) to discuss any related issues with the internal and statutory auditors and the management of the Company.
- c) to investigate into any matter in relation to the items referred to it by the Board.
- d) to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice
- e) to have full access to information contained in the records of the Bank

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

The Audit Committee shall mandatorily review the following information:

- i. Management discussion and analysis of financial condition and results of operations;
- ii. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- iii. Internal audit reports relating to internal control weaknesses; and
- iv. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
- v. statement of deviations:
  - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of issue of securities of any nature. (if any)
  - b) annual statement of funds utilised for purposes other than those stated in the offer document/ prospectus/notice in terms of issue of securities of any nature. (if any)



CORPORATE GOVERNANCE REPORT (Contd.)

- vi. Review the financial statements of unlisted subsidiary, in particular, the investments made by unlisted subsidiary.

**Other matters**

1. In carrying out its functions as aforesaid, the Committee shall have full access to information contained in the Bank's records and may seek information from any employee of the Bank, or, if considered necessary, obtain outside legal or other professional advice, or discuss with outsiders having the relevant expertise, and thereafter place the same to the Board.
2. The chairperson of the committee shall be present at Annual general meeting to answer shareholder queries.
3. The Company Secretary shall act as the secretary to the Audit committee.
4. The minutes of the Committee meetings and decisions taken by the Committee shall be promptly submitted to the Board.
5. The Auditors and key managerial personnel shall have a right to be heard in the meetings of the Audit

Committee when it considers the auditor's report but shall not have the right to vote.

**B. NOMINATION, REMUNERATION, ETHICS AND COMPENSATION COMMITTEE**

**Composition and Meetings**

As on March 31, 2023, the Nomination, Remuneration, Ethics and Compensation Committee comprises of members as stated below. The composition of the Committee is in conformity with the regulatory requirements, with all Directors being Non-Executives and more than fifty per cent of them being Independent Directors. Chairman of the Committee is an Independent Director. The Committee also includes one member from Risk Management Committee of the Board.

During the financial year 2022- 23, the Nomination, Remuneration, Ethics and Compensation Committee met 03 (Three) times on June 18, 2022, September 19, 2022 and February 17, 2023, [February 20, 2023 (Adjourned Meeting of Nomination, Remuneration, Ethics and Compensation Committee dated February 17, 2023)]

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

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. A P Hota	Independent Director	Chairman	3	3
Mr. C Balagopal	Independent Director	Member	3	3
Mr. Siddhartha Sengupta	Independent Director	Member	3	3
Mr. Manoj Fadnis <sup>1</sup>	Independent Director	Member (appointed w.e.f February 14, 2023)	3	1

<sup>1</sup>Mr. Manoj Fadnis joined as a member of the Committee w.e.f. February 14, 2023

During the financial year 2022-23, the Committee was re- constituted once on February 14, 2023

Mr. A P Hota, who was the Chairman of Committee attended the AGM held on July 27, 2022.

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

1. recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors;
2. reviewing, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or the MD&CEO or other Directors, shareholders or others;







## CORPORATE GOVERNANCE REPORT (Contd.)

3. recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board. For every appointment of an independent director, the Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
    - a. use the services of an external agencies, if required;
    - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
    - c. consider the time commitments of the candidates
  4. carrying out evaluation of every director's performance.
  5. deciding on the matter of whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
  6. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and independence of a director;
  7. devising a policy on diversity of board of directors;
  8. recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;
- The Committee shall ensure the following while formulating the policy as above:
- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the Bank successfully;
  - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
  - c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals.
9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and key managerial personnel including performance/achievement bonus, perquisites, retinals, sitting fees.
  10. Considering grant of Stock Options to employees.
  11. Reviewing the composition of the existing Committees of the Board.
  12. Formulation of criteria for performance evaluation of Independent Directors and the Board;
  13. Validation of 'fit and proper' status of all Directors on the Board of the Bank in terms of the Guidelines issued by the RBI or other regulatory authorities;
  14. Developing and recommending to the Board the Corporate Governance guidelines applicable to the Bank for incorporating best practices from time to time;
  15. Recommend to the board, all remuneration, in whatever form, payable to senior management\*
- \* senior management shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer

### Other Matters

1. The Chairman of the Nomination, Remuneration, Ethics and Compensation Committee may be present at the Annual General Meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.
2. The Company Secretary, who shall also act as the secretary to the Committee, shall ensure that all appointments or elections of Directors to the Board



CORPORATE GOVERNANCE REPORT (Contd.)

are properly made, and shall obtain all necessary information from the Directors or candidates recommended by the Committee to ensure that they are not disqualified to act as Directors of the Bank under any statute or regulatory directives or guidelines, and that by appointing or electing them as Directors the Bank would meet its statutory and regulatory obligations and those arising from listing requirements of stock exchanges on which the Bank's shares are listed.

3. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.

4. The Chairman, the MD&CEO and/or other Executive Directors shall not participate in discussions by the Board on matters relating to his/their compensation package or any components thereof.

**C. STAKEHOLDERS RELATIONSHIP COMMITTEE**

**Composition and Meetings**

As on March 31, 2023, Stakeholders Relationship Committee consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements. Mr. A P Hota, Chairman of Committee, attended the AGM held on July 27, 2022. Mr. Samir P Rajdev, SVP & Company Secretary acts as the Compliance Officer.

During the financial year 2022- 23, the Committee met One (01) time on June 08, 2022

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

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

During the financial year 2022- 23, there was no re-constitution of the Committee.

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

1. Review, where necessary, complaints received from shareholders or others regarding transfer/ transmission of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints;
2. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
3. Approve or reject applications for transmission of shares referred to the Committee by the Bank's Registrar and Share Transfer Agent in terms of such criteria as may be determined by the Committee and conveyed to the Agent.

4. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Bank, issue of duplicate share certificates;
5. Review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent.
6. Recommends measures for overall improvement in the quality of investor services;
7. Review of measures taken for effective exercise of voting rights by shareholders.
8. Review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company.
9. Approve the allotment for release of shares kept under abeyance of the Bank in compliance with court order.





## CORPORATE GOVERNANCE REPORT (Contd.)

### Other matters

The chairperson of the committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the Bank to answer queries of the security holders. The Bank attended to the complaints promptly and to the satisfaction of the shareholders. Details of complaints received and resolved by the Bank during the financial year 2022-23 are given below:

Complaint pending for redressal at the beginning of the year	Total complaints received during the year	Number of complaints redressed	Number of complaints pending for redressal
Nil	8	8	Nil

As on March 31, 2023, apart from the complaints, around 1326 requests/information were received from the shareholders relating to change of address, nomination requests, email id and contact details updation, IFSC / MICR code updation, National Automated Clearing House (NACH) Mandates, queries relating to the annual reports, request for re-validation of dividend warrants and other investor related matters. This requests/information has also been responded.

## D. CREDIT, INVESTMENT AND RAISING CAPITAL COMMITTEE

### Composition and Meetings

As on March 31, 2023, the Credit, Investment and Raising Capital Committee consisted of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022-23, the Credit, Investment and Raising Capital Committee met twenty- five (25) times on April 21, 2022, May 19, 2022, June 08, 2022, June 23, 2022, June 25, 2022, July 02, 2022, July 16, 2022, August 01, 2022, August 23, 2022, September 17, 2022, September 21, 2022, September 24, 2022, October 27, 2022, October 31, 2022, November 21, 2022, December 13, 2022, December 26, 2022, January 27, 2023, February 14, 2023, February 20, 2023, March 04, 2023, March 17, 2023, March 18, 2023, March 25, 2023 and March 29, 2023.

The details of attendance of members are given below:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Siddhartha Sengupta	Independent Director	Chairman	25	25
Ms. Varsha Purandare	Independent Director	Member	25	24
Mr. Sankarshan Basu	Independent Director	Member	25	25
Mr. Ramanand Mundkur	Independent Director	Member	25	25
Mr. Shyam Srinivasan	Executive Director	Member	25	24
Mr. Ashutosh Khajuria	Executive Director	Member	25	23

During the financial year 2022-23, the Committee was not re- constituted.

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

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



## CORPORATE GOVERNANCE REPORT (Contd.)

6. Periodically review Non-Performing Assets of large value (₹ 5 Crore and above).
7. Committee has the power to approve compromise proposals as per delegation in the NPA management policy.
8. Committee shall recommend the compromise proposals beyond their power to the Board of Directors for approval.
9. Status report of the position of assets sold to ARCs under Security Receipt Basis held as investment.
10. Any other matter of materialist information that management deems fit for reporting to the committee for noting, review, ratification or approval.
11. Consider proposals for approval of Investments of the Bank within such authority as delegated to it by the Board from time to time.
12. Approve the Policies related to the Treasury Investment and Trading activities and recommend the same to the Board.
13. Approve the new products launched by the Treasury Department and recommend the same to the Board.
14. Review of the investment activities, risk management thereof, and policies, internal control systems and compliance of statutory, regulatory and other applicable norms.
15. Approve the capital raising programme of the Bank and recommend the same to the Board.
16. Periodic review of Bank's investments in Subsidiaries, JVs & Associates in addition to other unlisted investments including VCF/ PE and strategic investments.
17. Any divestment of shares in Subsidiaries/ JVs and Associates should be put up to this Committee for vetting before submitting to Board for approval.
18. Any other matter as delegated by other Board level committee / Board, as the case may be.

### E. RISK MANAGEMENT COMMITTEE

#### Composition and Meetings

As on March 31, 2023, the Risk Management Committee consisted of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022 -23, the Committee met Six (6) times on June 28, 2022, September 22, 2022, December 12, 2022, February 01, 2023, March 02, 2023 and March 14, 2023.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Sudarshan Sen	Independent Director	Chairman	06	06
Mr. Siddhartha Sengupta	Independent Director	Member	06	06
Mr. Sankarshan Basu	Independent Director	Member	06	06
Mr. Shyam Srinivasan	Executive Director	Member	06	06

During the financial year 2022- 23, the Committee was not re- constituted.

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

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

- a) Recommend to the Board to approve the policies and strategies for implementing bank-wide integrated risk management system, for addressing various risks faced by the Bank.
- b) Review the Risk Appetite framework formulated in line with bank's strategy and recommend the same to the board for approval.





## CORPORATE GOVERNANCE REPORT (Contd.)

- c) Oversee functions of Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC also known as Asset Liability Management Committee - ALCO), Operational Risk Management Committee (ORMC), Information Security Committee (ISC) and E&S committee (Environmental & Social).
- d) Recommend to the Board policies and guidelines for measurement, management and reporting of credit risk, market risk and operational risk.
- e) Recommend to the Board risk mitigation and stop-loss parameters in respect of all the three risks. Ensure adherence to the risk appetite limits set by the Board.
- f) Ensure management processes (including people, systems, operations, limits and controls) for implementing risk management systems.
- g) Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank.
- h) Review of the Internal Capital Adequacy Assessment Process. (ICAAP)
- i) Review of credit rating process, fixation of exposure ceilings for various types of exposures, geographies, sectors, industries etc and based on internal / external rating, borrower category/ groups etc.
- j) Ensure availability of qualified and competent officers and risk managers in the Integrated Risk Management Department for ensuring effectiveness of risk management systems in the Bank.
- k) Decide/approve adoption of technology/appropriate and adequate MIS system needed for risk management.
- l) Reinforce the culture and awareness of risk management throughout the organisation that would attach high priority on effective risk management and adherence to sound internal controls.
- m) Review of functions related to management of Business continuity, Reputation risk, Model risk, Strategic risk, Information & cyber security risk, outsourcing risk, Pension obligation risk and other material risks faced by the Bank.
- n) Review of Transfer Pricing Mechanism in the Bank
- o) Review of Stress Testing methodology, Stress Scenarios, stress testing results and monitor the actions plans and corrective measures. Decide additional provision requirements on exposure to stressed sectors.
- p) Review of Liquidity risk management including Contingency Funding Plans and contingency funding under stress scenario.
- q) Risk Management Committee of the Board to meet with the Chief Risk Officer of the Bank independently on one to one basis without the presence of MD & CEO on a quarterly basis.
- r) Ensure effective implementation of Environmental and Social Management System (ESMS) across the bank.
- s) Overseeing Environmental, Social and Governance (ESG) Reporting and review of various activities of the Bank under the prescribed ESG Framework.
- t) The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

### **Powers of the Risk Management Committee (RMC)**

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

- a) Review of the policy and strategy for integrated risk management covering credit, market and operational risks.
- b) Review of the risk limits and exposure ceilings of the Bank, and its periodic review as and when needed.
- c) Review standards / delegation for credit dispensation.
- d) Review of the risk categories under Credit Risk Assessment (CRA) system and classification as acceptable and unacceptable category and periodic changes needed to such classification.
- e) Review of systems and tools for management of all the three categories of risks.
- f) Reviewing norms for Loan Review Mechanism (LRM), level of dependence on the system and all related procedures
- g) Analysing credit rating migration/ Default studies of large value exposures to assess quality and concentration of credit exposures.





CORPORATE GOVERNANCE REPORT (Contd.)

- h) Reviewing norms/ceilings for maturity profile and mix of the incremental assets and liabilities.
- i) Fixing of tolerance levels for Liquidity risk monitoring, interest rate sensitivity/EaR, trigger points for realignment of assets/liabilities
- j) Review the functions of the CRMC, ALCO, ORMC, ISC and E&S Committee from time to time.
- k) Reviewing policy for interest rate view/funding/ pricing of products etc of the Bank.
- l) Ensuring capital adequacy management with due regard to various risks impacting the balance sheet.
- m) Monitor and review the non-compliance, limit breaches, audit / regulatory findings, and policy exceptions with respect to risk management.
- n) Recommending to the Board to approve reviews on assessment, monitoring and controlling of non-quantifiable risks like strategic risk, reputation risk, outsourcing risk etc.

**F. CUSTOMER SERVICE, MARKETING STRATEGY & DIGITAL BANKING COMMITTEE**

**Composition and Meetings**

As on March 31, 2023, the Customer Service, Marketing Strategy & Digital Banking Committee consisted of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022- 23, the Committee met 4 (four) times on June 13, 2022, September 26, 2022, December 19, 2022 and March 23, 2023.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Ms. Varsha Purandare	Independent Director	Chairperson	04	04
Mr. Ramanand Mundkur	Independent Director	Member	04	04
Mr. Shyam Srinivasan	Executive Director	Member	04	04
Ms. Shalini Warriar	Executive Director	Member	04	04

During the financial year 2022-23, the Committee was not re-constituted.

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

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

1. Approving the various policies that relate to customer service ; examples thereof include and are not limited to :
  - a. Comprehensive Deposit Policy
  - b. Policy on Settlement of Claims Related to Assets of Deceased Customers
  - c. Grievance Handling process
  - d. Collection of cheques
2. Reviewing metrics and indicators that provide information on the state of customer service in the Bank; providing direction to the management of the Bank on actions to be taken to improve the metrics
3. Reviewing the actions taken/ being taken by the Bank to standardize the delivery of customer experience across all branches

4. Reviewing results of the surveys conducted that provide quantitative and qualitative information on the state of customer experience
5. Providing inputs on the products introduced by the Bank with a view to ensure suitability and appropriateness.
6. Monitoring the implementation of the Banking Ombudsman Scheme with particular reference to:
  - a. Reviewing all the awards against the Bank with a focus on identifying issues of systemic deficiencies and the Bank’s plan to address these deficiencies
  - b. Reviewing all awards that remain unimplemented after 3 months from the date of the award with the reasons thereof; to report to the Board such delays in implementation without valid reasons and for initiating remedial action.
7. Review, on an overall basis, the customer service aspects in the Bank on the basis of the detailed memorandum submitted in this regard and report





CORPORATE GOVERNANCE REPORT (Contd.)

to the Board of Directors thereafter; this is done once every six months and based on the review, the Committee will direct the Bank to initiate prompt corrective action wherever service quality / skills gaps have been noticed.

8. Monitoring the activities of the Standing Committee on Customer Service (executive level committee) on a quarterly basis.
9. Review of minutes of product and process approval committee
10. Biennial audit of depositor services
11. Review of relevant instructions issued by other regulators
12. Review of cases reported under Limited Liability in unauthorised electronic banking transactions Policy.
13. Review of details of claims received from legal heirs of deceased depositors/locker hirers/depositors of safe custody articles and pending cases beyond the stipulated period, on a yearly basis.

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

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

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

1. Reviewing the Bank’s Digital Banking strategy; providing direction on areas of focus
2. Reviewing the progress made on the metrics relating to Digital Banking; these metrics cover performance metrics as determined by the Board of Directors (as part of the annual budget) and also cover metrics that are determined by the Government of India from time to time and to review the customer service rendered on digital platform from time to time.
3. Progress on various new initiatives and partnerships
4. Approving various policies relating to Digital Banking; including and not limited to :
  - (a) Merchant Acquisition Policy
  - (b) Digital Payment Products and Services Policy

**G. SPECIAL COMMITTEE OF THE BOARD FOR MONITORING AND FOLLOW UP OF CASES OF FRAUDS**

**Composition and Meetings**

As on March 31, 2023, the Special Committee of the Board for Monitoring and Follow up of Cases of Frauds consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

As required under the RBI regulations, all fraud cases of ₹ 1 Crore and above are considered by the Committee and as directed by the Audit Committee, all fraud cases of ₹ 1 Lakh and above are reported to this Committee.

During the financial year 2022- 23, the Committee met 4 (four) times on, June 13, 2022, September 17, 2022, December 19, 2022 and March 21, 2023.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Shyam Srinivasan	Executive Director	Chairman	04	04
CA Manoj Fadnis	Independent Director	Member	04	04
Mr. Ramanand Mundkur	Independent Director	Member	04	04
Mr. Sankarshan Basu	Independent Director	Member	04	04
Mr. Ashutosh Khajuria	Executive Director	Member	04	04



CORPORATE GOVERNANCE REPORT (Contd.)

During the financial year 2022-23, the Committee was not re-constituted.

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

The major functions of the Committee would be to monitor and review all frauds of ₹ 100 Lakh and above so as to:

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

All the frauds involving an amount of ₹ 100 Lakh and above should be monitored and reviewed by SCBF. The periodicity of the meetings of the Committee may be decided according to the number of cases involved. In addition, the Committee

should meet and review as and when a fraud involving an amount of ₹ 100 Lakh and above comes to light. Information of Frauds of ₹ 100 Lakh and above shall be reported to the Special Committee of the Board for Monitoring & follow up of cases of Frauds (SCBF) immediately on detection through Circular Resolution Memorandum, followed by placing the Noting of the Circular Resolution before the immediate next meeting of SCBF.

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

1. The Committee shall monitor and review the progress of the mitigating steps taken by the Bank in case of Cyber and Electronic Banking frauds and the efficacy of the same in containing the number of frauds and values at least on a quarterly basis.
2. The Committee shall review the Red Flagged Accounts (RFA) and the remedial actions proposed by the Fraud Monitoring Group (FMG), when an account is classified as RFA.

**H. HUMAN RESOURCES COMMITTEE OF THE BOARD**

**Composition and Meetings**

As on March 31, 2023, the Human Resources Committee of the Board consisted of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022-23, the Committee met 2 (two) times September 20, 2022 and February 01, 2023.

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

During the financial year 2022-23, the Committee was not re-constituted.

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

1. To Review HR Strategy aligning with business strategy of the Bank
2. Periodic review of existing HR policy of the Bank.
3. To review productivity levels of employees benchmarking with peers in the industry
4. To review compensation policy of the Bank
5. To review Learning Initiatives
6. To review Talent pool creation/ Succession Planning Policy
7. To review Funding Superannuation Policy
8. To review periodic HR Plans and Activities





CORPORATE GOVERNANCE REPORT (Contd.)

**I. INFORMATION TECHNOLOGY & OPERATIONS COMMITTEE**

**Composition and Meetings**

The Information Technology and Operations Committee of the Board shall advice on the strategic direction of the Technology and Operations functions within the Bank.

As on March 31, 2023, the Information Technology & Operations Committee consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022-23, the Committee met 4 (four) times on June 08, 2022, September 28, 2022, December 17, 2022 and March 23, 2023.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. A P Hota	Independent Director	Chairman	04	04
Ms. Varsha Purandare	Independent Director	Member	04	04
Mr. Shyam Srinivasan	Executive Director	Member	04	04
Ms. Shalini Warriar	Executive Director	Member	04	04

During the financial year 2021-22, the Committee was not re- constituted.

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

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

1. Recommending to Board for approval of IT strategy and policy documents and reviewing the same from time to time.
2. Ensuring that the management has put an effective strategic planning process in place
3. Ensuring that the IT strategy is indeed aligned with business strategy.
4. Ensuring that the IT organisational structure complements the business model and its direction.
5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
7. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
8. Ensuring proper balance of IT investments for sustaining bank's growth.

9. Becoming aware about exposure towards IT risks and controls. And evaluating effectiveness of management's monitoring of IT risks through oversight over the proceedings of the Information Security Committee.
10. Assessing Senior Management's performance in implementing IT strategies.
11. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks), including review and recommendation of Information Systems Security Policy and Cyber Security Policy to the Board for approval.
12. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT.
13. Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks.
14. Reviewing IT performance measurement and contribution of IT to businesses.

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

1. Ensuring that the management has put an effective strategic planning process in place for operational activities that balances risk, customer experience and costs reviewing the same from time to time.



CORPORATE GOVERNANCE REPORT (Contd.)

2. Ensuring that the Operations organisational structure complements the business model and its direction
3. Ensuring that management has put in place effective steps to mitigate operational risks relating to the core operational processes of the Bank
4. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
5. Reviewing metrics and measurement relating to operational processes so as to ensure due contribution to the business

Board members and Management officials shall engage in and promote honest and ethical conduct of Bank’s business in a professional manner in order to protect Banks public image and reputation. Board members and

Senior Management officials must act honestly, while discharging their duties. Board members are required to discharge certain duties as mentioned in Section 166 of the Companies Act, 2013 and the duties, roles and functions of Independent Directors as contained in Schedule IV of the Companies Act, 2013.

**J. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

**Composition and Meetings**

As on March 31, 2023, the Corporate Social Responsibility Committee (CSR Committee) consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022-23, the CSR Committee met 2 (two) times on June 24, 2022, and February 16, 2023.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. C Balagopal	Independent Director	Chairman	02	02
Mr. Sankarshan Basu	Independent Director	Member	02	02
Mr. Shyam Srinivasan	Executive Director	Member	02	02
Mr. Ashutosh Khajuria	Executive Director	Member	02	02
Ms. Shalini Warriar	Executive Director	Member	02	02

During the year, the Corporate Social Responsibility Committee was not re-constituted.

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

The CSR Committee shall:

1. Formulate and recommend to the Board for approval, the Corporate Social Responsibility Policy which shall indicate the activity or activities to be undertaken by the Bank in areas or subjects as specified in schedule VII of the Companies Act, 2013;
2. Guide and monitor the activities of the Bank in the area of CSR such that the spends are in line with the activities stipulated in the CSR Policy
3. Provide inputs, on an ongoing basis, to the formulation of strategic objectives and tactical plans that would help ensure the Bank is able to fulfill its corporate social responsibilities in a responsible and effective manner
4. Recommend the amount of expenditure to be incurred on the activities undertaken by the Bank.

5. Recommend to the Board about approach and direction of CSR
6. Formulate and recommend to the Board an annual action plan in pursuance of CSR Policy including
  - (a) the list of CSR projects or programmes that are approved to be undertaken in areas of subjects specified in Schedule VII of Companies Act, 2013
  - (b) the manner of execution of such projects or programmes as specified in rule 4(1) of CSR Rules
  - (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes
  - (d) monitoring and reporting mechanism for the projects or programmes; and
  - (e) details of need and impact assessment, if any, for the projects undertaken by the Company, appointment of independent agency for undertaking impact assessment







CORPORATE GOVERNANCE REPORT (Contd.)

7. Recommendation to the Board for transfer of unspent amount related to on going project to separate bank account and unspent amounts other than ongoing projects, to funds specified in Schedule VII to the Act
8. Monitoring of all projects (ongoing or otherwise). Reviewing and recommending to the Board CFO Certification about utilisation of funds disbursed for the purposes and manner approved by the Board.

**K. Review Committee of the Board on Non- Cooperative Borrowers and Identification of Willful Defaulters**

**Composition and Meetings**

As on March 31, 2023, the Review Committee of the Board on Non- Cooperative Borrowers and Identification of Willful Defaulters consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2022-23, the Committee met 2 (two) times on May 02, 2022 and December 12, 2022.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Shyam Srinivasan	Executive Director	Chairman	02	02
CA Manoj Fadnis	Independent Director	Member	02	02
Mr. Sudarshan Sen	Independent Director	Member	02	01

During the year, the Review Committee of the Board on Non- Cooperative Borrowers and Identification of Willful Defaulters was not re-constituted.

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

a) **Non-Cooperative Borrowers:** The Review Committee finalizes the decision with regard to classification & declassification of Non Cooperative Borrowers. In compliance with RBI directions on Non Cooperative Borrowers (NCB), the Bank has put in place a policy on identification, classification & declassification of Non Cooperative Borrowers and reporting of such borrowers to the Central Repository of Information on Large Credits (CRILC). The policy envisages formation of a Committee headed by an Executive Director & consisting of two other Senior Executives of the rank of SVP/VP to take a decision on classification & declassification of Non Cooperative Borrowers. Accordingly, an ED level committee headed by ED formed. Review committee of the Board reviews the order of the ED level Committee and the order shall become final only after it is confirmed by the Review Committee.

b) **Willful Defaulters:** The Review Committee reviews the order of the Internal Committee that identifies accounts to be reported as wilful default to comply with the regulatory guidelines. While reviewing the Identification Committee's order, the Review Committee shall also consider the representations if any made by the borrowers against such order. The Review Committee shall pass a reasoned order and the copy thereof shall also serve on the borrowers. This Review Committee reviews the order of the Internal Committee that identifies accounts to be reported as wilful default to comply with the regulatory guidelines. The Order shall become final only after it is confirmed by the Review Committee.

**SUBSIDIARY AND JOINT VENTURE COMPANY OF THE BANK**

The Bank has two subsidiary companies, Fedbank Financial Services Limited and Federal Operations and Services Limited. The Bank has no material subsidiaries as per the conditions laid down in the SEBI Listing Regulations.

As on March 31, 2023, the Bank has two Associate Companies, a Joint Venture Life Insurance Company, named Ageas Federal Life Insurance Company Limited (formerly known as IDBI Federal Life Insurance Co Limited) and an Investment Banking subsidiary named Equirus Capital Private Limited.



## CORPORATE GOVERNANCE REPORT (Contd.)

The Directors of the Bank who are also in the subsidiary/ associate companies as on March 31, 2023 are as follows:

- Mr. Shyam Srinivasan, Managing Director and Chief Executive Officer (MD & CEO) is the Non-Executive Director and Mr. Ashutosh Khajuria, Executive Director is a Nominee Director in Fedbank Financial Services Limited.
- Mr. A P Hota, Independent Director is the Non-Executive Director in Federal Operations and Services Limited Mr. A P Hota holds the position of Chairman in Federal Operations and Services Limited
- Mr. Shyam Srinivasan, MD & CEO and Ms. Shalini Warriar, Executive Director of the Bank, are Non-Executive Directors in Ageas Federal Life Insurance Company Limited.

The Bank monitors performance of its subsidiary Companies, inter-alia, by the following means:

- The Audit Committee reviews financial statements of the subsidiary Companies, along with investments made by them.
- The Board of Directors reviews the Board Meeting minutes and statements of all significant transactions and arrangements, if any, of subsidiary Companies.

The Bank does not have any listed subsidiary company.

### GENERAL BODY MEETINGS

#### A. DETAILS OF THE LAST THREE GENERAL BODY MEETINGS, SPECIAL RESOLUTIONS TAKEN UP IN THOSE MEETINGS AND PASSED WITH REQUISITE MAJORITY ARE MENTIONED HEREUNDER:

**Name of Meeting - 89<sup>th</sup> Annual General Meeting**

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

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

#### Special Resolution

- a) Approval for Raising of Funds through Issuance of Bonds for FY 2020-21.
- b) Raising of Tier I Capital of the Bank through Issuance of Securities.
- c) Alteration of Object Clauses of Memorandum of Association.

**Name of Meeting - 90<sup>th</sup> Annual General Meeting**

**Day, Date and Time of Meeting - Friday, July 09, 2021 at 11.00 AM**

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

#### Special Resolutions

- a) Re-appointment of Mr. A P Hota (DIN- 02593219) as an Independent Director of the Bank.
- b) Raising of Tier I Capital of the Bank through Issuance of Securities
- c) Raising of Funds through Issuance of Bonds
- d) To approve the issuance of equity shares on preferential basis

**Name of Meeting - 91<sup>st</sup> Annual General Meeting**

**Day, Date and Time of Meeting - Friday, July 27, 2022 at 11.00 AM**

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

#### Special Resolutions

- a) Appointment of Mr. Sankarshan Basu (DIN: 06466594) as an Independent Director of the Bank.
- b) Appointment of Mr. Ramanand Mundkur (DIN: 03498212) as an Independent Director of the Bank
- c) Raising of Funds through Issuance of Bonds
- d) Raising of Tier I Capital of the Bank through Issuance of Securities
- e) Amendments in Memorandum of Association (MOA) of the Bank

During the year, all recommendations of the Board of Directors were accepted by the Shareholders of the Bank in respect of special businesses mentioned in the 91<sup>st</sup> Annual General Meeting notice.

#### B. POSTAL BALLOT

The Bank sought the approval of its shareholders on a specific matter through a Special Resolution by postal ballot by utilising a remote e-voting process only. The notice of this postal ballot, dated March 04, 2023, was circulated on March 07, 2023 Remote e-voting began on March 08, 2023 and concluded on April 06, 2023. On the final day of remote e-voting, i.e. April 06, 2023 the resolutions were passed with the necessary majority, and the outcomes were declared on April 07, 2023. Please see the information below for a description of the resolutions and details on the voting pattern:





CORPORATE GOVERNANCE REPORT (Contd.)

Description of Resolution and Type of resolution	Number of Votes			
	For	%	Against	%
Re appointment and payment of remuneration including variable pay to Ms. Shalini Warriar (DIN: 08257526), Executive Director of the Bank	1433221287	99.7568%	3493849	0.2432%
Payment of Performance Linked Incentive and grant of Stock Options to Ms. Shalini Warriar (DIN: 08257526), Executive Director of the Bank for the FY 2021 22	1433145742	99.7515%	3569611	0.2485%
Payment of Performance Linked Incentive and grant of Stock Options to Mr. Ashutosh Khajuria (DIN: 05154975), Executive Director of the Bank for the FY 2021 22	1432639678	99.7500%	3590755	0.2500%

The aforementioned Postal Ballot was conducted solely through the Remote E-Voting process in accordance with the regulations set forth in Sections 108 and 110, as well as other applicable provisions of the Companies Act, 2013 and its corresponding Rules.

M/s. M Damodaran & Associates LLP, Practicing Company Secretaries, were appointed as Scrutinizer, for conducting the above Postal Ballot through the Remote E-Voting process fairly and transparently and following the provisions of the Companies Act, 2013 and the rules made thereunder.

**ETHICAL STANDARDS EMPLOYED BY THE BANK**

All the employees of the Bank are required to comply with Bank’s service manuals which, inter alia, provides for various ethical practices to be adhered to by them. It also includes Code of Ethics and Business Conduct, which provides the guidelines on standards of business conduct and it applies to all employees of the Bank. The Code explains the conduct and ethical behavior to be exhibited by each employee towards customers, colleagues and other stakeholders to uphold the collective interest of the Bank. This includes Bank’s obligation to comply with all general laws, local rules and regulations relevant to our activity and its commitment to enhance shareholders’ value. The guidelines on the usage of social media published by the Bank outlines the standards employees are expected to observe when using social media.

**POLICIES, AFFIRMATIONS AND DISCLOSURES**

**A. CODE OF CORPORATE GOVERNANCE AND CODE OF CONDUCT**

The Board of Directors of the Bank has adopted the Code of Corporate Governance and Code of Conduct for the Directors of the Bank and for Management, and the code is reviewed on an annual basis. All the Board

members and the senior management of the Bank have affirmed compliance to the Bank’s Code of Corporate Governance and Code of Conduct. Bank’s Code of Corporate Governance and Code of Conduct for Directors and Management are available on the website of the Bank <https://www.federalbank.co.in/shareholder-information>.

All the Board Members and Senior Management Personnel have confirmed compliance with the code during the year 2023. A declaration to that effect signed by the Managing Director and CEO forms part of the Annual Report of the Bank.

**B. RELATED PARTY TRANSACTIONS**

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

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

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



## CORPORATE GOVERNANCE REPORT (Contd.)

**C. DETAILS OF NON-COMPLIANCE BY THE BANK**

The Bank received a notice from National Stock Exchange of India Limited regarding the non-compliance with Regulation 52 (7) / (7A) (Non-submission of statement indicating the utilisation of issue proceeds/ material deviation in the use of proceed) of SEBI (LODR) Regulations, 2015 and directing the Bank to pay a penalty of ₹ 9,000/- plus GST, totaling to ₹ 10,620/-.

Accordingly, the Bank paid ₹ 10,620/- to National Stock Exchange of India Limited on March 17, 2023.

**D. DISCLOSURE ON COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS SPECIFIED IN SEBI LISTING REGULATIONS**

The Bank has complied with the requirements of Part C (Corporate Governance Report) of sub-Paras (2) to (10) of Schedule V of the SEBI Listing Regulations.

The Bank has complied with and disclosed all the mandatory corporate governance requirements under Regulation 17 to 27 and sub-regulation (2) of Regulation 46 of SEBI Listing Regulations (relating to disclosure on the website of the Bank).

**E. COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES**

The Foreign Exchange Risk arising out of Forex positions of the Bank is monitored by the Market Risk Division of Integrated Risk Management Department. Various risk limits such as Daylight Limit, NOOP, AGL and Forex VAR are defined in the Market Risk Management Policy of the Bank and are closely monitored by the Market Risk Division. The policy of the Bank on Investment, Forex and Derivative operations lays out the operative guidelines for Foreign Exchange operations. The Foreign Currency Assets and Liability gap is ascertained by Treasury Department and is managed using hedging tools such as swaps, wherever found necessary. Bank is not involved in Commodity trading/ hedging activities.

**F. FEDERAL BANK CODE OF CONDUCT FOR REGULATING, MONITORING AND REPORTING TRADING BY INSIDERS AND CODE OF PRACTICES AND PROCEDURES FOR FAIR DISCLOSURE**

As per SEBI (Prohibition of Insider Trading) Regulations, 2015, the Bank has in place a Code of Conduct for Regulating, Monitoring and Reporting Trading by Insiders and Code of Practices and Procedures for Fair Disclosure.

The same have been revised during the year in accordance with amendments in the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Code of Conduct for Prevention of Insider Trading lays down guidelines advising the Management, staff and other connected persons, on procedures to be followed and disclosures to be made by them while dealing with the shares of Bank, and while handling any Unpublished Price Sensitive Information, cautioning them of the consequences of violations.

Mr. Samir P Rajdev, Company Secretary of the Bank has been designated as Compliance Officer.

**G. WHISTLE BLOWER POLICY/VIGIL MECHANISM**

Fraud Risk is managed by the Bank methodically in line with the robust Fraud Risk Management Policy of the Bank which covers all significant aspects like various mitigation measures and the surveillance mechanism that complements prevention, detection, investigation and monitoring of both, internal and external frauds. Public and employees are sensitized on different fraud prevention techniques. With a view to create an atmosphere of alertness. Vigilance Communications (Alerts) are issued on a regular basis that disseminates various modus operandi of frauds across the employees along with suggestions on safeguards and precautions to be adopted to prevent such frauds. Preventive Vigilance Workshop is a flagship programme designed by Vigilance Department for employees which explicates different gaps exploited by miscreants to perpetrate fraud in the banking industry. The programme also ensures deliverance of strategies to be taken to avert such frauds. Fraud Prevention Committee meetings are conducted at Branches on a regular basis so as to discuss various modus operandi of trending frauds and their corresponding preventive measures. Branches are identified based on risk rating and Preventive Vigilance Audits are conducted annually in the identified Branches.

Customer awareness on fraudulent activities is another area that is well covered by the Bank through multiple communication channels including SMS, E-Mails, posters at Branches, ribbon messages on Bank website, internet banking webpage, etc. Bank is also giving special focus to Cyber related frauds and awareness messages are disseminated among the public through various mediums including social media, website, etc. A dedicated campaign is launched, titled "TwiceisWise", with an aim to spread awareness among the public, on cyber related frauds.





## CORPORATE GOVERNANCE REPORT (Contd.)

Posters and videos cautioning the public about novel fraud incidents were shared through social media handles, TV channels, web channels, etc.

All cases reported in the Bank are investigated in detail as part of detective vigilance activity. Need for process refinements/ systemic corrections, if any observed during the course of investigation are highlighted in the forums concerned for corrective measures/necessary directions. Process refinements/systemic corrections are implemented to avert similar incidents in future.

Bank has a robust Whistle Blower Policy termed as Protected Disclosure Scheme (PDS) with a view to enhance public confidence in the Bank and also in compliance of RBI directions in this regard. The policy aims at establishing an effective vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest. It is disseminated among the employees assuring confidentiality and protection to the whistle blower against any personal vindictive actions such as humiliation, harassment or any other form of unfair treatment. Directors and Employees of the Bank, employee representative bodies, customers, stakeholders, non-governmental organisations (NGO) and members of the public can lodge complaints / disclosures under this scheme. A dedicated e-mail ID is provided for sending complaints/disclosures under PDS. Investigation is conducted in all complaints /information received through the PDS mechanism and investigation reports are placed before MD & CEO. The details of the complaints and findings are also placed before the Audit Committee of the Board on a quarterly basis for review. The scheme is popularized through various measures such as preventive vigilance classes, internal circulars, alerts etc. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure scheme. PDS policy is made available in Bank's website and Intranet. To access Bank's Whistle Blower Policy <https://www.federalbank.co.in/our-commitments>

### H. DIVIDEND DISTRIBUTION POLICY

In accordance with the Regulation 43A of SEBI Listing Regulations, the Bank has formulated a Dividend Distribution Policy. The policy has been displayed on the Bank's website at <https://www.federalbank.co.in/our-commitments> and also available in the Director's Report which forms part of the Annual Report.

### I. CEO/CFO CERTIFICATION

The MD and CEO and Chief Financial Officer (CFO) have issued certificate pursuant to the provisions of Regulation 17(8) of the SEBI Listing Regulations, 2015 certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

### J. UTILISATION OF FUNDS RAISED THROUGH PREFERENTIAL ALLOTMENT OR QUALIFIED INSTITUTIONS PLACEMENT

During the year, the Bank did not raise any funds through preferential allotment or through Qualified Institutions Placement.

### K. CERTIFICATE FROM COMPANY SECRETARY IN PRACTICE REGARDING DISQUALIFICATION OF DIRECTORS

As required under Clause 10 (i) of Part C under Schedule V of the SEBI Listing Regulations, the Bank has received a certificate from M/s. SEP & Associates, Practicing Company Secretaries certifying that none of our Directors have been debarred or disqualified from being appointed or continuing as Directors of the Company by SEBI /Ministry of Corporate Affairs or any such statutory authority, is annexed to this report.

### L. RECOMMENDATIONS OF COMMITTEE(S) OF THE BOARD OF DIRECTORS

During the year under review, there has been no instances of rejection by the Board of any recommendations made by any of its committees.

### M. INTERNAL CONTROLS

The Bank has through the years developed and stabilised an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the internal audit function is defined in the Audit and Inspection Policy of the Bank, duly approved by the Board of Directors. In order to help Bank in achieving its mission of adopting the best professional practices prevailing in the industry, while framing the policy, substantial inputs are taken from - RBI guidance note on Risk Based Internal Audit, 'The internal audit function in banks' published by Basel Committee on Banking Supervision and RBI Circular





## CORPORATE GOVERNANCE REPORT (Contd.)

on 'Concurrent Audit System'. Audit and Inspection Policy is reviewed annually. Policy is reviewed considering various guidelines of RBI, Basel Committee recommendations, ICAI guidelines, other statutory / regulatory guidelines, directions of Board / Audit Committee of the Board issued from time to time and periodic internal guidelines / instructions issued by the Bank. Risk based Audit framework is reviewed in line with the present business model and industry best practices. At the enterprise level, the Internal Audit Department, on a continuous basis, assesses and monitors the effectiveness of the control systems and its adequacy to meet the growing complexities. The audit function essentially validates the compliance of Bank's processes and operations with regulatory guidelines, accounting procedures and Bank's own internal rules and guidelines. A department level group meets on periodical intervals to discuss latest internal / RBI / regulatory guidelines for ensuring that the required changes are implemented for making the audit function updated and dynamic.

The Bank has a robust system towards escalating the audit findings to appropriate levels in the hierarchy of Management and discussions in various committees towards suggesting corrective action and its follow up. The Bank in compliance of the requirements of Section 138 of the Companies Act, 2013, has designated the Head of Internal Audit Department as Chief Internal Auditor of the Bank. Chief Internal Auditor of the Bank directly reports to the Managing Director & CEO of the Bank. Audit Committee of the Board reviews the adequacy and effectiveness of the Internal Audit Function. The Bank has various types of audits which inter-alia include Risk Based Internal Audit, Information System Audit, Third Party Risk Audit, Offsite Audit (audit through use of technology and data analysis), Concurrent Audit, Gold Loan Audit and Management Audit. Branches / Departments are risk rated and the frequency of Risk Based Internal Audit / Management Audit is decided based on the Risk Rating of the unit. Significant Audit findings and observations are presented to Inspection Review Committee of Executives and a report on the meetings of Inspection Review Committee of Executives along with significant audit findings, directions / suggestions of the Committee and action taken in such cases are placed to the Audit Committee of the Board for review periodically. Other findings are placed before a department level committee

called the 'Inspection Department Review Committee' for review and its observations are placed before Inspection Review Committee of Executives.

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

The Internal Audit function provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management protect the bank and its reputation.

### N. DISCLOSURES IN RELATION TO THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The disclosure regarding the complaints of sexual harassment is given in the Board's Report.

### O. FEES PAID TO STATUTORY AUDITORS

The total fees incurred by the Bank and its subsidiaries on a consolidated basis, for services rendered by Joint Statutory Central Auditors (M/s. Varma & Varma and M/s Borkar & Muzumdar) and its affiliates entities, is given below:

(₹ in Crore)	
Particulars	FY 2022-23
Audit Fee*	5.26
Reimbursement of Expenses	0.26

\*Includes fee for certification and other matters

### P. CREDIT RATINGS AND CHANGE/ REVISIONS IN CREDIT RATINGS FOR DEBT INSTRUMENTS

Details of Credit Ratings obtained by your Bank during the financial year are as follows;

- CRISIL A1+ for the Certificate of Deposit Programme of the Bank
- CRISIL A1+ for the Short Term Fixed Deposits of the Bank
- CRISIL AA+ (Stable) for Fixed Deposit Programme of the Bank





## CORPORATE GOVERNANCE REPORT (Contd.)

- CARE AA (Positive) [Double A, Outlook: Positive] for the Tier II bonds (Under Basel III)
- IND AA/Positive by India Rating and Research for the Tier II bonds (Under Basel III)

There was no revision in the rating during review period as compared to previous year. However, the outlook for Tier II bonds rating was upgraded from stable to positive.

### Q. DEBENTURE TRUSTEES

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

IDBI Trusteeship Services Limited,

Universal Insurance Building,

Ground Floor, Sir P.M. Road,

Fort, Mumbai – 400001

- For ₹ 700 CR Issuance bearing ISIN INE171A08032 issued on 20-01-2022:
- For ₹ 995 CR Issuance bearing ISIN INE171A08040 issued on 29-03-2023

Beacon Trusteeship Limited

4C & D Siddhivinayak Chambers,

Gandhi Nagar,

Opp MIG Cricket Club,

Bandra East, Mumbai - 400051

- For ₹ 300 CR Issuance bearing ISIN INE171A08024 issued on 20-06-2019:

### R. OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

The Bank has 2,53,61,023 GDRs (equivalent to equity shares) outstanding, which constituted 1.198% of the Bank's paid up capital as of March 31, 2023.

### S. COMPLIANCE WITH MANDATORY REQUIREMENTS

The Bank has complied with all applicable mandatory requirements of the SEBI Listing Regulations during the financial year 2022-23. Quarterly compliance report on Corporate Governance, in the prescribed format, duly signed by the compliance officer, is submitted regularly

with the Stock Exchanges where the shares of the Bank are listed. The required disclosures under SEBI Listing Regulations are detailed under various portions of Directors Report and Corporate Governance Report and compliance has been ensured.

## ADOPTION OF DISCRETIONARY REQUIREMENTS

### A. MODIFIED OPINION(S) IN AUDIT REPORT

The Auditors have expressed an unmodified opinion in their report on the financial statements of the Bank.

### B. SEPARATE POSTS OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Bank has also complied with the adoption of non-mandatory requirement on separate posts of Chairman and Chief Executive Officer. Mr. C Balagopal, Independent Director is the Part time Chairman and Mr. Shyam Srinivasan is the Managing Director & CEO of the Bank as on March 31, 2023.

### C. REPORTING OF INTERNAL AUDITOR

The Internal Auditors of the Bank report directly to the Audit Committee of the Bank.

### D. SHAREHOLDERS RIGHTS

Financial Results are uploaded on the Bank's website [www.federalbank.co.in](http://www.federalbank.co.in).

## MEANS OF COMMUNICATION

### A. FINANCIAL RESULTS

The quarterly, unaudited and annual audited Standalone & Consolidated financial results were published in Financial Express and Deepika Daily. The results were also displayed on the Bank's website, [www.federalbank.co.in](http://www.federalbank.co.in).

### B. NEWS RELEASES/ PRESENTATIONS

As a part of good governance, official press releases, results, webcasts, analyst presentations are displayed on the Bank's website, [www.federalbank.co.in](http://www.federalbank.co.in). We encourage investors to visit our website for reading the documents.

### C. EARNINGS CALLS, AND INVESTOR PRESENTATIONS:

The Bank conducts regular earnings calls to discuss its financial performance and outlook with investors and analysts. In addition, it attends investor conferences and investor/ analyst meets, schedule whereof is submitted to Stock Exchange and are published on website.



## CORPORATE GOVERNANCE REPORT (Contd.)

### D. WEBSITE

The Bank's website, [www.federalbank.co.in](http://www.federalbank.co.in) contains a separate section 'Investor Relations' for use of investors. The quarterly, half yearly and annual financial results, official news releases and presentations made to institutional Investors and to analysts are promptly and prominently displayed on the website. Annual Reports, Quarterly Corporate Governance Report, Shareholding Pattern and other Corporate Communications made to the Stock Exchanges are also available on the website. Annual Report of subsidiary Companies is also posted on the website.

The 'Investor Relations' section provides the details of unclaimed dividends warrants for dividends declared up to the financial year ended March 31, 2023, to help shareholders to claim the same. In addition, various downloadable forms required to be executed by the shareholders have also been provided on the website.

Share price page are also provided in 'Investor Relations' section. Share price page includes, inter alia, real time updates on stock price, stock movement, historical share price data etc.

### E. COMMUNICATION TO SHAREHOLDERS ON E-MAIL

Documents like Notices, Annual Report etc. are sent to the shareholders at their email address, as registered with their Depository Participants/ Company/ Registrar and Transfer Agents (RTA). This helps in prompt delivery of document, reduce paper consumption and avoid loss of documents in transit. Members who have not yet registered their email id (including those who wish to change their already registered email id) may get the same registered/ updated either with their depositories or by writing to the Bank/ RTA.

### F. REMINDERS TO SHAREHOLDERS

Reminders for claiming unclaimed shares lying with the Bank which are liable to be transferred to the Investor Education and Protection Fund Authority are sent to the Shareholders as per Bank records.

### G. NEAPS (NSE ELECTRONIC APPLICATION PROCESSING SYSTEM) AND BSE LISTING CENTRE

NSE and BSE have developed web based applications for Corporates. All compliances like financial results, Shareholding Pattern and Corporate Governance Report, etc., are filed electronically on NEAPS/ BSE Listing centre.

### H. SCORES (SEBI COMPLAINTS REDRESSAL SYSTEM)

SEBI processes investor complaints in a centralized web based complaints redressal system i.e., SCORES. Through this system a shareholder can lodge complaint against a Company for his grievance. The Bank uploads the action taken on the complaint which can be viewed by the shareholder. The Bank and shareholder can seek and provide clarifications online through SCORES.

### I. SOCIAL MEDIA:

The Bank utilises social media platforms to engage with its stakeholders and provide updates on various activities.

## GENERAL INFORMATION FOR SHAREHOLDERS

### A. COMPANY REGISTRATION DETAILS

The Bank is registered in Kerala, India. The Corporate Identification Number (CIN) allotted by the Ministry of Corporate Affairs (MCA) is L65191KL1931PLC000368.

### B. ANNUAL GENERAL MEETING

Date: August 18, 2023; Time: 11.00 AM;

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

### C. FINANCIAL CALENDAR

Financial Year: April 01, 2022 to March 31, 2023

For the financial year ended March 31, 2023, results were announced on:

- First Quarter: July 15, 2022
- Second Quarter: October 14, 2022
- Third Quarter: January 16, 2023
- Fourth Quarter & Annual: May 05, 2023

### D. BOOK CLOSURE

The dates of Book Closure are from August 12, 2023 to August 18, 2023 (both days inclusive).

### E. DIVIDEND PAYMENT DATE:

If the final dividend of 50% per equity share of Re.1 each, as recommended by the Board of Directors, is approved at the AGM, payment of such dividend subject to deduction of tax at source will be made on or after August 24, 2023 by way of electronic mode or through physical dividend warrants.





CORPORATE GOVERNANCE REPORT (Contd.)

**F. DATES FOR TRANSFER OF UNCLAIMED DIVIDEND TO INVESTORS EDUCATION AND PROTECTION FUND (IEPF)**

Pursuant to Section 124 of the Companies Act, 2013, final dividend for the financial year 2014- 15 amounting to ₹ 1,11,64,280.60/- which remained unpaid /unclaimed for a period of seven years from the date it was lying in the unpaid dividend account, has been transferred by the Bank to the Investors Education and Protection Fund (IEPF) of the Central Government on August 08, 2022.

The dividend for following years (see table below), which remains unclaimed for seven years from the date it was lying in the unpaid dividend account of the Bank, will be transferred to the IEPF in accordance with the schedule

Financial Year	Type of Dividend	Dividend rate %	Date of Declaration	Due date for transfer to IEPF
2015-16	Final	35	August 11, 2016	September 17, 2023
2016-17	Final	45	July 14, 2017	August 16, 2024
2017-18	Final	50	August 10, 2018	September 12, 2025
2018-19	Final	70	July 25, 2019	August 30, 2026
2020-21	Final	70	July 09, 2021	August 09, 2028
2021-22	Final	90	July 27, 2022	August 26, 2029

**G. MANDATORY TRANSFER OF SHARES TO DEMAT ACCOUNT OF INVESTORS EDUCATION AND PROTECTION FUND AUTHORITY (IEPFA) IN CASE OF UNPAID/ UNCLAIMED DIVIDEND ON SHARES FOR A CONSECUTIVE PERIOD OF SEVEN YEARS**

In terms of Section 124(6) of the Companies Act, 2013 read with Rule 6 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, (as amended from time to time) shares on which dividend has not been paid or claimed by a shareholder for a period of seven consecutive years or more shall be credited to the Demat Account of Investor Education and Protection Fund Authority (IEPFA) within a period of thirty days of such shares becoming due to be so transferred. Upon transfer of such shares, all benefits (like bonus, etc.), if any, accruing on such shares shall also be credited to such Demat Account and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. Shares which are transferred to the Demat Account of IEPFA can be claimed back by the shareholder from IEPFA by following the procedure prescribed under the aforesaid rules. Therefore, it is in the

given below. Shareholders who have not encashed their dividend warrants relating to the dividends specified below are requested to immediately send their request for issue of duplicate warrants/ for credit to their bank account with requisite documents. The details of dividends specified below are available on the website of the Bank, [www.federalbank.co.in](http://www.federalbank.co.in). Once unclaimed dividends are transferred to IEPF, no claim shall lie in respect thereof with the Bank. However, shareholders may claim their unclaimed amount as per the procedures/guidelines issued by the Ministry of Corporate Affairs (MCA). For details, Investors can visit the website of IEPF Authority viz., [www.iepf.gov.in](http://www.iepf.gov.in).

interest of shareholders to regularly claim the dividends declared by the Bank.

Consequent to the above, during the financial year 2022-23, 2,88,095 equity shares of the Bank were transferred to the IEPFA. Relevant details of such shares are available on the website of the Bank, [www.federalbank.co.in](http://www.federalbank.co.in).

**H. LISTING**

At present, the equity shares of the Bank are listed at:

- **BSE Limited (BSE)**  
Address: Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400 001
- **National Stock Exchange of India Limited (NSE)**  
Address: Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E)

The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange, 10 Paternoster Sq., London EC4M 7LS, United Kingdom.

The Bank's shares were also listed in Cochin Stock Exchange, but as per exit order granted by SEBI to Cochin Stock Exchange Limited vide, order dated December 23, 2014, the Banks shares are no more listed/traded in Cochin Stock Exchange.



CORPORATE GOVERNANCE REPORT (Contd.)

**I. BANK'S STOCK EXCHANGE CODE**

BSE Scrip Code : 500469 (Scrip ID: FEDBANK)

NSE Symbol : FEDERALBNK

LSE Scrip Code : FEDS

Demat ISIN Code : INE171A01029

The annual listing fees up to the financial year 2023-24 to BSE and NSE has been paid.

The Bank have paid the custodial fees to the NSDL and CDSL as per the SEBI Circular CIR/MRD/DP/05 2011 dated April 27, 2011 for the FY 2023-24.

**J. EQUITY EVOLUTION DURING THE YEAR**

As of March 31, 2023, the paid-up share capital of the Bank was ₹ 4,23,24,02,286/- consisting of 2,11,62,01,143 equity shares of ₹ 2/- each. Details of equity evolution of the Bank during the year under review is as under;

<b>Allotment of Equity Shares pursuant to exercise of ESOS/ Preferential Allotment (Face Value per Share is ₹ 2/-)</b>	
April 11, 2022	2,25,930
April 19, 2022	97,712
April 25, 2022	97,955
April 30, 2022	49,703
May 07, 2022	55,684
May 16, 2022	75,468
May 23, 2022	2,67,844
May 30, 2022	36,558
June 03, 2022	38,638
June 08, 2022*	17,500
July 02, 2022	1,09,728
July 07, 2022	31,163
July 15, 2022	33,505
July 25, 2022	1,42,127
August 01, 2022	4,25,707
August 09, 2022	3,73,180
August 16, 2022	4,49,215
August 22, 2022	3,15,433
August 29, 2022	4,56,840
September 05, 2022	7,13,122
September 13, 2022	19,98,850

<b>Allotment of Equity Shares pursuant to exercise of ESOS/ Preferential Allotment (Face Value per Share is ₹ 2/-)</b>	
September 20, 2022	7,27,148
September 27, 2022	2,67,525
October 01, 2022	2,76,380
October 10, 2022	49,758
October 17, 2022	3,16,375
October 25, 2022	799892
October 31, 2022	5,87,853
November 08, 2022	8,07,692
November 15, 2022	4,81,838
November 21, 2022	3,01,703
December 02, 2022	367665
December 09, 2022	3,32,312
December 17, 2022	3,27,662
December 23, 2022	1,69,010
December 31, 2022	1,99,320
January 06, 2023	1,81,868
January 14, 2023	1,83,489
January 22, 2023	2,24,808
January 31, 2023	1,57,710
February 02, 2023	1,51,209
February 13, 2023	85,290
February 22, 2023	1,60,286
February 27, 2023	78,191
March 04, 2023	1,38,287
March 13, 2023	1,26,683
March 20, 2023	1,42,954

\* During the year under review, 17,500 Fully Paid Equity Shares of ₹ 2/- each issued as Rights Shares were allotted which were earlier kept in abeyance.

**K. STOCK MARKET DATA**

**a. Market price data- high, low during each month in the Financial Year 2022-23**

Monthly high and low quotations for each month during the Financial Year 2022-23 at the National Stock Exchange of India Limited and the BSE Limited, are as follows:



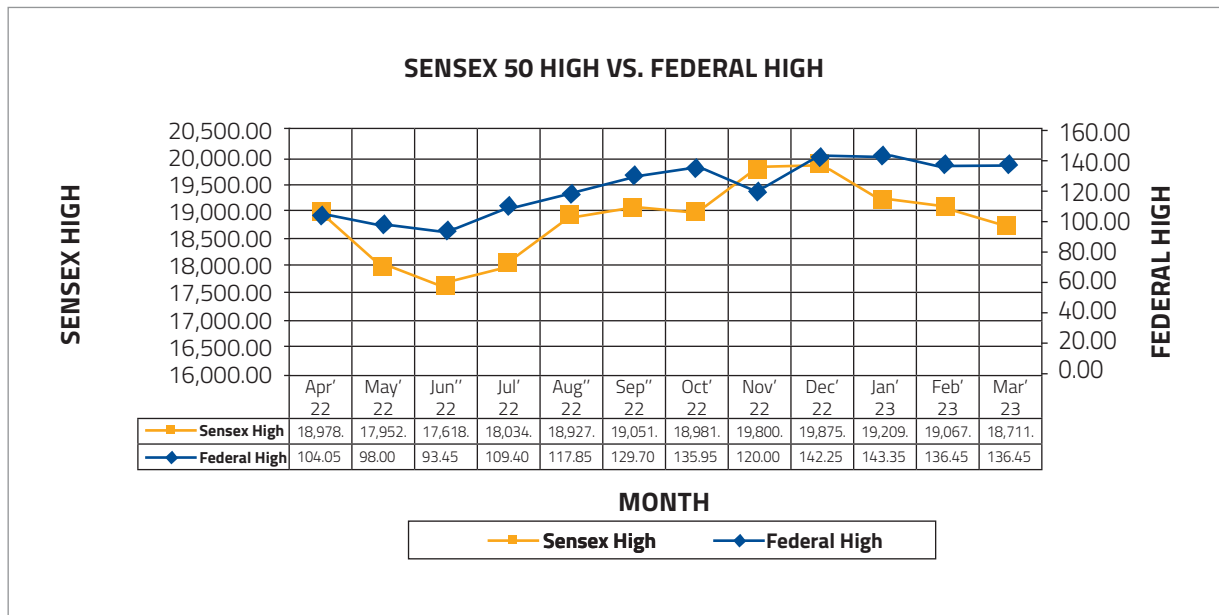




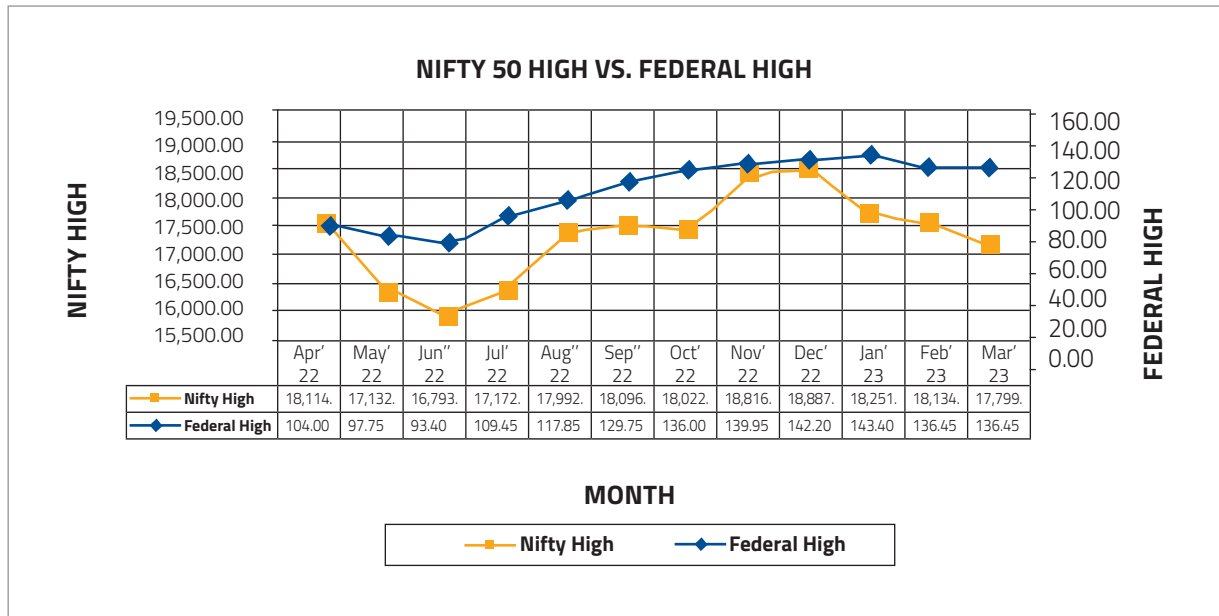
CORPORATE GOVERNANCE REPORT (Contd.)

NSE			BSE		
Month	High	Low	Month	High	Low
Apr '22	104.00	93.70	Apr '22	104.05	93.75
May '22	97.75	82.50	May '22	98.00	82.50
Jun '22	93.40	84.00	Jun '22	93.45	84.00
Jul '22	109.45	89.30	Jul '22	109.40	89.30
Aug '22	117.85	105.20	Aug '22	117.85	105.00
Sep '22	129.75	109.45	Sep '22	129.70	109.50
Oct '22	136.00	115.90	Oct '22	135.95	115.90
Nov '22	139.95	130.20	Nov '22	120.00	130.20
Dec '22	142.20	120.90	Dec '22	142.25	120.90
Jan '23	143.40	129.40	Jan '23	143.35	129.45
Feb '23	136.45	124.10	Feb '23	136.45	124.25
Mar '23	136.45	123.65	Mar '23	136.45	123.55

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



CORPORATE GOVERNANCE REPORT (Contd.)



**L. DISTRIBUTION OF SHAREHOLDING**

Details of distribution of shareholding of the equity shares of the Bank by size and by ownership class on March 31, 2023 along with Shareholders holding more than 1% of shares of the Bank is given below:

**Shareholding pattern by ownership as on March 31, 2023**

Value	Total number of share holders	% of Shareholders	Total Value (₹)	% of shares
Upto 5000	728478	96.57	129139406	6.10
5001 - 10000	12897	1.71	46737458	2.21
10001 - 20000	7189	0.95	51524807	2.43
20001 - 30000	2269	0.30	27914682	1.32
30001 - 40000	936	0.12	16701394	0.79
40001 - 50000	559	0.07	12745670	0.60
50001 - 100000	1052	0.14	37187884	1.76
ABOVE 100001	1045	0.14	1794249842	84.79
<b>TOTAL</b>	<b>754425</b>	<b>100.00</b>	<b>2116201143</b>	<b>100.00</b>





CORPORATE GOVERNANCE REPORT (Contd.)

Share holder Category	No of Shares	%
Mutual Funds	710747287	33.59
Financial Institutions/Bank/Insurance Companies	169953220	8.03
Foreign Portfolio Investor & Foreign Institutional Investor	563063997	26.61
Corporate Bodies	33047969	1.56
Individual (including NRIs)	533068191	25.19
NBFCs Registered with RBI	166650	0.01
Central Govt/ State Govt/ President of India	7410	0.00
Any Other (Trust, Alternate Investment funds, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate, LLP, Clearing Member)	80785396	3.81
No. of shares underlying Depository Receipts	25361023	1.20
<b>Total no. of shares held</b>	<b>2116201143</b>	<b>100.00</b>

**Shareholders holding more than 1% as on March 31, 2023**

S.NO	NAME	SHARES	%
1	HDFC Mutual Fund	95887167	4.53
2	Yusuffali Musaliam Veettil Abdul Kader	75200640	3.55
3	ICICI Prudential Mutual Fund	71035001	3.36
4	Mirae Asset Mutual Fund	70550124	3.33
5	HDFC Standard Life Insurance Company Limited	58445902	2.76
6	Rekha Jhunjunwala	48213440	2.28
7	TATA AIA Life Insurance Company Limited	45451568	2.15
8	Aditya Birla Sun Life Mutual Fund	45282458	2.14
9	Kotak Mahindra Mutual Fund	44583356	2.11
10	Nippon Life India Trustee	42963781	2.03
11	DSP Mutual Fund	41962565	1.98
12	IFC Emerging Asia Fund, LP	36696238	1.73
13	IFC Financial Institutions Growth Fund, LP	36696238	1.73
14	HSBC Mutual Fund	36241800	1.71
15	UTI Mutual Fund	33648246	1.59
16	Bank Muscat India Fund	33351210	1.58
17	International Finance Corporation	31453918	1.49
18	Sundaram Mutual Fund	30648892	1.45
19	Kotak Funds - India Midcap Fund	28951825	1.37
20	PGIM India Trustees Private Limited A/C Pgim India Elss Tax Saver Fund	25496857	1.20
21	Deutsche Bank Trust Company Americas	25361023	1.20
22	Franklin Templeton Mutual Fund	24969927	1.18
23	Zerodha Broking Limited	24828512	1.17
24	Rakesh Jhunjunwala	24500000	1.16
25	TATA Mutual Fund	23111466	1.09
26	SBI Mutual Fund	22677543	1.07
27	Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International E	21992916	1.04



## CORPORATE GOVERNANCE REPORT (Contd.)

**M. DEMATERIALIZATION OF THE BANK'S SHARES**

The Paid up Equity Shares of the Bank as on March 31, 2023 is 2,11,62,01,143 shares. Out of this 2,11,52,07,468 shares are listed. Of the total paid up equity shares of the Bank, 1,80,43,77,562 shares (85.26%) are held in dematerialized form in NSDL, 29,58,30,451 (13.98%) in CDSL and 1,59,93,130 (0.76%) are in physical form. Under agreements with National Securities Depository India Limited (NSDL) and Central Depository Services Limited (CDSL), the Bank's shares can be and are traded in electronic form. The equity shares of the Bank are frequently traded at BSE Limited and National Stock Exchange of India Limited

**N. REGISTRAR AND TRANSFER AGENT**

SEBI vide Regulation 7 of the SEBI Listing Regulations has mandated that where the total number of security holders of the Company exceeds one Lakh, the Company shall register with SEBI as a Category II Share Transfer Agent for all work related to share registry or appoint a Registrar to an Issue and Transfer Agent registered with SEBI. The Bank had appointed Integrated Registry Management Services Private Limited as its RTA for both segments, physical and electronic, much before this was mandated by SEBI.

As required under Regulation 7(3) of the SEBI Listing Regulations, the Bank files, on yearly basis, certificate issued by RTA and compliance officer of the Company certifying that all activities in relation to share transfer facility are maintained by RTA registered with SEBI i.e., Integrated Registry Management Services Private Limited.

**Details of the RTA are given below-**

Integrated Registry Management Services Private Limited  
2nd Floor, Kences Towers, No.1, Ramakrishna Street,  
Off: North Usman Road, T. Nagar, Chennai-600017  
Phone No: 044-28140801-03  
Fax: 044-28142479, Email: [csdstd@integratedindia.in](mailto:csdstd@integratedindia.in)

**O. SHARE TRANSFER SYSTEM**

The Bank has a Board-level Stakeholders' Relationship Committee to examine and redress investors' complaints. As mandated by SEBI, securities of the Bank can be transferred /traded only in dematerialized form. Further,

SEBI vide its circular dated January 25, 2022, mandated that all service requests for issue of duplicate certificate, claim from unclaimed suspense account, renewal/exchange of securities certificate, endorsement, subdivision/splitting/consolidation of certificate, transmission and transposition which were allowed in physical form should be processed in dematerialized form only. Shareholders who hold shares in physical form are advised to convert them into dematerialized mode to avoid the risk of losing shares, fraudulent transactions, and to receive better investor servicing. Only valid transmission or transposition cases that comply with the SEBI guidelines will be processed by the RTA of the Bank.

SEBI vide its Circular SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2021/655 dated November 3, 2021 read with SEBI Circular SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2021/687 dated December 14, 2021 and SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2023/37 dated March 16, 2023 had mandated investors holding securities in physical mode of listed companies to furnish below details:

1. Valid PAN including that of joint shareholders duly linked with Aadhaar
2. Nomination
3. Postal Address with Pin code, Email id and Mobile Number
4. Bank Account details (Bank Name, Branch, Bank Account No, IFSC Code and MICR code)
5. Specimen Signature

The necessary forms for the above request are available on the website of the Bank under Shareholders Information tab and Registrar and Transfer Agent in <https://www.integratedindia.in/Corporate-Container.aspx> under RTI/STA tab.

Shareholders holding shares in physical form are advised to avail the facility of dematerialization.

Shareholders should communicate with Integrated Registry Management Services Limited, the Bank's Registrars & Share Transfer Agent at [csdstd@integratedindia.in](mailto:csdstd@integratedindia.in) quoting their folio number or Depository Participant ID and Client ID number, for any queries relating to their securities.





CORPORATE GOVERNANCE REPORT (Contd.)

The Bank has delivered/ sent share certificates/ letter of confirmation as per SEBI Circular No. SEBI/HO/MIRSD/ MIRSD\_RTAMB/P /CIR/2022/8 dated January 25, 2022, for execution of transmission of securities and for the issue of duplicate certificates received during the financial year ended March 31, 2022, within the prescribed time from the respective date of lodgment. The Bank obtains, from a company secretary in practice, yearly certificate of compliance with the share transfer/ transmission or transposition of securities formalities as required under Regulation 40(9) of the SEBI Listing Regulations, and the Bank files a copy of the same with the Stock Exchanges. Shareholders are advised to refer the latest SEBI guidelines/ circular issued for all the holder holding securities in listed companies in physical form from time to time and keep their KYC detail updated all the time to avoid freezing their folio as prescribed by SEBI.

**P. COMPLIANCE WITH SECRETARIAL STANDARDS**

The Institute of Company Secretaries of India has mandated compliance with the Secretarial Standards on board meetings and general meetings. During the year under review, the Company has complied with the applicable Secretarial Standards.

**Q. BANK'S REGISTERED OFFICE ADDRESS**

The Federal Bank Limited, PB No. 103, Federal Towers, Head Office, Aluva – 683 101, Kerala State, India

The Bank has a network of 1355 Branches across India as on March 31, 2023.

Address for correspondence:

Contact information of Bank's designated official for assisting and handling of investor grievance	Company Secretary and Compliance officer Secretarial Department The Federal Bank Limited C Wing, 2nd Floor, Laxmi Towers Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra - 400051 Ph.: 022 - 68778341 Email: <a href="mailto:secretarial@federalbank.co.in">secretarial@federalbank.co.in</a>
Registrars and Transfer Agents	Integrated Registry Management Services Private Limited 2nd Floor, Kences Towers, No.1,Ramakrishna Street, Off: North Usman Road, T.Nagar, Chennai- 600 017. Ph.No: 044-28140801-03; Fax: 044-28142479 Email : <a href="mailto:csdstd@integratedindia.in">csdstd@integratedindia.in</a>

**R. GREEN INITIATIVE**

As a responsible corporate entity, the Bank wholeheartedly endorses and supports the 'Green Initiative' launched by the Ministry of Corporate Affairs, Government of India. This initiative facilitates electronic delivery of documents, including the Annual Report, quarterly and half-yearly results, and other such documents, to shareholders' registered e-mail addresses with their DPs or with the Bank or its RTA. We urge shareholders who have not yet registered their e-mail addresses to do so without delay. Shareholders who hold shares in Demat form can register their e-mail address with their respective DPs. For shareholders who hold shares in physical form, we kindly request that they register their e-mail addresses with the RTA by sending a signed letter, quoting their Folio Number details.

**CERTIFICATION BY MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER OF THE COMPANY  
DECLARATION ON CODE OF CONDUCT**

In compliance with the requirements of the Regulation 26(3) of SEBI Listing Regulations, 2015 this is to confirm that all the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 2023.

Place : Aluva  
Date : 30.06.2023

Sd/-  
**Shyam Srinivasan**  
Managing Director & Chief Executive Officer  
The Federal Bank Limited







## CORPORATE GOVERNANCE REPORT (Contd.)

**CEO/ CFO CERTIFICATE**

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

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2023 and that to the best of our knowledge and belief:
1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  2. these statements together present a true and fair view of Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violate of the Bank's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the Auditors and the Audit committee:
1. significant changes in internal control over financial reporting during the year;
  2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

Sd/-

**Venkatraman Venkateswaran**  
Chief Financial Officer

Sd/-

**Shyam Srinivasan**  
Managing Director & CEO

Place: Aluva

Date : 30.06.2023





CORPORATE GOVERNANCE REPORT (Contd.)

**Annexure – 1**

**DETAILS OF OTHER DIRECTORSHIPS HELD**

Name of the Director	Status	Directorship*	Category	Committee Membership	Committee Chairmanship
Mr. C Balagopal	ID	<b>Unlisted Public Company</b>			
		Kerala Infrastructure Fund Management Limited	Nominee Director	Nil	Nil
Mr. A P Hota	ID	<b>Unlisted Public Companies</b>			
		IDBI Intech Limited	ID		Audit Committee
		Motilal Oswal Asset Management Company	ID	Audit Committee	
		Protean eGov Technologies Limited (formerly NSDL e-Gov Infrastructure Limited)	ID		Audit Committee
		Federal Operations and Services Limited	Chairman & ID	Nil	Nil
Mr. Siddhartha Sengupta	ID	<b>Unlisted Public Companies</b>			
		Standard Chartered Investments and Loans (India) Limited	ID	Audit Committee	Nil
		Centrum Financial Services Limited	ID	Nil	Audit Committee
		Legal Entity Identifier India Limited	Additional Director (Professional Category)	Nil	Nil
		IIFL Trustee Limited	ID	Nil	Audit Committee
CA Manoj Fadnis	ID	<b>Listed Companies</b>			
		India International Bullion Exchange IFSC Limited	Public Interest Director	Audit Committee	Nil
Mr. Sudarshan Sen	ID	<b>Listed Companies</b>			
		Kriti Nutrients Limited	ID	Stakeholders Relationship Committee	Audit Committee
		Kriti Industries ( India) Limited	ID	Nil	Audit Committee
		Yes Securities (India) Limited	ID	Nil	Audit Committee
		Kriti Auto & Engineering Plastics Private Limited {wholly owned subsidiary of Kriti Industries ( India) Limited}	ID	Nil	Nil
Ms. Varsha Purandare	ID	<b>Listed Company</b>	ID		
		PNB Housing Finance Limited		Audit Committee	Nil
Ms. Varsha Purandare	ID	<b>Listed Companies</b>			
		Deepak Fertilizers and Petrochemicals Corporation Limited	ID	Nil	Nil
		Orient Cement Limited	ID	Audit Committee	Stakeholders Relationship Committee
		Tata Capital Limited (Only Debt Securities are listed)	ID	Nil	Audit Committee
		Tata Capital Financial Services Limited (Only Debt Securities are listed)	ID	Nil	Audit Committee
		<b>Unlisted Public Companies</b>			
		Tata Cleantech Capital Limited	ID	Audit Committee	Nil
		Tata Motors Finance Limited	ID	Audit Committee	Nil
		Tata Motors Finance Solutions Limited	ID	Nil	Audit Committee
		TMF Holdings Limited	ID	Audit Committee	Nil
Tata Play Limited	ID	Nil	Audit Committee		
Mr. Sankarshan Basu	ID	Nil	Nil	Nil	Nil
Mr. Ramanand Mundkur	ID	Nil	Nil	Nil	Nil
Mr. Shyam Srinivasan	ED	<b>Unlisted Public Companies</b>			
		Ageas Federal Life Insurance Company Limited	NED	Nil	Nil
Mr. Ashutosh Khajuria	ED	<b>Unlisted Public Company</b>			
		Fedbank Financial Services Limited	Nominee Director	Audit Committee	Nil
Ms. Shalini Warriar	ED	<b>Unlisted Public Company</b>			
		Ageas Federal Life Insurance Co. Limited	NED	Audit Committee	Nil

\*Directorship in unlisted public and listed Companies are only considered.

\*Committee Membership in Audit and Stakeholder Relationship Committee are only considered





## CORPORATE GOVERNANCE REPORT (Contd.)

**INDEPENDENT AUDITOR CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE**

To  
The Members,  
**The Federal Bank Limited**

1. We have examined the compliance of conditions of Corporate Governance by The Federal Bank Limited ('the Bank'), for the financial year ended on March 31, 2023, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as the "Listing Regulations") as amended from time to time.

**MANAGEMENT'S RESPONSIBILITY**

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations. Responsibility also includes collecting, collating and validating data and designing, implementing and monitoring of Corporate Governance process suitable for ensuring compliance with the above mentioned Listing Regulations.

**OUR RESPONSIBILITY**

3. Pursuant to the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Bank has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended March 31, 2023.
4. We have examined the compliance of conditions of Corporate Governance by the Bank for the period April 01, 2022 to March 31, 2023 as per the Listing Regulations. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring compliance with the conditions of the Corporate Governance for the period April 01, 2022 to March 31, 2023. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

**OPINION**

5. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C and D of Schedule V to the Listing Regulations during the financial year ended March 31, 2023.
6. We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

**RESTRICTION ON USE**

7. The certificate is addressed and provided to the members of the Bank solely for the purpose to enable the Bank to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose.

For **SEP & Associates**  
Company Secretaries  
(Peer Review Certificate no. 2763/2022)

UDIN: F003050E000658861

**CS Puzhankara Sivakumar**  
Managing Partner  
COP: 2210, FCS: 3050

Date : 21.07.2023  
Place: Kochi





CORPORATE GOVERNANCE REPORT (Contd.)

**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI  
(Listing Obligations and Disclosure Requirements) Regulations, 2015)

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

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of The Federal Bank Limited having CIN: L65191KL1931PLC000368 having registered office at Federal Towers, P B No. 103, Alwaye, Kerala -683101 (hereinafter referred to as the "Bank"), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Bank & its officers, we hereby certify that none of the Directors on the Board of the Bank as stated below, for the Financial Year ended on March 31, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sl. No	Name of the Director	DIN	Initial Date of Appointment in the Company
1	Mr. Abhaya Prasad Hota	02593219	January 15, 2018
2	Mr. Siddhartha Sengupta	08467648	June 13, 2019
3	CA Manoj Fadnis	01087055	June 13, 2019
4	Mr. Sudarshan Sen	03570051	February 11, 2020
5	Ms. Varsha Vasant Purandare	05288076	September 08, 2020
6	Mr. Sankarshan Basu	06466594	October 01, 2021
7	Mr. Ramanand Mundkur	03498212	October 01, 2021
8	Mr. Shyam Srinivasan	02274773	September 23, 2010
9	Ms. Shalini Warriar	08257526	January 15, 2020
10	Mr. Harsh Dugar	00832748	June 23, 2023

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion on this based on our verification. While forming opinion on issuance of this certificate we have also taken into consideration independent legal opinion wherever there was a scope for multiple interpretations. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For **SEP & Associates**  
Company Secretaries  
(Peer Review Certificate no. 2763/2022)

UDIN: F003050E000658815

**CS Puzhankara Sivakumar**  
Managing Partner  
COP: 2210, FCS: 3050

Date : 21.07.2023  
Place: Kochi



# BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING

## SECTION: A GENERAL DISCLOSURE

### I. DETAILS OF LISTED ENTITY

1	Corporate Identity Number (CIN) of the Listed Entity	L65191KL1931PLC000368
2	Name of the Listed Entity	THE FEDERAL BANK LIMITED
3	Year of incorporation	1931
4	Registered office address	FEDERAL TOWERS, P B NO 103, ALUVA, ERANAKULAM, KERALA, 683101, INDIA
5	Corporate address	FEDERAL TOWERS, P B NO 103, ALUVA, ERANAKULAM, KERALA 683101, INDIA
6	E-mail	secretarial@federalbank.co.in
7	Telephone	+91-484 2623620-29
8	Website	www.federalbank.co.in
9	Financial year for which reporting is being done	2022-23
10	Name of the Stock Exchange(s) where shares are listed	Equity shares of the Bank are listed at: 1. Bombay Stock Exchange Limited (BSE) 2. National Stock Exchange of India Limited (NSE) 3. The Global Depository Receipts (GDRs) issued by the Bank in 2006 have been listed on the London Stock Exchange
11	Paid-up Capital	₹ 423.24 Crore as on March 31, 2023
12	Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report	Mr. Ajithkumar A Vice President & Head- Market Risk and ESG 0484-2634305 Email- esg@federalbank.co.in
13	Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together)	Standalone basis

### II. PRODUCTS AND SERVICES

14. Details of business activities (accounting for 90% of the turnover):

S. No	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
1	Financial and Insurance Service	Banking activities by Central, Commercial and Saving banks	100%

15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover):

S No.	Product/Service	NIC Code	% of total Turnover contributed
1	Banking services and Financial services	64191	100%

### III. OPERATIONS

16. Number of locations where plants and/or operations/offices of the entity are situated

Location	Number of plants	Number of offices	Total
National	Not Applicable	1355 <sup>^</sup>	1355
International	Not Applicable	3 <sup>#</sup>	3

<sup>^</sup> No of branches

<sup>#</sup> This includes IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City) which is considered as overseas branch and two representative offices at Dubai & Abu Dhabi.







17. Market served by the entity

a. Number of Locations

Locations	Number
National (No. of States)	30 (25 states, Delhi NCT and 4 union territories)
International (No. of Countries)	1*

\* Representative offices in UAE.

b. What is the contribution of exports as a percentage of the total turnover of the entity?

Not Applicable.

c. A brief on types of customers

Federal Bank is one of the leading private sector banks in India. The Bank offers a wide range of products and services to retail, micro, small and medium scale enterprises ("MSME"), agricultural and corporate customers through a variety of delivery channels. Bank's principal business activities are divided into five segments, namely Retail banking, SME banking (Business and Commercial Banking), Agricultural banking, Corporate & Institutional Banking and Treasury & other banking operations with a balanced portfolio mix across these segments.

The total customers serviced by the Bank as on March 31, 2023, was over 1.60 Crore. During the year Bank added more than 35 Lakh new customers to its fold. Customers in Rural and Semi-Urban branches constitute 75% of Bank's customers. The Bank is also having a strong NRI franchise, which enables the Bank to build granular deposits. During the year, Bank added more than 90,000 new NRI customers to the fold.

As of March 31, 2023, retail to wholesale advances ratio stood at 54:46. Bank's advances to Retail (personal) segment accounted for 32%, Agriculture advances accounted for 13%, Business Banking accounted for 8%, Commercial Banking accounted for 10%, CV/CE accounted for 1% and Corporate advances accounted for 36% of total gross advances. Bank has given added thrust in building a robust micro finance portfolio which has resulted in a growth of 223% on a YoY basis. Priority Sector lending as a percentage of Adjusted Net Banking Credit (ANBC) stood at 42.7%, a testimony to the Bank's commitment towards inclusive development. Over the years, Bank has built a strong base of distributed clientele, which has helped in building low-cost deposits and has been a source of strength for the liability portfolio. The total deposits in the fiscal year ending March 31, 2023, stood at ₹ 2,13,386 Crore. Total core deposits (Total Deposits excluding deposits from banks) to total deposit for the year ended March 31, 2023, stood at 98.8%. A large part of the deposit base is retail which indicates lower concentration risk for the Bank.

#### IV. EMPLOYEES

18. Details as at the end of Financial Year

a. Employees (including differently abled)

S No	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
<b>Employees</b>						
1	Permanent (D)	13,106	7,730	58.98	5,376	41.02
2	Other than Permanent (E)	351	161	45.87	190	54.13
3	<b>Total employees (D + E)</b>	<b>13,457</b>	<b>7,891</b>	<b>58.64</b>	<b>5,566</b>	<b>41.36</b>

Note: "Employee" defined under Sec 2(l) of the Industrial Relations Code, 2020, includes Officers, Clerical and Sub Staff. To avoid duplication, we have not reported anyone under workers, though Clerical and Sub Staff may also qualify under the definition of worker.



b. Differently abled Employees

S No	Particulars	Total (A)	Male		Female	
			No. (B)	% (B / A)	No. (C)	% (C / A)
<b>Differently Abled Employees</b>						
1	Permanent (D)	8	5	62.5	3	37.5
2	Other than Permanent (E)	-	-	-	-	-
3	<b>Total employees (D + E)</b>	<b>8</b>	<b>5</b>	<b>62.5</b>	<b>3</b>	<b>37.5</b>

19. Participation/Inclusion/Representation of women

	Total (A)	No. and percentage of Females	
		No. (B)	% (B / A)
Board of Directors	11	2	18.18
Key Management Personnel	5	1	20.00

Besides the Chairman, the Board comprises seven Non-Executive Independent Directors including one-woman Independent Director, a Managing Director & CEO and two Executive Directors including one-woman Executive Director.

20. Turnover rate for permanent employees. (Disclosure trends for the past 3 years)

	FY 2022-23			FY 2021-22			FY 2020-21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	7.09	5.21	6.32	6.50	4.90	5.85	4.14	2.96	3.67

**Turnover rate of permanent employees based on exit type:**

	FY 2022-23			FY 2021-22			FY 2020-21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Voluntary	3.90	3.54	3.75	2.80	2.71	2.76	1.42	1.53	1.47
Involuntary	3.19	1.67	2.57	3.70	2.19	3.09	2.72	1.43	2.20
<b>Total</b>	<b>7.09</b>	<b>5.21</b>	<b>6.32</b>	<b>6.50</b>	<b>4.90</b>	<b>5.85</b>	<b>4.14</b>	<b>2.96</b>	<b>3.67</b>

Voluntary exit includes -resignation, VRS,etc. & Involuntary exit includes-dismissal, retirement, or death in service

**V. HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES (INCLUDING JOINT VENTURES)**

21. (a) Names of holding / subsidiary / associate companies / joint ventures

Sl. No.	Name of the holding / subsidiary / associate companies / joint ventures (A)	Indicate whether holding/ Subsidiary/ Associate/ Joint Venture	% of shares held by listed entity	Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)
1	Federal Operations and Services Limited	Subsidiary	100.00%	No
2	Fedbank Financial Services Limited	Subsidiary	73.21%	No
3	Ageas Federal Life Insurance Company Limited	Associate	26.00%	No
4	Equirus Capital Private Limited	Associate	19.79%	No





## VI. CSR DETAILS

22. (i) Whether CSR is applicable as per section 135 of Companies Act, 2013: (Yes/No) - Yes  
(ii) Turnover: ₹ 19,133.64 Crore  
(iii) Net worth: ₹ 21,419.49 Crore

## VII. TRANSPARENCY AND DISCLOSURES COMPLIANCES

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:

Stakeholder group from whom complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If yes, then provide web-link for grievance redress policy) *	FY 2022-23			FY 2021-22		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Communities	Yes	0	--	NIL	0	--	NIL
Investors (other than shareholders)	Yes	0	--	NIL	0	--	NIL
Shareholders	Yes	8	0	All the complaints received in FY'23 are resolved.	3	0	All the complaints received in FY'22 were resolved.
Employees	Yes, the policy is made available on the Bank's intranet and the same is accessible to internal stakeholders.	2	0	Bank has initiated timely measures for an effective redressal of grievances.	1	0	NIL
Customers	Yes	170,278	5,864	Outstanding complaints are those received in the month of March 2023. 99% of outstanding complaints are related to digital transaction disputes which has specific TAT for resolution	160,857	5,390	98 % of The Outstanding complaints constitutes of Digital, transaction which has specific TAT for resolution. Other 2% are complaints received in the last month of March 2022
Value Chain Partners	Yes	--	--	--	--	--	--
Other (please specify)	--	--	--	--	--	--	--

\*<https://www.federalbank.co.in/grievance-redressal>



24. Overview of the entity's material responsible business conduct issues

S No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
1.	Corporate Governance and Ethics	Risk	Inadequate corporate governance could reduce stakeholders' confidence and damage reputation which will have negative impact on Business. Any gaps in Corporate Governance and Ethical standards can also result in regulatory and compliance risks.	Bank has put in place strong corporate governance framework as per regulatory guidelines. Bank has also put in place a Board approved Code of Conduct and Code of Corporate Governance & Code of Conduct. Adherence to core values of the Bank- C.A.R.E.S also ensure that Bank upholds highest standards of Corporate Governance and Ethics in all its dealings.  Bank has also implemented the three lines of defence model to improve the risk and compliance culture. There is an effective grievance redressal mechanism for stakeholders to address their concerns.	Negative
2.	Economic Performance	Opportunity	Financial performance and stability are crucial for business continuity, investment, and economic growth, contributing to sustainable development.	-	Positive
3.	Regulatory Compliance	Risk	Non-Compliance with laws, regulations, and standards can lead to penalties, business disruption, increased scrutiny and reputational risk.	Robust Governance framework ensures compliances with all the current & emerging regulations. Every branch/ office has a Compliance Monitoring Officer who ensures that the regulatory requirements are complied with. Detailed Compliance testing is also conducted at periodic intervals and monitored by Compliance Department. All new and changes in existing product/ process needs compliance vetting as a pre-requisite for approval.	Negative
4.	Digital Leadership	Opportunity	Effective digital leadership enables organisations to adapt to technological advancements, drive innovation, and create competitive advantages.	-	Positive
5.	Employee Well-being and Development	Opportunity	Promoting employee well-being and providing opportunities for growth enhance productivity, job satisfaction, and talent retention.	-	Positive





S No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
6.	Customer Privacy and Data Security	Risk	Any violation of the Bank's security policy or threats (or potential threats) affecting the confidentiality, integrity, availability or non-repudiation of the information systems and data is considered as a security incident. Information and cyber security incidents may result in severe operational and reputational losses along with legal and regulatory impacts.	Bank has a multi-layered approach to manage and mitigate the IT & cyber security risks. This includes Board approved policies, various committees at Board and Management level for overseeing the implementation of IT & Cyber Security systems and processes, dedicated CISO etc. We have implemented layered security controls for prevention of attacks from the cyber world. Controls are deployed to manage various aspects of cyber security and data privacy risks such as perimeter security, malware protection, data theft, lateral movements, vendor risks etc. Bank has also implemented robust Disaster Recovery mechanism and obtained certifications under reputed standards such as ISO 27001, PCI DSS etc. Bank has also obtained Cyber Liability Insurance Cover for transferring losses arising out of low frequency – high severity cyber security incidents.	Negative
7.	Sustainable Finance	Opportunity	Integrating environmental, social, and governance (ESG) factors into financial decisions mobilises investments for sustainable development. This will help protect Bank's portfolio insulated from potential E&S risks. Integrating ESG into lending will also help gain stakeholder confidence and align with the national commitments on UNSDGs and Paris Climate Agreement.		Positive





S No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
8.	Fraud Risk Management	Risk	Implementing robust fraud risk management systems safeguards resources, prevents financial losses, and upholds ethical business practices.	<p>Fraud risk is managed by the Bank methodically in line with the robust Fraud Risk Management Policy of the Bank which covers all significant aspects like various mitigation measures and the surveillance mechanism that complements prevention, detection, investigation and monitoring of both, internal and external frauds.</p> <p>Bank has a fully equipped Transaction Monitoring &amp; Fraud Prevention Department with state-of-the-art monitoring tools working round the clock. The transactions in Core Banking and various online channels are monitored by the Transaction Monitoring team. Specific tools and scenarios are built to take care of risks arising from card transactions, UPI, Fintech platforms and other cyber frauds.</p> <p>Additionally, Bank has an independent Audit team that evaluates the adequacy, completeness, operational effectiveness and efficiency of internal controls, risk management/ governance systems and processes. All activities (including outsourced activities) and all entities (including subsidiary companies) of the Bank fall within the ambit of internal audit.</p>	Negative





S No.	Material issue identified	Indicate whether risk or opportunity (R/O)	Rationale for identifying the risk / opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
9.	Climate Change Risk and Impact	Risk	Assessing and mitigating climate change risks, including greenhouse gas (GHG) emissions, help combating global warming and its adverse effects.	Climate risk is identified as a material risk under ICAAP, and the stress testing scenarios include climate related stress testing. We have conducted stress testing of our existing portfolios to certain physical and transition risk shocks, to measure climate related risks embedded in the portfolio. Bank has put in restrictions in lending to certain sectors which has significant impact on environment such as coal mining, oil & gas exploration etc. Bank also conducts detailed E&S Due Diligence as per the ESMS policy to assess the E&S risks of the proposal before sanctioning. The ESMS policy is available on the website of the Bank.	Negative
10.	Product innovation	Opportunity	Continuous product innovation drives competitiveness, addresses market needs, and enables sustainable consumption and production.		Positive
11.	Transparency and Fair disclosure	Opportunity	Transparent and fair disclosure practices promote accountability, stakeholder engagement, and informed decision-making.	-	Positive
12.	Customer Satisfaction	Opportunity	The success of any organisation depends on its ability to satisfy its customers and it also helps to widen the customer base.	-	Positive
13.	GHG Emission Management	Risk	Risks associated with climate change are increasingly manifesting in the banking industry as physical risks and transitional risks. If these risks are not properly managed, they could negatively impact the operations and profitability. Extreme weather events brought on by climate change put the Company's operations, as well as the security and well-being of its employees, at risk.	The Bank is has started measuring the GHG emissions in some of its operational activities and is planning to improve the scope of measurement in a phased manner. Bank has an executive level ESG committee which oversees the progress on a quarterly basis. Once the baseline assessment is completed, the Bank intends to identify initiatives and develop a roadmap to reduce the GHG emissions and to arrive at a net-zero emissions roadmap in its operations. Bank is also planning to measure its financed emissions in a phased manner.	Negative



## SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
<b>Policy and management processes</b>									
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/ No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b. Has the policy been approved by the Board? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
c. Web Link of the Policies, if available	The Policy on Environment, Social and Governance (ESG), Diversity, Equity and inclusion policy, Policy on Anti - Bribery and Corruption, Environmental and Social Management system (ESMS) Policy, CSR policy, Customer Grievance Redressal Policy and various other policies available on bank's website can be accessed through <a href="https://www.federalbank.co.in/our-commitments">https://www.federalbank.co.in/our-commitments</a> . Certain policies which relate to employees are available in the intranet of the Bank and freely accessible for all the employees.								
2. Whether the entity has translated the policy into procedures. (Yes / No)	Yes.								
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	Yes. ESG policy of the Bank covers the key aspects to be complied by material value chain partners.								
4. Name of the national and international codes/ certifications/labels/ standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g., SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle.	<ul style="list-style-type: none"> <li>Bank has adopted International Finance Corporation (IFC) Performance Standards for its E&amp;S due diligence of borrowers.</li> <li>Bank has ISO 22301 certification for its Business Continuity Management System (BCMS).</li> <li>Bank has implemented the ISO 27001:2013 standards on Information Security Management System (ISMS) for protection of the systems and information of the Bank.</li> <li>Bank has achieved compliance to PCI DSS standards for card ecosystem.</li> </ul>								
5. Specific commitments, goals and targets set by the entity with defined timelines, if any.	<ol style="list-style-type: none"> <li>Bank has committed not to do fresh lending to certain sectors which has significant E&amp;S risks. ESMS policy can be accessed through <a href="https://www.federalbank.co.in/our-commitments">https://www.federalbank.co.in/our-commitments</a>.</li> <li>Bank has committed to reducing its coal related sub project exposure to 50% by December 2025 (against the baseline of March 2021) and NIL by December 2030.</li> <li>Bank intends to grow its green portfolio to ₹ 13,000 Crore by December 2025.</li> <li>500KW of inhouse solar power generation capacity by March 2025.</li> <li>Reach one Lakh litre of water conservation capacity by March 2025.</li> <li>Finance at least 10.00L women entrepreneurs through BC Channel by March 2028.</li> <li>At least 10% of the bank branches to be green certified by March 2028.</li> <li>We aim to maintain a gender diversity ratio of 40% or above.</li> </ol>								





Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
6. Performance of the entity against the specific commitments, goals, and targets along-with reasons in case the same are not met.	1. Fresh loans to exclusion list activities are restricted.	2. Coal related sub project exposures as of March 31, 2023, stands at 0.76% of gross advances. (March 2021 baseline is 3.49% of the gross advances).	3. Bank's green lending portfolio is at ₹ 3,222 Crore as on March 31, 2023.	4. Bank has an installed solar capacity of 300 KW.	5. Bank has installed 84,000-liter capacity of rainwater harvesting units in its various offices.	6. Bank has financed 3.50L women entrepreneurs through BC channel as of March 2023.	7. Bank's present gender diversity ratio is 41%.		
<b>Governance, leadership, and oversight</b>									
7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets, and achievements (listed entity has flexibility regarding the placement of this disclosure)	<p>Bank has been constantly reengineering its systems and process and adopted a comprehensive approach to meet the evolving needs of various internal &amp; external stakeholders. Sustainability is one of the core values of the Bank and in the current context it takes the centre of attention for variety of stakeholders across the spectrum.</p> <p>Bank is supporting both corporate clients and retail clients transition to greener business models. We assist retail customers and staff members in buying electric vehicles by offering attractive interest rate. Corporate clients are provided financing for green building development, renewable energy and climate special projects at incentivised rates. As on March 31, 2023, our green loan outstanding stood at ₹ 3222 Crore, and we intend to increase it to ₹ 13,000 Crore by December 2025.</p> <p>Bank is also investing in various technologies to reduce the carbon footprint from its own operations and improve the ESG culture. We have started capturing Scope-1 and 2 GHG emission and is in the process of building systems and processes to improve the same. We have also improved our GHG reporting mechanism when compared to last year.</p> <p>As a responsible institution, Bank has also integrated ESG considerations into its Credit Appraisal process. Bank has put in place an 'Environmental and Social Management System (ESMS) Policy' for all lending activities as part of strengthening Bank's commitment for the cause of sustainable development as desired by the government, regulators and other stakeholders. ESMS policy enables Bank to minimise environmental and social impacts posed by the lending activities. The policy prescribes an exclusion list i.e., the list of activities prohibited for lending operations considering its impact on the environment and the society. The policy ensures more focus on funding to the borrowers whose projects are sustainable and environment friendly. This is achieved by your Bank through meticulous risk categorisation of the borrowers and by ensuring that the funds lent by Bank will be used for purposes / activities which have minimal impact on the environment and the society.</p> <p>During the year, Bank has also put in place a Board approved ESG policy to establish Bank's conscientious banking approach to clients, employees, business partners, and other stakeholders.</p>								



Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
	<p>One of the prime focus areas of CSR is aiding for the projects which support UN SDGs. During the year there were a number of CSR initiatives which focused on community development along with embarking the journey of Sustainability.</p> <p>We have been recognised as Climate Financing Leadership by International Finance Corporation (IFC) for disbursing the largest amount of Climate loans during the FY 2022. The recognition by IFC shows our commitments towards sustainability and gives us an added responsibility to reach greater heights.</p> <p>The ESG rating/ scores provided by various rating agencies also show considerable improvement over the previous financial year. The Bank has been recognised for 'Top 20 Most Innovative Practices - DivHERsity Hiring' in the 'AccelHERate &amp; DivHERsity Awards 2023'. These recognitions evidence that the Bank clearly focuses on being sustainable in its journey.</p>								
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).	<p>DIN Number: 05154975            Name: Ashutosh Khajuria            Designation: Executive Director</p>								
9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.	<p>Yes. Risk Management Committee (RMC) of the Board oversees Environmental, Social and Governance (ESG) aspects in both its own operations and lending operations. All the policies related to ESG/ESMS are approved by the Board. The risks associated with the lending operation is duly factored under ESMS policy and ESG Policy assess organisation's business practices and performance on various sustainability and ethical issues. Bank is also having a management level E&amp;S committee headed by MD&amp;CEO which oversees both ESG and ESMS aspects and the committee is reporting to RMC of the Board.</p>								

10. Details of Review of NGRBCs by the Company

Subject for Review	Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee									Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against above policies and follow up action	All the policies are reviewed and approved by the Board on an annual basis. Some of the policies are reviewed first by the sub-committees of the Board and thereafter placed to the Board for approval.																	
Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances	The policies are developed and aligned to applicable compliance requirements, RBI norms and guidelines, requirements of listing agreement with stock exchanges, or the Bank's internal requirements and best practices, which are reviewed on a Periodic and need basis.																	







11. Has the entity carried out independent assessment/evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P4</b>	<b>P5</b>	<b>P6</b>	<b>P7</b>	<b>P8</b>	<b>P9</b>
	No.								

12. If answer to question (1) above is "No" i.e., not all Principles are covered by a policy, reasons to be stated:  
Not Applicable.

<b>Questions</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P4</b>	<b>P5</b>	<b>P6</b>	<b>P7</b>	<b>P8</b>	<b>P9</b>
The entity does not consider the principles material to its business (Yes/No)									
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)									
The entity does not have the financial or/human and technical resources available for the task (Yes/No)									
It is planned to be done in the next financial year (Yes/No)									
Any other reason (please specify)									

**SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE**

**PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH INTEGRITY, AND IN A MANNER THAT IS ETHICAL, TRANSPARENT AND ACCOUNTABLE**

**Essential Indicator**

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year:

<b>Segment</b>	<b>Total number of training and awareness programmes held</b>	<b>Topics / principles covered under the training and its impact</b>	<b>%age of persons in respective category covered by the awareness programmes</b>
Board of Directors	18	Principle 1,2,4,6, and 7	100.00%
Key Managerial Personnel	29	Principle 1,2,3,6,7,8, and 9	100.00%
Employees other than BoD and KMPs	256	All 9 Principles	89.10%



2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website):

Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In ₹)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty/ Fine	Principle-1	RBI	₹5.72 Crore (Rupees Five Crore and seventy-two Lakh only)	Reserve Bank of India (RBI) has, by an order dated July 07, 2022, imposed a monetary penalty of ₹5.72 Crore (Rupees Five Crore and seventy-two Lakh only) on the Bank for non-adherence with the provision of Reserve Bank of India (Financial Services provided by Banks) Directions, dated May 26, 2016 to an extent that the Bank failed to ensure that no incentive (cash or non-cash) was paid to its staff engaged in insurance broking/ corporate agency services by the insurance company.	No
Settlement	NIL	NIL	NIL	NIL	NIL
Compounding fee	NIL	NIL	NIL	NIL	NIL

Non-monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions		Brief of the Case	Has an appeal been preferred? (Yes/No)
Imprisonment	NIL	NIL		NIL	NIL
Punishment	NIL	NIL		NIL	NIL

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

Case Details	Name of the regulatory/ enforcement agencies/ judicial institutions
NIL	NIL

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

Yes, the Bank has a comprehensive Anti-Bribery and Corruption policy and same can be accessed by going to Federal Bank's official website. The policy can be accessed through the following link :

Link:<https://www.federalbank.co.in/documents/10180/45777/Policy+on+Anti++Bribery+and+Corruption+%28ABC%29.pdf/10c35a9d-7265-7791-6bd6-d165e648f34a?t=1672122690405>

5. Number of Directors/KMPs/employees against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption :

	FY 2022-23	FY 2021-22
Directors	NIL	NIL
KMPs	NIL	NIL
Employees	NIL	NIL





6. Details of complaints with regard to conflict of interest :

	FY 2022-23		FY 2021-22	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors	NIL	--	NIL	--
Number of complaints received in relation to issues of Conflict of Interest of the KMPs	NIL	--	NIL	--

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

Following corrective action was taken on the issues related to fines/penalties :

- Robust controls have been brought in, to stop any incentivisation for sale of insurance products.
- Insurance partners were alerted to stop any such practices and report immediately to the Bank, if identified.
- Periodic confirmation is taken from all relevant employees confirming the non-receipt of any incentives from the insurance partners.
- Ensured all priority RMs conducting insurance sale have requisite qualification prescribed by IRDAI.
- Developed monitory framework for identification of receipt of any such payments by the staff.
- A campaign approval framework is put in place.

**Leadership Indicators**

1. Awareness programmes conducted for value chain partners on any of the principles during the financial year:

Total number of awareness programmes held	Topics / principles covered under the training	%age of value chain partners covered (by value of business done with such partners) under the awareness programmes
One	<ul style="list-style-type: none"> <li>Cyber Security Awareness</li> <li>Social Engineering Attacks like Phishing, Vishing, Smishing</li> <li>Safe browsing practises</li> <li>Password security best practices</li> <li>Other cyber threats and preventive measures</li> </ul>	100% The training is provided to all staff members of the vendors posted at our premises and has access to Bank's systems or networks.

Bank ensures that the people working in the contact centres are trained on matters such as ethics, transparency, responsible customer engagements. Detailed code of conduct is put in place for such tele callers and collection agencies. Further, Bank has provided a specific training programme on Information Security awareness to all our staff members who have access to Bank's network/systems. Over 1000 plus channel partners/vendors representatives have been trained and an assessment has been conducted specifically.

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? (Yes/No) If yes, provide details of the same.

Code of Corporate Governance and code of conduct for the Board of Directors and Management covers processes to avoid/ manage of conflict of interests. The Code can be accessed through the following link <https://www.federalbank.co.in/documents/10180/35398801/Code+of+Conduct+and+Code+of+Ethics+for+Board+of+Directors+and+Management.pdf/fa8dd6d2-7718-a8ed-302c-2036e2920c18?t=1652439306986>

Conflict of interest scenario primarily arise when there is a related party transaction. The Bank also has a Board approved Policy on Related Party Transactions which can be accessed through the link provided below.

<https://www.federalbank.co.in/documents/10180/45777/Policy+on+Related+Party+Transactions.pdf/29f5964d-5065-4e5d-81b0-e9b456caa290?t=>

During FY 2023, the Bank has not entered into any materially significant transactions with its Directors or Relatives of the Directors, which could lead to potential conflict of interest between the Bank and these parties, other than transactions entered into in the ordinary course of its business.

All the members of the Board of Directors and Senior Management Personnel of the Bank have affirmed compliance with the said Codes as applicable to them for FY2023.



## PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES IN A MANNER THAT IS SUSTAINABLE AND SAFE

### Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

Considering the nature of operation as a financial service provider, R&D outlay and capital expenditure were restricted to investments made in Information Technology systems. Bank has made investments for addition of IT capital assets for improving the Bank's digital initiatives, (Like Internet banking, Mobile banking, ATM Channels), software licences, building various IT applications, and improving security and network infrastructures of the Bank along with Data centres. 82.87% (88.45% in FY2022) of the total IT capex investments was to improve the digital banking infrastructure.

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No)

Yes.

- b. If yes, what percentage of inputs were sourced sustainably?

As a responsible institution, Bank emphasises on optimising its resource consumption efficiency and reducing waste generation. Various digital initiatives of the Bank have ensured there is a significant reduction in the use of paper. Bank has a Board approved Sustainable Procurement Policy, which guides all the procurement decisions and processes. For procurement of equipment that are necessary to run the banking operations, such as computer hardware, lighting devices, air conditioners, other electronic items, etc. energy efficiency standards are duly considered during the purchase. Other procurement such as stationery items are done locally by the offices/ branches based on the requirement.

3. Describe the processes in place to safely reclaim your products for reusing, recycling, and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.

The Bank has a centralised and robust E-waste management system that helps to identify the E-waste generated at its branches/Offices and the same is collected by a reputed vendor and disposed at the vendor's Recycling and Recovery Unit.

As a financial service provider, plastic waste is very minimal. The major share of plastic waste generated by our branches are plastic pouches used for safe keeping of gold ornaments pledged with us. We have started accounting for this plastic waste from the FY 2022-23. The plastic waste generated by the branches/Offices are disposed of through local arrangements with respective Corporations/ Municipals/ Panchayats.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Considering the nature of banking products which is service-oriented and not in to manufacturing activity, EPR is not applicable.

### Leadership Indicators

1. Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)?

Life Cycle Assessment of products is not applicable for the Bank's products and services.

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.

Not Applicable

3. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

Not Applicable

4. Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and safely disposed.

Not Applicable

5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category.

Not Applicable





**PRINCIPLE 3: BUSINESSES SHOULD RESPECT AND PROMOTE THE WELL-BEING OF ALL EMPLOYEES, INCLUDING THOSE IN THEIR VALUE CHAINS**

**Essential Indicators**

1. a. Details of measures for the well-being of employees:

Category	% of employees covered by										
	Total (A)	Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day care facilities	
		No. (B)	% (B/A)	No. (C)	% (C/A)	No. (D)	% (D/A)	No. (E)	% (E/A)	No. (F)	% (F/A)
<b>Permanent Employees</b>											
Male	7,730	7,730	100.00	7,730	100.00	-	-	7,730	100.00	1778	23.00
Female	5,376	5,376	100.00	5,376	100.00	5,376	100.00	-	-	929	17.28
<b>Total</b>	<b>13,106</b>	<b>13,106</b>	<b>100.00</b>	<b>13,106</b>	<b>100.00</b>	<b>5,376</b>	<b>41.02</b>	<b>7,730</b>	<b>58.98</b>	<b>2707</b>	<b>20.65</b>
<b>Other than permanent employees</b>											
Male	161	-	-	160	99.38	-	-	-	-	-	-
Female	190	-	-	190	100.00	190	100.00	-	-	-	-
<b>Total</b>	<b>351</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>99.72</b>	<b>190</b>	<b>54.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2. Details of retirement benefits, for Current FY and Previous Financial Year.

Benefits	FY 2022-23		FY 2021-22	
	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	Deducted and deposited with the authority (Y/N/N.A.)
PF/Pension/NPS	97.40	Y	98.85	Y
Gratuity	97.39	Y	98.84	Y
ESI	NA	NA	NA	NA
Others- Leave Encashment	97.39	NA	98.84	NA

3. Accessibility of workplaces

Are the premises / offices of the entity accessible to differently-abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard?

Branch/ offices are generally designed and provided for easy access to differently-abled employees. The employees with differently abled needs are posted in branches/ offices which have the required facilities.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

The Bank is committed to fostering diversity, equity, and inclusion as a culture that enables all employees to bring their authentic selves to work and to fully participate with their knowledge, experience, and viewpoint to provide incomparable value for all stakeholders. The Bank also recognises that each employee has varying access to resources and privileges and is working towards taking steps to ensure that every employee is provided with the unique resources they need to have access to opportunities at a given organisation. The diversity, equity, and inclusion policy (the 'DE&I policy') aims to set out Federal Bank's commitment to providing a workplace free from discrimination for employees. The policy also sets out Bank's expectations, where each employee is responsible for adhering to and upholding the policy. The policy can be accessed at-

<https://www.federalbank.co.in/documents/10180/45777/Diversity%2C+Equity+%26+Inclusion+Policy.pdf/a7d0b3d5-dc0d-7485-a5ec-7ca4aba5eb23?t=1683351345782>





5. Return to work and Retention rates of permanent employees that took parental leave.

Gender	Permanent employees	
	Return to Work rate	Retention rate
Male	100.00 %	100.00 %
Female	99.19 %	99.33 %
<b>Total</b>	<b>99.63 %</b>	<b>99.65%</b>

6. Is there a mechanism available to receive and redress grievances for the following categories of employees ? If yes, give details of the mechanism in brief.

	Yes/ No (If yes, then give details of the mechanism in brief)
Permanent employees	Yes, Employees can raise their workplace grievances to Employee Grievance Redressal Forum which comprises of the two Executive Directors of the Bank and one external expert. The grievance can be raised through HRMS and also as a mail to the dedicated mail id (care@federalbank.co.in)
Other than permanent employees	Yes, Employees can raise their workplace grievances to the Employee Grievance Redressal Forum which comprises of two Executive Directors of the Bank and one external expert. The grievance can be raised as a mail to the dedicated mail id (care@federalbank.co.in)

7. Membership of employees in association(s) or Unions recognised by the listed entity:

Category	FY 2022-23			FY 2021-22		
	Total employees in respective category (A)	No of employees in respective category who are part of associations or Union (B)	% (B/A)	Total employees in respective category (C)	No of employees in respective category who are part of associations or Union (D)	% (D/C)
<b>Total Permanent Employees</b>	<b>13,106</b>	<b>10,137</b>	<b>77.35</b>	<b>12,641</b>	<b>10,043</b>	<b>79.45</b>
- Male	7,730	5,700	73.74	7,502	5,697	75.94
- Female	5,376	4,437	82.53	5,139	4,346	84.57

8. Details of training given to employees:

Category	FY 2022-23					FY 2021-22				
	Total (A)	On health and safety measures		On skill upgradation		Total (D)	On health and safety measures		On skill upgradation	
		No (B)	% (B/A)	No (C)	% (C/A)		No (E)	% (E/D)	No (F)	% (F/D)
<b>Employees</b>										
Male	7,891	6,821	86.44	7,018	88.94	7,549	6,188	81.97	6,495	86.04
Female	5,566	4,887	87.80	4,979	89.45	5,241	4,367	83.32	4,525	86.34
<b>Total</b>	<b>13,457</b>	<b>11,708</b>	<b>87.00</b>	<b>11,997</b>	<b>89.15</b>	<b>12,790</b>	<b>10,555</b>	<b>82.53</b>	<b>11,020</b>	<b>86.16</b>

9. Details of performance and career development reviews of employees:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
<b>Employees</b>						
Male	7,891	7,874	99.78	7,549	7,346	97.31
Female	5,566	5,525	99.26	5,241	5,008	95.55
<b>Total</b>	<b>13,457</b>	<b>13,399</b>	<b>99.57</b>	<b>12,790</b>	<b>12,354</b>	<b>96.59</b>





10. Health and safety management system:

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system?

Yes. The Bank is dedicated to the improvement of workplace safety and the elimination of possible workplace injury and illness. This is achieved through detailed SOPs that cover the steps to be taken in case of emergencies like fire, floods, earthquake etc. In addition, the Bank has implemented the Business Continuity Management Policy wherein one of the primary objectives is to ensure safety of the employees. The steps taken by the Bank in this regard are:

- a. Deployment of access control systems and security guards as per risk assessment.
  - b. Nomination of an Emergency Response Team for each location.
  - c. Conduct hands-on training on fire safety, firefighting and evacuation.
  - d. Conduct hands-on training on handling medical emergencies at the workplace.
  - e. Periodic Communications to employees for creating awareness on these aspects.
  - f. Advisories regarding adverse weather situations and action to be taken to safeguard own life and assets.
  - g. Regular conduct of Fire and evacuation drills at all locations.
- b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

Owing to the nature of the Business, Bank has considerably lesser work-related hazards and risks on a routine and non-routine basis. Notwithstanding the above, the Bank has put in place an effective security mechanism designed to deter miscreants and protect employees. Some of the risk mitigation measures in place include –

- a. Access control systems
- b. CCTV linked to a Central Monitoring and Command Centre
- c. Physical Security
- d. Adequate lighting arrangements
- e. Fire-fighting arrangements including fire hydrants and fire sprinkler systems

In addition, the Bank has nominated employees comprising the Emergency Response Team (ERT) for each location who are responsible for reporting work-related hazards, if any.

The Bank conducts periodic electrical inspections in its Branches/ Offices to check the health of the electrical infrastructure. The Bank is also having Central Crisis Management Teams (CCMT) at corporate offices, Crisis Management Teams (CMT) at Zonal Level and Business Continuity Planning (BCP) Committees at branch level. Bank also conducts health check-ups in coordination with major hospitals regularly to encourage employees to prioritise their own well-being.

- c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)

Yes. Employees have access to an internal portal on which any suggestions, work-related hazards etc. can be reported. In addition, internal SOPs guide actions to be taken in the event of a workplace emergency. The members of the Incident Response Team act as the First Responders in case of an emergency and thereafter intimate the Crisis Management Team which thereafter takes charge and provides guidance. The Bank also has a 24x7 functional Remote Monitoring Station which intimates the appropriate functionaries in the event of any emergency.

- d. Do the employees of the entity have access to non-occupational medical and healthcare services? (Yes/ No)

Yes. The Bank has in place a Medical Insurance Scheme to address the non-occupational medical and healthcare needs of its employees. Employees are educated about this during the induction, and the policy is made available on the Bank's internal portal for ready reference.



11. Details of safety related incidents:

Safety Incident/Number	Category	FY 2022-23	FY 2021-22
Lost Time Injury Frequency Rate (LTIFR) (per one Million-person hours worked)	Employees	NIL	NIL
Total recordable work-related injuries	Employees	NIL	NIL
No. of fatalities	Employees	NIL	NIL
High consequence work-related injury or ill-health (excluding fatalities)	Employees	NIL	NIL

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

Bank organises preventive wellness programmes /campaigns/ webinars through tie-ups with Hospitals and other organisations. Bank also reimburses cost for Annual Health Check-ups for employees above 40 years and their spouses.

In order to take care of stress-related issues; Bank has the facility of SMILES, the employee counselling programme. E-consultation of doctors are facilitated for employees and their families.

Periodic internal communication and alerts are sent out to employees and awareness sessions are conducted on safety-related aspects. Wherever applicable, employees are designated as Floor Marshals and are given training on fire safety and evacuation drills. Mock drills are conducted periodically in various large premises to ensure the maintenance of safety standards.

13. Number of Complaints on the following made by employees:

	FY 2022-23			FY 2021-22		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions	NIL	NIL	--	NIL	NIL	--
Health & Safety	NIL	NIL	--	NIL	NIL	--

14. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	We are carrying out electrical safety inspections of all our premises through professional third-party agencies once every two years. During FY 23, electrical inspections at 890 premises were carried out. Corrective actions in the form of rectification works are carried out in the premises wherever necessary.
Working Conditions	Bank has been certified with the reputed 'Employer-of-Choice' recognition - Great Place to Work®2022-2023. One of the key parameters for certification is 'Fairness' which measures the extent to which employees feel that management practices are fair by assessing the equity, impartiality, and justice employees perceive in the workplace, for which the Bank has scored a high Survey Score.

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

There were no work and safety-related incidents reported during the fiscal. Bank has ensured a safe working atmosphere for all its employees and safety of the employee is paramount to the Bank.





**Leadership Indicators**

- Does the entity extend any life insurance or any compensatory package in the event of death of Employees (Y/N).  
Yes (for Permanent Employee).

“Diya” is an initiative to cater to the immediate financial needs of the family grieved by the unfortunate loss of the employee. In the event of an untimely demise, a nominal contribution from every serving employee along with a contribution from the Bank will be pooled and handed over to the bereaved family.

A Group Personal Accident Insurance is in place to provide accident death insurance coverage to all employees Bank. The premium of the policy is borne by the Bank and the dependents are paid the sum assured on unfortunate death of an employee in an accident while in service.

Additionally, the Compassionate Payment Scheme provides ad hoc payment of a fixed amount to the family in case of death while in service. It is intended to give immediate relief to the family of deceased in meeting the funeral and other related expenses.

- Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Bank ensures that statutory dues applicable to the transactions within the remit of the Bank are deducted and deposited in accordance with extant regulations. This activity is also reviewed as part of the internal and statutory audit. The Bank also sets clear expectations with vendors and suppliers through its contracts to abide by labour laws, human rights and regulations in their regions of business.

- Provide the number of employees having suffered high consequence work related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees		No. of employees that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY 2023	FY 2022	FY 2023	FY 2022
Employees	Not applicable. There were no work-related injuries.			

- Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/ No)

Yes. ‘Odyssey’ is an exclusive programme dedicated to helping employees nearing retirement to prepare for a change in life as and providing them with various financial (like tax planning) and well-being support.

- Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	Service Level Agreement/Master Service Agreements that we enter with the vendors contains the covenants related to health and safety practices and working conditions.
Working Conditions	

- Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

Bank has not conducted any assessment of health and safety practices and working conditions of value chain partners. There were no work and safety-related incidents reported during the fiscal from our value chain partners. We are also working on integrating ESG parameters into Vendor Management in a phased manner.



**PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF AND BE RESPONSIVE TO ALL ITS STAKEHOLDERS**

**Essential Indicators**

1. Describe the processes for identifying key stakeholder groups of the entity.  
 Bank follows a structured process for identification and prioritisation of stakeholder groups. The Bank’s policy on the Code of Corporate Governance and the Code of Conduct for the Board of Directors and Management has identified six key stakeholder groups as given below. The Code also guides the process to balance the interests of the identified stakeholder groups in all strategic decision-making processes and timely respond to their concerns, if any.
  - a. Shareholders & Investors
  - b. Customers
  - c. Vendors & Service Providers
  - d. Employee
  - e. Ecosystem & Society
  - f. Government & Regulatory Bodies.
2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Shareholders & Investors	No.	<ul style="list-style-type: none"> <li>√ Investors meets</li> <li>√ Analyst meets/ Earnings calls</li> <li>√ General meetings/ Postal Ballot</li> <li>√ Stock Exchange filings</li> <li>√ Media- Print and digital</li> <li>√ Email to stakeholders</li> <li>√ Website publications/ announcements</li> </ul>	Frequent, Need-based, Quarterly and Annually	To update on developments, business activity, new initiatives, schemes, Quarterly & Annual audited results, Annual Reports, Investors presentations.
Employee	No.	<ul style="list-style-type: none"> <li>√ Town Hall meet</li> <li>√ Branch visits</li> <li>√ Quarterly calls by top management</li> <li>√ Employee engagement platform</li> <li>√ Circulars and emails communications</li> <li>√ Training programme</li> </ul>	Frequent and need based	To exchange ideas and suggestions, provide merit based opportunity for professional growth and to create an inclusive workplace.
Customers	No	<ul style="list-style-type: none"> <li>√ Customer visits &amp; meets</li> <li>√ Social Media/ digital Communications</li> <li>√ Customer surveys</li> <li>√ Customer care channels</li> <li>√ Website publishing</li> </ul>	Frequent and need based	Business-related discussions, product and service awareness, safe banking practices, and grievance redressal.







Stakeholder Group	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Government & Regulatory Bodies	No.	<ul style="list-style-type: none"> <li>√ Various Inspections by the regulators</li> <li>√ Submission of periodical reports/ returns</li> <li>√ Meetings- Physical and Digital</li> <li>√ Stock Exchange filings</li> </ul>	Frequent and need based	Discussions regarding various regulations and amendments, policies and processes. Corporate Governance and Compliance standards.
Ecosystem, and Society	Yes.	<ul style="list-style-type: none"> <li>√ Meeting various communities/ vulnerable groups through CSR initiatives</li> <li>√ Improving ecosystems through various CSR activities</li> <li>√ Meeting with associations/ NGOs</li> </ul>	Need-based	Support CSR projects, Financial inclusion and other relevant matters affecting the communities.
Vendors, and Service Providers	No.	<ul style="list-style-type: none"> <li>√ Assessment of suppliers and vendors</li> <li>√ Email communication and calls</li> <li>√ Project review meeting</li> </ul>	Frequent and need based	Business related discussions, Techno-commercial discussions, grievance redressal.

### Leadership Indicator

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.

The consultation with different stakeholders happen at different levels from branches/ offices and departments to Senior Management. For example, Customer Service Committee is held in all branches at periodic intervals. Customers can share their opinions, comments, feedback, concerns etc in such committees. The outcome of such meetings is consolidated centrally at the corporate level. An executive-level 'Standing Committee on Customer Service' ensures implementation of various initiatives/ guidelines related to customer service. Board level 'Customer Service, Marketing Strategy and Digital Banking Committee' of the Board review, on an overall basis, the customer service aspects in the Bank and report to the Board of Directors thereafter. Similarly, each stakeholder group is mapped to functional owners who act as the first line of contact. The details of consultation with the stakeholders including their inputs and feedback are monitored by the management through functional departments/ executive-level committees. The departments/ executive-level committees ensure that the feedback from the stakeholders is communicated to the Board level committees/ Board as the case may be.

The table below details the Board level and Executive level authorities who has specific KPIs related to engagement with the key stakeholders.

Key Stakeholder	Board Level Committee	Key Functional Department/ Authority
Shareholders & Investors	<ul style="list-style-type: none"> <li>▪ Stakeholders Relationship Committee</li> <li>▪ Credit, Investment &amp; Raising Capital Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Secretarial Department</li> <li>▪ Investor Relations</li> </ul>
Customers	<ul style="list-style-type: none"> <li>▪ Customer Service, Marketing Strategy and Digital Banking Committee</li> <li>▪ Review Committee of the Board on Non-Cooperative Borrowers and Identification of Wilful Defaulters</li> <li>▪ Special Committee of the Board for monitoring and follow up of cases of frauds</li> </ul>	<ul style="list-style-type: none"> <li>▪ Service Quality Department</li> <li>▪ Business Departments</li> <li>▪ Vigilance Dept</li> </ul>



Key Stakeholder	Board Level Committee	Key Functional Department/ Authority
Employees	<ul style="list-style-type: none"> <li>Human Resources Committee of the Board</li> <li>Nomination, Remuneration, Ethics and Compensation Committee</li> </ul>	<ul style="list-style-type: none"> <li>HR Department</li> </ul>
Government and regulatory bodies	<ul style="list-style-type: none"> <li>Risk Management Committee</li> <li>Audit Committee</li> <li>Nomination, Remuneration, Ethics and Compensation Committee</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Department</li> <li>Internal Audit</li> <li>Integrated Risk Management Department</li> <li>HR Dept.</li> </ul>
Vendors, Suppliers and Service Providers	<ul style="list-style-type: none"> <li>Information Technology &amp; Operations Committee</li> <li>Risk Management Committee</li> <li>Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Service Provider Review Committee</li> <li>Various Project Steering Committees</li> <li>Corporate Services Department</li> <li>Information Technology Department</li> </ul>
Ecosystem & Society	<ul style="list-style-type: none"> <li>Corporate Social Responsibility Committee</li> <li>Stakeholders Relationship Committee</li> <li>Risk Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>CSR Department</li> <li>ESG Committee</li> </ul>

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes, inputs provided by various stakeholders are being incorporated in various policies and processes wherever it is material to the Bank. Any changes, be it in terms of regulatory guidelines, industry best practices, market feedback etc are factored in the annual policy review process along with the rationale for such changes proposed.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalised stakeholder groups.

Our mantra is to be the 'Most Admired Bank' by catering to the needs of various segments of society. With the motto of 'extending credit where credit is due', we have always prioritised Financial Inclusion, especially upliftment and empowerment of women by facilitating financial emancipation through financial education, credit counselling, provision of credit for establishment of sustainable livelihood through various initiatives driven through both Branch and Business Correspondent (BC) channels. We understand that a greater emphasis on women-oriented projects and the availability of means to ensure a secured future goes a long way in ensuring that the core value of our Bank, our belief in holistic development and our legacy is carried forward.

Bank has a network of eleven Corporate Business Correspondents tie-ups across selected geographies, exclusively for sourcing and servicing Microlending offerings to women customers. Bank has financed 3.5 Lakh women customers as of March 2023 through these Business Correspondent tie-ups.

## PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

### Essential Indicators

1. Employees who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No. of employees covered (B)	% (B/A)	Total (C)	No. of employees covered (D)	% (D/C)
<b>EMPLOYEES</b>						
Permanent	13,106	7,959	60.73	12,641	7,750	61.31
Other than Permanent	351	-	-	149	-	-
<b>Total Employees</b>	<b>13,457</b>	<b>7,959</b>	<b>59.14</b>	<b>12,790</b>	<b>7,750</b>	<b>60.59</b>





2. Details of minimum wages paid to employees in the following format:

Category	FY 2022-23					FY 2021-22				
	Total (A)	Equal to min wage		More than min wage		Total (D)	Equal to min wage		More than min wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
<b>Permanent</b>	<b>13,106</b>	<b>0</b>	<b>0</b>	<b>13,106</b>	<b>100.00</b>	<b>12641</b>	<b>0</b>	<b>0.00</b>	<b>12641</b>	<b>100.00</b>
Male	7,730	0	0	7,730	100.00	7502	0	0.00	7502	100.00
Female	5,376	0	0	5,376	100.00	5139	0	0.00	5139	100.00
<b>Other than permanent</b>	<b>351</b>	<b>0</b>	<b>0</b>	<b>351</b>	<b>100.00</b>	<b>149</b>	<b>0</b>	<b>0.00</b>	<b>149</b>	<b>100.00</b>
Male	161	0	0	161	100.00	47	0	0.00	47	100.00
Female	190	0	0	190	100.00	102	0	0.00	102	100.00

3. Details of remuneration/salary/wages, in the following format:

Gender	Male		Female	
	No.	Median remuneration/ salary/ wages of respective category	No.	Median remuneration/ salary/ wages of respective category
Board of Directors (BoD) (Whole-time directors)	2	22595113	1	15304332
Key Managerial Personnel (Other than BoD)	2	8202743	0	0
Employees (Other than BoD and KMP)	7887	1101581	5565	1016299

Note: The Bank does not discriminate remuneration based on gender. The difference in median remuneration is mainly on account of various factors such as average number in different Scale/Cadre, seniority in service, etc.

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes. MD & CEO oversees addressing the human rights impacts or issues. In addition, Executive Director (overseeing the Business Responsibility) and Chief Human Resource Officer (overseeing Human Resources function) ensure that any human rights impact or issues caused or contributed to by the business are properly addressed.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

Ethics is one of the Core values of the Bank, and the Bank upholds fairness in all acts, words, and deeds to all its stakeholders. The Bank has zero tolerance towards and prohibits all forms of slavery, coerced labour, child labour, human trafficking, violence or physical, sexual, psychological, or verbal abuse. Bank ensures compliance to various statutory requirements such as payment of minimum wages and the Sexual Harassment at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Bank has put in place a grievance-handling mechanism in the name of Federal Bank Employee's Grievance Redressal Forum. Employees, irrespective of their cadre can submit their grievances related to employment and difficulties experienced at workplace directly to this Forum. An external expert is also nominated as a member of the Forum, to ensure independent views on the grievance.

Bank has in place a Policy for prevention of Sexual Harassment at the Workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up at all the nine zones and Head Office to redress complaints received regarding sexual harassment. The Bank is committed to ensure that sexual harassment instances and incidents can be reported without fear. Such instances/and or complaints are promptly, and discreetly addressed and appropriate action is initiated.



6. Number of Complaints on the following made by employees:

	FY 2022-23			FY 2021-22		
	Filled during the year	Pending resolution at the end of the year	Remarks	Filled during the year	Pending resolution at the end of year	Remarks
Sexual Harassments	1	Nil	Resolved	1	Nil	Resolved
Discrimination at Workplace	Nil	Nil	NA	Nil	Nil	NA
Child Labour	Nil	Nil	NA	Nil	Nil	NA
Forced labour/ Involuntary Labour	Nil	Nil	NA	Nil	Nil	NA
Wages	Nil	Nil	NA	Nil	Nil	NA
Other human rights related issues	Nil	Nil	NA	Nil	Nil	NA

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

Bank is an Equal Opportunity Employer and has zero tolerance towards discrimination and harassment of any kind. The Bank is committed to creating a healthy, safe, and secure work environment for employees to work free from offensive and discriminatory behaviour. The aim is to enable employees to deliver their best at work without fear of prejudice, gender bias and sexual harassment.

The Bank is committed to ensuring that sexual harassment instances and incidents can be reported without fear. Internal Complaints Committee has been constituted at all Zones and Head Office. The Bank will enquire about instances/and or complaints of sexual harassment promptly and discreetly and will initiate action as per the details provided in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 wherever required.

Protected Disclosure Scheme (PDS) / Whistle Blower Policy in the Bank aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with them at the earliest. The Policy ensures assurance of confidentiality and protection to the complainant/ whistle-blower against any personnel vindictive actions such as humiliation, harassment, or any other form of unfair treatment.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes.

Service Level Agreement/Master Service Agreements that we enter with the vendors contains the covenants related to human rights, labour standards, forced labour, child labour, non-discrimination, and harassment including sexual harassment amongst many others.

9. Assessments for the year:

	<b>% of your plants and offices that were assessed (by entity or statutory authorities or third parties)</b>
Child labour	The Bank is in compliance with the laws, as applicable
Forced/involuntary labour	
Sexual harassment	
Discrimination at workplace	
Wages	
Others – please specify	

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

Not Applicable





### Leadership Indicators

1. Details of a business process being modified / introduced as a result of addressing human rights grievances/complaints.  
The agreements with all service providers have been enhanced with additional covenants related to human rights. Bank's commitment to protect human rights across the value chain has been elaborated in the Board-approved ESG policy and made public.
2. Details of the scope and coverage of any Human rights due diligence conducted.  
The Bank upheld the basic principles of human rights in all its dealings. Bank has been certified with the reputed 'Employer-of-Choice' recognition - Great Place to Work® 2022-2023. One of the key parameters for certification is 'Fairness' which measures the extent to which employees feel that management practices are fair, by assessing the equity, impartiality, and justice employees perceive in the workplace, for which the Bank has scored a high Survey Score.
3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?  
New branches/offices are generally designed and provided for easy access to differently-abled visitors such as ramp facilities/elevators. Bank is also providing door-step services for the elder and differently-abled people.
4. Details on assessment of value chain partners:

	<b>% of value chain partners (by value of business done with such partners) that were assessed</b>
Sexual Harassment	Bank expects all its partners to ensure that they follow the applicable standards of working conditions and employee health, and safety are taken care of. Bank, as part of implementation of ESMS policy in lending, conducts E&S due diligence for certain credit proposals. We ensure that the client is meeting the required standards in the same.
Discrimination at workplace	
Child Labour	
Forced Labour/Involuntary Labour	
Wages	
Others – please specify	

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.  
Not Applicable.

### PRINCIPLE 6: BUSINESSES SHOULD RESPECT AND MAKE EFFORTS TO PROTECT AND RESTORE THE ENVIRONMENT

#### Essential Indicator

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

<b>Parameter</b>	<b>FY 2022-23</b>	<b>FY 2021-22</b>
Total electricity consumption (A)- GJ	150579.40	155296.80
Total fuel consumption (B)- GJ	37227.00	33583.24
Energy consumption through other sources (C)	0	0
Total energy consumption (A+B+C)- GJ	187806.40	188880.04
Energy intensity per rupee of turnover (Total energy consumption (GJ)/ turnover in rupees Crore)	9.81	11.99
Energy intensity (optional) – the relevant metric may be selected by the entity (GJ/Full time Employee)	13.96	14.77

Electricity consumption data for FY23 is estimated based on the data covering more than 80% of branches. Fuel consumption includes fuel used in DG sets and Company-owned vehicles including those allotted to senior executives.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No





2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

Not Applicable

3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY 2022-23	FY 2021-22
<b>Water withdrawal by source (in kilolitres)</b>		
i) Surface water	Not Available	Not Available
(ii) Groundwater	Not Available	Not Available
(iii) Third party water	Not Available	Not Available
(iv) Seawater / desalinated water	Not Available	Not Available
(v) Others*	181669.5	172665
<b>Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)</b>	181669.5	172665
<b>Total volume of water consumption (in kilolitres)</b>	181669.5	172665
Water intensity per rupee of turnover (Kilo litres/ Turnover in ₹ Crore)	9.49	10.96
Water intensity (optional)- the relevant metrics may be selected (KL/Full time employee)	13.50	13.50

# Estimated based on NBC 2016.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Not Applicable.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Owing to the nature of the business, air emission parameters provided here are not material for the Bank. GHG emission is the only material emission for the Bank. Details of GHG emissions are provided in this report as required.

Parameter	Please specify unit	FY 2022-23	FY 2021-22
NOx	As a provider of financial services, Air emissions other than GHG emissions are not material to the Bank		
SOx			
Particulate matter (PM)			
Persistent organic pollutants (POP)			
Volatile organic compounds (VOC)			
Hazardous air pollutants (HAP)			
Others – please specify			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Not Applicable.





6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

Parameter	Unit	FY 2022-23			FY 2021-22		
		CO2 Emission (MT)	CH4 Emissions (MT)	N2O Emissions (MT)	CO2 Emission (MT)	CH4 Emissions (MT)	N2O Emissions (MT)
<b>Total Scope 1 emissions</b> (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes (MT) of CO2 equivalent	2758.51	10.42	5.92	2488.52	9.40	5.34
		2774.86			2503.26		
<b>Total Scope 2 emissions</b> (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes (MT) of CO2 equivalent	32862.90			33953.41*		
Total Scope 1 and Scope 2 emissions per rupee of turnover	Metric tonnes (MT) of CO2 equivalent per Rupee crore of turnover	1.86			2.31		
<b>Total Scope 1 and Scope 2 emission intensity</b> (optional) – the relevant metric may be selected by the entity	tCO2e per Full Time Employee	2.65			2.85		

\*The Scope 2 emissions reported for FY22 has been restated due to a change in the conversion factor used.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

7. Does the entity have any project related to reducing Green House Gas emission? If Yes, then provide details.

The Bank is committed to investing in digital technologies and in energy-conserving initiatives to further our commitments to reduce GHG emissions. Bank is actively pursuing various initiatives to inculcate ESG culture, i.e. Sustainability which is one of the core values of the Bank. Some of the key initiatives include:

Sl. No	Initiative	Particulars	Outcome
1.	Installation of Solar roof top	Bank has built an inhouse solar power generation capacity of 300kW	Solar power generated- 2,29,000 KWh
2.	Energy Conservation	By switching to energy efficient ACs and LED lights	Energy Consumption reduced to the extent of 10,74,000 KWh
3.	Water Conservation	Bank has built in water conservation capacity of 84,000 litres	Water saved ~2,00,000 Litres
4.	Paper saving and Emission reduction through Digital Banking	By digitalisation of various products and services	Due to Digitalisation- a. Paper consumption reduced to the extent of 107.81 Lakh b. Fuel saving was tune to 152.09 Lakh litres
5.	E-waste recycling	The Bank ensures that E-waste generated by its operation in data centres is disposed-off as per the e-waste norms. Bank has also extended E-waste collection to pan India offices from FY 2023-24	26.39 tonnes of E-waste generated disposed-off in an environmentally friendly manner



Sl. No	Initiative	Particulars	Outcome
6.	Sewage Treatment plant (STP)	The Bank installed STP in its Head office during the year	STP ensures recycling of the wastewater generated at Head office
7.	Green Financing	Bank is promoting green financing to reduce its financed emissions	The green loan outstanding as of March 2023 is 3222.15 Crore. The cumulative sanctions of green loans so far by the Bank supported in reduction of 1.8 Million tonnes of CO2 emission
8.	Trees plantation	To reduce the Green House Gas effect, Bank is focusing on tree planting and conservation through CSR initiatives	During the year, Bank has planted 15000 saplings and cumulatively Bank has planted around 9.6 lakh trees

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2022-23	FY 2021-22
Total Waste generated (in metric tonnes-MT)		
Plastic waste (A) (in MT)	15.04	Not Available
E-waste (B) (in MT)	26.39	18.00
Bio-medical waste (C)	Not Applicable	Not Applicable
Construction and demolition waste (D)	Not Applicable	Not Applicable
Battery waste (E) (MT)	3.40	Not Available
Radioactive waste (F)	Not Applicable	Not Applicable
Other Hazardous waste. Please specify, if any. (G)	Not Applicable	Not Applicable
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e. by materials relevant to the sector)	Not Applicable	Not Applicable
<b>Total (A+B + C + D + E + F + G + H) (in MT)</b>	<b>44.83</b>	<b>18.00</b>
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled (in MT)	26.39	18.00
(ii) Re-used	Not Available	Not Available
(iii) Other recovery operations (MT)	3.40	Not Available
Total	29.79	18.00
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	Not Available	Not Available
(ii) Landfilling	Not Available	Not Available
(iii) Other disposal operations (MT)	15.04	Not Available
Total	15.04	Not Available

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.





Being a service industry, which is providing banking products and services, Bank does not generate any hazardous and toxic chemicals in our day-to-day activities. Bank largely consumes resources for running its operations which include purchased electricity, use of Diesel Generators, stationeries, etc. Bank has provided waste segregation bins for all branches/ offices to ensure dry waste and wet waste are segregated at the source. Arrangements are also made for collecting such waste by local Municipal/Panchayat offices.

The Bank engages with authorised E-waste recycling vendors to ensure E-waste generated is disposed of in compliance with pertinent government regulations. As a policy, Bank has stopped using Single Use Plastic bottles in its premises. Bank is exploring various options to reduce its generation of paper and plastic waste.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required.

Not Applicable.

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Not Applicable.

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances.

The Entity complies with all applicable regulatory requirements and no such non-compliance was reported during reporting period.

### Leadership Indicators

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

Parameter	FY 2022-23	FY 2021-22
<b>From renewable sources</b>		
Total electricity consumption (A)- GJ	824.65	572.40
Total fuel consumption (B)	--	--
Energy consumption through other sources (C)	--	--
<b>Total energy consumed from renewable sources (A+B+C)- GJ</b>	<b>824.65</b>	<b>572.40</b>
<b>From non-renewable sources</b>		
Total electricity consumption (D)- GJ	149754.75	154724.40
Total fuel consumption (E)- GJ	37227.00	33583.24
Energy consumption through other sources (F)	--	--
<b>Total energy consumed from non-renewable sources (D+E+F)- GJ</b>	<b>186981.75</b>	<b>188307.64</b>

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

2. Provide the following details related to water discharged:

Bank's operations are outside the purview of any manufacturing/ factory activity, and hence the water discharge is limited to normal domestic discharges out of office and personal use only. Hence, water discharge is not material to the Bank.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Not Applicable.

3. Water withdrawal, consumption and discharge in areas of water stress (in kilolitres): For each facility / plant located in areas of water stress, provide the following information:

- (i) Name of the area: Not Applicable.



- (ii) Nature of operations: Not Applicable.
- (iii) Water withdrawal, consumption and discharge in the following format: Not Applicable.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

Not Applicable.

4. Please provide details of total Scope 3 emissions & its intensity, in the following format:

Parameter	Unit	FY 2022-23	FY 2021-22
<b>Total Scope 3 emissions</b> (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available)	Metric tonnes of CO2 equivalent	18473.83	24959.35
<b>Total Scope 3 emissions per rupee of turnover</b>	Metric Tonne CO2/ turnover in Rupees Crore	0.96	1.58
<b>Total Scope 3 emission intensity</b> (optional) – the relevant metric may be selected by the entity	tCO2/Full time employee	1.37	1.95

Presently Bank has estimated the Scope 3 emissions for the following categories:

- a) Electricity consumption in vendor-operated ATMs
- b) Fuel usage in vehicles used by contractors for cash transfer to Currency Chests and ATMs
- c) Business Travels
- d) Employee commute to and from work

Bank is in the process of improving the scope of measurement to other Scope 3 categories as well.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency.

No.

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.

As an institution providing financial services, the Bank does not cause any significant, direct impact on biodiversity. However, as per the requirements of our ESMS Policy, we conduct a thorough Environmental and Social Due Diligence (ESDD) for the projects we lend to.

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives.

Details of the Initiatives taken by the Bank are already provided in essential indicator- question No-7.

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.

Bank is having a Business Continuity Management (BCM) Policy, approved by the Board of Directors. The policy sets out a framework for managing Bank's overall capability to manage disruptive incidents. The policy is reviewed at least on an annual basis considering the changes in the technology and operating environment, regulatory requirements and industry best practices. Business Impact Analysis (BIA) is conducted at least on a yearly basis for identifying the critical applications and processes. Based on the BIA results, business continuity arrangements including disaster recovery measures are put in place. Business continuity/ disaster recovery plans are periodically reviewed, at least on a yearly basis. Bank has also received ISO 22301 certification for the Business Continuity Management System implemented in its IT, centralised operations and centralised clearing functions. More information on our business continuity plan can be found at: <https://www.federalbank.co.in/documents/10180/45777/Business+Continuity+Management+%28BCM%29+Disclosure+Statement.pdf/9ef0ca1b-d03c-497c-b3bf-3df26f1cc5df?t=1614773524873>

8. Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.

Not Applicable.

9. Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.

Not Applicable.







**PRINCIPLE 7: BUSINESSES, WHEN ENGAGING IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A MANNER THAT IS RESPONSIBLE AND TRANSPARENT**

**Essential Indicators**

1. a. Number of affiliations with trade and industry chambers/ associations:  
Bank is member of eleven (11) trade and industry chambers/ associations.
- b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

S No.	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1.	Cochin Chamber of Commerce	State
2.	Madras Chamber of Commerce and Industry	State
3.	Indian Chamber of Commerce & Industry, Cochin	State
4.	Indian Banks Association	National
5.	Confederation of Indian Industry	National
6.	Equalifi	National
7.	Fixed Income Money Market and Derivatives Association of India (FIMMDA)	National
8.	Foreign Exchange Dealers Association of India (FEDAI)	National
9.	Forex Association of India (FAI)	National
10.	International Chamber of Commerce	International
11.	Indo-American Chamber of Commerce (IACC)	International

2. Provide details of corrective action taken or underway on any issues related to anticompetitive conduct by the entity, based on adverse orders from regulatory authorities.

Not Applicable.

**Leadership Indicators**

1. Details of public policy positions advocated by the entity. -

S No.	Public policy advocated	Method resorted for such advocacy	Whether information available in public domain? (Yes/No)	Frequency of Review by Board (Annually/ Half yearly/ Quarterly / Others – please specify)	Web Link, if available
NIL					

**PRINCIPLE 8: BUSINESS SHOULD PROMOTE INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT**

**Essential Indicators**

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
Not Applicable					



2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

S No.	Name of Project for which R&R is ongoing	State	District	No. of Project Affected Families (PAFs)	% of PAFs covered by R&R	Amounts paid to PAFs in the FY (In ₹)
Not Applicable						

3. Describe the mechanisms to receive and redress grievances of the community.  
 Bank has a system in place to receive and redress the grievances of various stakeholder groups, including community. Communities can report their grievances through the grievance redressal portal available on the website of the Bank and the same would be addressed appropriately. Communities can also use the grievance redressal mechanism as explained in the ESMS policy, for cases related to our lending operations.

<https://www.federalbank.co.in/grievance-redressal>

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

Parameter	FY 2022-23	FY 2021-22
Directly sourced from MSMEs/ small producers	As a Financial Institution, our inputs are primarily in the form of technological infrastructure, platforms and services. Thus, options to procure locally for an organisation like ours is limited. However, our branches are spread across the country, and we procure the consumables such as stationery items from the local suppliers who are in the surrounding area.	
Sourced directly from within the district and neighbouring districts		

### Leadership Indicators

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):

Details of negative social impact identified	Corrective action taken
Not Applicable	

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

S No.	State	Aspirational District	Amount spent (In ₹)
1.	Kerala	Wayanad	₹ 29,38,582
2.	Tamil Nadu	Virudhunagar	₹ 9,850

3. (a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised /vulnerable groups? (Yes/No).

No. As a Financial Institution, our inputs are primarily in the form of technological infrastructure, platforms and services. Thus, Procurement Policy of the Bank focuses on the ability of the service provider/ supplier to adhere to the standards/ requirements set by the Bank. However, 100% of the consumables/ stationery required for day-to-day activities at Bank branches/ offices are purchased locally.

(b) From which marginalised /vulnerable groups do you procure?

No.

(c) What percentage of total procurement (by value) does it constitute?

No.





4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:

S No.	Intellectual Property based on traditional knowledge	Owned/ Acquired (Yes/No)	Benefit shared (Yes / No)	Basis of calculating benefit share
Not Applicable				

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Name of authority	Brief of the Case	Corrective action taken
Not Applicable		

6. Details of beneficiaries of CSR Projects:

S No.	CSR Activity	Individuals Benefitted	Institutions Benefitted
1	Promoting Education -Scholarships and Others	15845	26
2	Promoting Education-Youth Engagement	200000	5350
3	Promoting Education-Promoting Vocational Skills/Skill Development	9094	66
4	Healthcare	20222	797
5	Women Empowerment & Girl Child Education	935	35
6	Clean Water Solutions	4060	32
7	Ensuring Environmental Sustainability	2900000	8563
	<b>Total</b>	<b>3150156</b>	<b>14869</b>

**PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CONSUMERS IN A RESPONSIBLE MANNER**

**Essential Indicators**

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.  
 Customers have the option to lodge any complaint through multiple channels such as customer care, digital channels or even by visiting the branches. Bank has provided an online platform for customers and other stakeholders who are experiencing any deficiency in the services of the Bank to lodge complaints and to provide feedback on the services of the Bank.

The same can be accessed through the below link:

<https://www.federalbank.co.in/grievance-redressal>

Customer Grievance Redressal Policy can be accessed through the below link:

<https://www.federalbank.co.in/documents/10180/45777/Customer+grievance+redressal+policy.pdf/60eb733b-3d5b-40ee-9c7f-6cb2fc1b26ee?t=1657807972624>

2. Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:

	As a percentage to total turnover
Environmental and social parameters relevant to the product	Not Applicable
Safe and responsible usage	
Recycling and/or safe disposal	



3. Number of consumer complaints in respect of the following:

	FY 2022-23		Remarks	FY 2021-22		Remarks
	Received during the year	Pending resolution at end of year		Received during the year	Pending resolution at end of year	
Data privacy	0	--	--	0	--	--
Advertising	0	--	--	0	--	--
Cyber-security	0	--	--	0	--	--
Delivery of essential services	0	--	--	0	--	--
Restrictive Trade Practices	0	--	--	0	--	--
Unfair Trade Practices	0	--	--	0	--	--
Other	1,70,278	5864	The outstanding complaints are those received in the month of March 2023. 99% of outstanding complaints relate to digital disputes which has specific TAT for resolution	1,60,857	5,390	98 % of The Outstanding complaints constitutes of Digital, transaction which has specific TAT for resolution. Other 2% are complaints received in the last month of March 2022

\*Please refer to the section on customer complaints in Annual report (Notes to Accounts) for the top 5 categories of complaints.

4. Details of instances of product recalls on account of safety issues:

	Number	Reasons for recall
Voluntary recalls		Not Applicable
Forced recalls		

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

We have a Board approved Cyber Security Policy based on the RBI circular on Cyber Security Framework in Banks dated 02/06/2016. The policy is periodically reviewed considering the industry best practices and regulatory guidelines.

The Cyber Security Policy covers the overall organisational structure for aspects relating to cyber security of the Bank. It clearly lays down the roles and responsibilities of various stakeholders starting from the Board of Directors to the lower level. The policy also details the aspects governing the protection of critical information infrastructure, Cyber security management and the user and customer management. The CSP articulates the control mechanism put in place by the Bank for addressing the cyber incidents. On classifying an incident as a Cyber Crisis by CCMT (Cyber Crisis Management Team) there is a laid down plan to be followed to respond effectively and efficiently against the incident.

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

Bank's systems were not subjected to any incidents affecting cyber security or the privacy of customers. Also, Bank has not been subjected to any penalty by regulatory authorities on safety of products / services during the fiscal.





## Leadership Indicators

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).  
Information on products/services can be accessed from our Website, Call-Centre and at Branches/Offices. In addition, Bank actively uses various social media and digital platforms to disseminate information on its products and services.  
<https://www.federalbank.co.in>.
2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.  
Customers are educated about safe banking practices via emails, social media channels, SMS, banners/ push notifications in our mobile banking app and Website. There were campaigns called 'Twice is Wise' and 'Common Man'; that combined humour to impart awareness on responsible and safe banking practices. We initiated SMSes to customers educating them about phishing attacks and to safeguard them from becoming a victim of any fraud call or a scam. Customers are intimated through push notifications, not to share the OTP, UPI PIN, or any personal information.
3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.  
Bank informs the customers of any risk of disruption/ discontinuation of essential services through channels such as scroll in website, SMS, FedMobile Push Notifications, Emails, notice board publication etc. depending on the services interrupted and duration of the interruption.
4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey with regard to consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)  
Bank believes in being transparent with all the stakeholders by providing all the required information in detail. All the important notices such as service charges, interest rates, grievance redressal mechanism etc. are prominently displayed in Notice Board of Branches/ Offices and also on the website of the Bank. Details of the various products and services offered are also available on the website of the Bank.  
The Bank conducts customer satisfaction surveys to seek feedback from its customers. This feedback is used to improve systems & processes and develop/ modify suitable product offerings. The feedback is also considered while framing the capacity-building initiatives for the employees.
5. Provide the following information relating to data breaches:
  - a. Number of instances of data breaches along-with impact  
There are no incidents related to data breaches in FY 2022-23.
  - b. Percentage of data breaches involving personally identifiable information of customers  
Not applicable. No such incidents reported.





# 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)	<b>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)</b>	
	<p>Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances.</p> <p>The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms') for the identification and classification of non-performing assets ('NPA') and the minimum provision required for such assets.</p>	<p>Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following:</p> <ul style="list-style-type: none"> <li>- 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).</li> <li>- 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.</li> </ul>



INDEPENDENT AUDITORS' REPORT (Contd.)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>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.</p> <p>Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> <li>- Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms;</li> <li>- Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security;</li> <li>- Appropriate reversal of unrealized income on the NPAs.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>- Requires proper control mechanism and significant level of estimation by the Bank;</li> <li>- Has significant impact on the overall financial statements of the Bank;</li> </ul> <p>we have ascertained this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included:               <ul style="list-style-type: none"> <li>(a) Considering testing of the exception reports generated from the application systems where the advances have been recorded.</li> <li>(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.</li> <li>(c) Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(g) Examination of advances including stressed/restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines.</li> <li>(h) Seeking independent confirmation of account balances for sample borrowers.</li> <li>(i) Visits to branches/offices and examination of documentation and other records relating to advances.</li> </ul> </li> </ul> <p>For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.</p>
<p>(ii) <b>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)</b></p>	
<p>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments('NPI'), non-recognition of income and provisioning against non-performing investments.</p>	<p>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular -</p>



INDEPENDENT AUDITORS' REPORT (Contd.)

	<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matters</b>
	<p>The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.</p> <p>We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.</p>	<ul style="list-style-type: none"> <li>- 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;</li> <li>- We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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.</li> </ul>
(iii)	<b>Information Technology ('IT') Systems and Controls for financial reporting</b>	
	<p>The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods.</p> <p>Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.</p>	<p>As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> <li>- We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting.</li> <li>- 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.</li> <li>- We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts.</li> <li>- We reviewed key observations arising out of audits conducted on the Bank's IT systems during the year.</li> </ul>





INDEPENDENT AUDITORS' REPORT (Contd.)

	Key Audit Matters	How our audit addressed the Key Audit Matters
		<ul style="list-style-type: none"> <li>- 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.</li> </ul>
(iv)	<p><b>Assessment of Provisions and Contingent Liabilities (Schedule 5 and 12 read with Notes 4.13 &amp; 4.21 of Schedule 17 to the standalone financial statements)</b></p>	
	<p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the standalone financial statements) and various employee benefits schemes (Schedule 5 to the standalone financial statements) was identified as a significant audit area.</p> <p>There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from 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.</p> <p>The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.</p>	<p>Our audit approach / procedures involved:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported;</li> <li>- Understanding the current status of the litigations/tax assessments;</li> <li>- Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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</li> <li>- Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the standalone financial statements.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (Contd.)

### 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







## INDEPENDENT AUDITORS' REPORT (Contd.)

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;



## INDEPENDENT AUDITORS' REPORT (Contd.)

- 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. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable to the Bank with effect from April 1, 2023, and accordingly, 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: 0045325

**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





## INDEPENDENT AUDITORS' REPORT (Contd.)

### **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,



**INDEPENDENT AUDITORS' REPORT (Contd.)**

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: 0045325

For **Borkar & Muzumdar**  
Chartered Accountants  
FRN: 101569W

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

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

Kochi  
05th May, 2023

Kochi  
05th May, 2023





# BALANCE SHEET

AS AT MARCH 31, 2023

(₹ in Thousands)

	Schedule	As at March 31, 2023	As at March 31, 2022
<b>CAPITAL AND LIABILITIES</b>			
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
<b>TOTAL</b>		<b>2,603,418,295</b>	<b>2,209,463,088</b>
<b>ASSETS</b>			
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
<b>TOTAL</b>		<b>2,603,418,295</b>	<b>2,209,463,088</b>
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 Warriar**  
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: 0045325

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







# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
<b>I. INCOME</b>			
Interest earned	13	168,036,338	136,607,529
Other income	14	23,300,006	20,890,935
<b>TOTAL</b>		<b>191,336,344</b>	<b>157,498,464</b>
<b>II. EXPENDITURE</b>			
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
<b>TOTAL</b>		<b>161,230,401</b>	<b>138,600,249</b>
<b>III. PROFIT/(LOSS)</b>			
Net profit for the year		<b>30,105,943</b>	<b>18,898,215</b>
Profit brought forward from Previous Year		41,055,453	33,053,829
<b>TOTAL</b>		<b>71,161,396</b>	<b>51,952,044</b>
<b>IV. APPROPRIATIONS</b>			
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
<b>TOTAL</b>		<b>71,161,396</b>	<b>51,952,044</b>
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 Warriar**  
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: 0045325

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)  
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**Varsha Vasant Purandare** (DIN: 05288076)  
**Sankarshan Basu** (DIN: 06466594)  
**Ramanand Mundkur** (DIN: 03498212)

Place: Kochi  
Date : May 05, 2023





# CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Cash Flow from Operating Activities</b>		
Net Profit before taxes	40,445,043	25,360,778
<b>Adjustments for:</b>		
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
	<b>51,731,833</b>	<b>40,989,165</b>
<b>Adjustments for working capital changes:-</b>		
(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
	<b>(11,497,886)</b>	<b>(97,534,589)</b>
Direct taxes paid (net)	(11,537,004)	(8,428,637)
<b>Net Cash Flow from / (used in) Operating Activities</b>	<b>28,696,943</b>	<b>(64,974,061)</b>
<b>Cash Flow from Investing Activities</b>		
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
<b>Net Cash flow from / (used in) Investing Activities</b>	<b>(98,182,287)</b>	<b>8,127,139</b>





## CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Cash Flow from Financing Activities</b>		
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)
<b>Net Cash flow from / (used in) Financing Activities</b>	<b>36,427,296</b>	<b>71,099,962</b>
<b>Effect of exchange fluctuation on translation reserve</b>	<b>(158,601)</b>	<b>(63,456)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(33,216,649)</b>	<b>14,189,584</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>210,103,455</b>	<b>195,913,871</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>176,886,806</b>	<b>210,103,455</b>

### 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 (Refer Schedules 6 and 7 of the Balance Sheet)
- 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 Warriar**  
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: 0045325

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





## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>Authorised Capital</b>	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
<b>Issued Capital</b>	4,235,053	4,207,778
2,117,526,438 (Previous year 2,103,889,168) Equity Shares of ₹ 2/-each		
<b>Subscribed, Called-up and Paid-up Capital</b>	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
<b>Total</b>	<b>4,232,402</b>	<b>4,205,089</b>

Refer Note 3.2 of Schedule 18

### SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>I. Statutory Reserve</b>		
Opening balance	38,534,280	33,809,726
Additions during the year	7,526,486	4,724,554
	<b>46,060,766</b>	<b>38,534,280</b>
<b>II. Capital Reserves</b>		
a) Revaluation Reserve		
Opening balance	50,091	50,091
	<b>50,091</b>	<b>50,091</b>
b) Others		
Opening balance	7,454,496	6,580,463
Additions during the year*	113,247	874,033
	<b>7,567,743</b>	<b>7,454,496</b>
<b>Subtotal</b>	<b>7,617,834</b>	<b>7,504,587</b>
<b>III. Share premium</b> (Refer Note 3.2 of Schedule 18)		
Opening balance	60,791,347	51,752,894
Additions during the year	924,872	9,038,453
	<b>61,716,219</b>	<b>60,791,347</b>
<b>IV. Revenue and Other Reserves</b>		
a) Revenue Reserve		
Opening Balance	25,133,417	22,466,209
Additions during the year	4,265,747	2,667,208
	<b>29,399,164</b>	<b>25,133,417</b>
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	-
	<b>1,906,890</b>	<b>1,897,200</b>



SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
	<b>10,090,100</b>	<b>8,483,200</b>
<b>V. Foreign Currency Translation Reserve</b>		
Opening Balance	19,116	82,572
Additions / (Deductions) during the year [Refer Schedule 17 (4.6)]	(158,601)	(63,456)
	<b>(139,485)</b>	<b>19,116</b>
<b>VI. ESOP Reserve</b>		
Opening Balance	13,704	8,562
Additions during the year	11,075	5,142
	<b>24,779</b>	<b>13,704</b>
<b>VII. Contingency Reserve</b>		
Opening balance	301,003	301,003
	<b>301,003</b>	<b>301,003</b>
<b>VIII. Balance in Profit and Loss Account</b>	<b>53,852,696</b>	<b>41,055,453</b>
<b>Total</b>	<b>210,829,966</b>	<b>183,733,307</b>

\* - 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 ₹ 84,2569 Thousands)
- b) Profit on sale of Premises ₹ 2,141 Thousands (Previous year ₹ 31,464 Thousands)

**SCHEDULE 3 - DEPOSITS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
A. I. Demand Deposits		
i. From Banks	2,179,831	6,176,235
ii. From Others	155,654,726	137,707,100
	<b>157,834,557</b>	<b>143,883,335</b>
II. Savings Bank Deposits	<b>543,369,909</b>	<b>530,826,744</b>
III. Term Deposits		
i. From Banks	23,697,209	9,534,129
ii. From Others	1,408,958,710	1,132,761,653
	<b>1,432,655,919</b>	<b>1,142,295,782</b>
<b>Total</b>	<b>2,133,860,385</b>	<b>1,817,005,861</b>
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
<b>Total</b>	<b>2,133,860,385</b>	<b>1,817,005,861</b>





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

**SCHEDULE 4 - BORROWINGS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>162,853,129</b>	<b>134,497,081</b>
II. Borrowings outside India	30,339,762	19,434,070
<b>Total</b>	<b>193,192,891</b>	<b>153,931,151</b>
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**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>61,302,651</b>	<b>50,587,680</b>
*Includes		
General provision for standard assets (Refer Note 1.4.10 of Schedule 18)	14,484,103	13,155,103

**SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>125,908,463</b>	<b>160,492,707</b>

**SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>11,090,222</b>	<b>8,941,353</b>





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>39,888,121</b>	<b>40,669,395</b>
<b>Grand Total (I and II)</b>	<b>50,978,343</b>	<b>49,610,748</b>

**SCHEDULE 8 - INVESTMENTS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>488,483,726</b>	<b>391,194,257</b>
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	-
<b>Total</b>	<b>1,349,744</b>	<b>600,359</b>
<b>Grand Total (I and II)</b>	<b>489,833,470</b>	<b>391,794,616</b>
Gross Investments		
In India	493,849,157	396,157,926
Outside India	1,351,468	600,359
<b>Total</b>	<b>495,200,625</b>	<b>396,758,285</b>
Depreciation/ Provision for Investments		
In India	5,365,431	4,963,669
Outside India	1,724	-
<b>Total</b>	<b>5,367,155</b>	<b>4,963,669</b>
Net Investments		
In India	488,483,726	391,194,257
Outside India	1,349,744	600,359
<b>Total</b>	<b>489,833,470</b>	<b>391,794,616</b>

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





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

@ 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
<b>Total</b>	<b>28,837,118</b>	<b>15,487,304</b>

**SCHEDULE 9 - ADVANCES**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>1,744,468,846</b>	<b>1,449,283,246</b>
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
<b>Total</b>	<b>1,744,468,846</b>	<b>1,449,283,246</b>
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
<b>Total</b>	<b>1,717,394,235</b>	<b>1,433,311,761</b>
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
<b>Total</b>	<b>27,074,611</b>	<b>15,971,485</b>
<b>Grand Total (C I and C II)</b>	<b>1,744,468,846</b>	<b>1,449,283,246</b>

\* Includes Advances against book debts

# Includes Advances against Letter of Credit issued by banks

(Advances are net of provisions)



SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

**SCHEDULE 10 - FIXED ASSETS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>A. Premises #</b>		
<b>Gross Block</b>		
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	<b>3,742,876</b>	<b>2,968,642</b>
<b>Depreciation</b>		
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	<b>1,126,704</b>	<b>1,065,719</b>
<b>Net Block</b>	<b>2,616,172</b>	<b>1,902,923</b>
<b>B. Other fixed assets</b>		
(including furniture and fixtures)		
<b>Gross Block</b>		
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	<b>17,356,552</b>	<b>14,520,202</b>
<b>Depreciation</b>		
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	<b>11,441,639</b>	<b>10,365,498</b>
<b>Net Block</b>	<b>5,914,913</b>	<b>4,154,704</b>
<b>C. Capital Work in progress (Including Capital Advances)</b>	<b>808,655</b>	<b>281,817</b>
<b>Grand Total (A+B+C)</b>	<b>9,339,740</b>	<b>6,339,444</b>

# 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.

**SCHEDULE 11 - OTHER ASSETS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>182,889,433</b>	<b>151,942,327</b>





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
# 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**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>766,018,373</b>	<b>389,147,678</b>
(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).		



# SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

## SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>168,036,338</b>	<b>136,607,529</b>

\* - Includes interest on Income tax refunds amounting to ₹ Nil (Previous year ₹ 288,748 thousands) accounted based on Assessment orders received.

## SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>23,300,006</b>	<b>20,890,935</b>

\*\* - Includes Recoveries in assets written off ₹ 1,407,335 Thousands (Previous year ₹ 1,791,353 Thousands)

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>95,714,736</b>	<b>76,988,020</b>

## SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>47,677,655</b>	<b>42,931,938</b>

# - 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 Depository 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 recognised prospectively in the current and future periods.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

#### **4.1 INVESTMENTS**

##### *Classification*

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

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

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.





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

### 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 Private Private (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 authorised 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 recognised 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 amortised over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills, 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





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audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorised 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 categorised 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 unrealised 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 unrealised interest account and not recognised 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



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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 07, 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





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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 recognised 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 recognised in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortised and recognised 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 recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognised 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 realised first. If different entries are made in the account on the same day, the realisation shall be in the order of charges, interest, and principal.



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- 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 / AMORTISATION**

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortisation 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 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 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:

<b>Asset</b>	<b>Estimated useful life as assessed by the Bank</b>	<b>Estimated useful life specified under Schedule II of the Companies Act, 2013</b>
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





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<b>Asset</b>	<b>Estimated useful life as assessed by the Bank</b>	<b>Estimated useful life specified under Schedule II of the Companies Act, 2013</b>
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 amortised over the license period.

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 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 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. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognised 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,





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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 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.

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 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 amortised 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 recognised 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 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, 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 recognised 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





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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 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 recognised and 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.

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 recognised 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 recognised 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



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

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 recognised, 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 recognised 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 recognised nor disclosed in the financial statements since this may result in the recognition of income that may never be realised. 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.

### 4.22 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 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 recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

### 4.24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).





## SCHEDULE 18: NOTES 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
<b>Capital Ratios</b>			
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.



## SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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:

Particulars	(Amount in ₹ Crore)	
	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 ₹ 995.00 Crore (previous year ₹ 700.00 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.





## SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

### 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, 2023 are as under:

(Amount in ₹ Crore)

	Investments in India					Investments outside India				Total Investments		
	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
<b>Held to Maturity</b>												
Gross Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-	-	-	-	39,985.61
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-	-	-	-	39,985.61
<b>Available for Sale</b>												
Gross Value	3,188.13	-	587.42	2,423.94	-	3,199.42	9,398.91	2.45	-	132.69	135.14	9,534.05
Less: Provision for Non-Performing Investments	-	-	14.63	63.23	-	-	77.86	-	-	-	-	77.86
Less: Provision for Depreciation	17.88	-	20.66	12.90	-	407.23	458.67	-	-	0.17	0.17	458.84
Net Value	3,170.25	-	552.13	2,347.81	-	2,792.19	8,862.38	2.45	-	132.52	134.97	8,997.35
<b>Held for Trading</b>												
Gross Value	-	-	0.40	-	-	-	0.40	-	-	-	-	0.40
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	0.01	-	-	-	0.01	-	-	-	-	0.01
Net Value	-	-	0.39	-	-	-	0.39	-	-	-	-	0.39
<b>Total Investments</b>												
Gross Value	42,413.41	-	587.82	2,423.94	668.80	3,290.95	49,384.92	2.45	-	132.69	135.14	49,520.06
Less: Provision for Non-Performing Investments	-	-	14.63	63.23	-	-	77.86	-	-	-	-	77.86
Less: Provision for Depreciation	17.88	-	20.67	12.90	-	407.23	458.68	-	-	0.17	0.17	458.85
Net Value	42,395.53	-	552.52	2,347.81	668.80	2,883.72	48,848.38	2.45	-	132.52	134.97	48,983.35







**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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
<b>Held to Maturity</b>												
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
<b>Available for Sale</b>												
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
<b>Held for Trading</b>												
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
<b>Total Investments</b>												
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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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) i.e, the net amount reflected in Balance Sheet.*

**1.2.1. C. Additional Details on Investments:**

- 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 23.00% (Previous Year :22.00%) stipulated by RBI.
- 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.
- 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)
- 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.



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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	
<b>A.1 Securities sold under RBI Repo</b>				
a) Government Securities	-	350.00	7.51	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>A.2 Securities purchased under RBI Reverse Repo</b>				
a) Government Securities	-	7,900.00	2,190.08	1,600.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.1 Securities sold under Market Repo</b>				
a) Government Securities	-	3,842.59	1,307.61	508.06
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.2 Securities purchased under Reverse Market Repo</b>				
a) Government Securities	-	1,555.80	165.71	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.1 Securities sold under TREPS</b>				
a) Government Securities	-	3,398.14	1,793.49	3,398.11
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.2 Securities purchased under TREPS</b>				
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	
<b>A.1 Securities sold under RBI Repo</b>				
a) Government Securities	-	750.00	6.27	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2022
	Minimum	Maximum	Daily Average	
<b>A.2 Securities purchased under RBI Reverse Repo</b>				
a) Government Securities	440.00	12,258.00	5,497.75	6,050.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.1 Securities sold under Market Repo</b>				
a) Government Securities	25.82	3,900.32	1,969.50	3,829.76
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.2 Securities purchased under Reverse Market Repo</b>				
a) Government Securities	-	809.72	86.45	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.1 Securities sold under TREPS</b>				
a) Government Securities	-	4,005.59	2,579.91	2,582.66
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.2 Securities purchased under TREPS</b>				
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				
	<b>Total</b>	<b>6,587.81</b>	<b>3,669.86</b>	<b>-</b>	<b>-</b>	<b>110.00</b>



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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				
	<b>Total</b>	<b>4,313.40</b>	<b>4,169.48</b>	<b>-</b>	<b>-</b>	<b>110.00</b>

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
<b>Total</b>	<b>6,587.81</b>	<b>4,313.40</b>

\* 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).





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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)
<b>Closing Balance</b>	<b>78.25</b>	<b>100.20</b>
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 sale/transfer 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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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 organisation 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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(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
(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 Min = 0.00	Max = 0.48 Min = 0.46	Max = 12.41 Min = 0.01	Max = 5.92 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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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 Non-Performing Advances	Total
	Total Standard Advances	Sub-standard	Doubtful	Loss		
<b>Gross Standard Advances and NPAs</b>						
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	
<b>Provisions (excluding Floating Provisions)</b>						
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
<b>Net NPAs</b>						
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	
<b>Floating Provisions</b>						
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
<b>Technical write-offs and the recoveries made thereon</b>						
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



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

	Standard	Non-Performing			Total	
	Total Standard Advances	Sub-standard	Doubtful	Loss		Total Non-Performing Advances
Less: Recoveries made from previous 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 previous technical/prudential written-off accounts during the year						81.93
Less: Reduction due to sale of NPAs to ARCs from previous 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
<b>Gross Standard Advances and NPAs</b>						
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	
<b>Provisions (excluding Floating Provisions)</b>						
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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

	Standard	Non-Performing			Total Non-Performing Advances	Total
	Total Standard Advances	Sub-standard	Doubtful	Loss		
<b>Net NPAs</b>						
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	
<b>Floating Provisions</b>						
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
<b>Technical write-offs and the recoveries made thereon</b>						
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 previous technical/ prudential written-off accounts during the year						157.74
Less: Reinstatement of technically written off accounts into advances/ Conversion to investment or other securities						8.97
Less: Sacrifice made from previous technical/prudential written-off accounts during the year						0.38
Less: Reduction due to sale of NPAs to ARCs from previous 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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**1.4.1. A2 Details of accounts subjected to restructuring** <sup>1,2</sup>

(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:**

- 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.
- Technically written off accounts are excluded.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**1.4.1. B. Significant Ratios**

Particulars	(in %)	
	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**

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
<b>A</b>	<b>Priority Sector</b>						
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:						
	<i>Infrastructure</i>	2,918.54	144.01	4.93	2,712.91	73.58	2.71
	<i>Textiles</i>	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:						
	<i>NBFC</i>	1,789.72	-	-	1,121.70	-	-
	<i>Trade</i>	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
	<b>Sub-total (A)</b>	<b>57,330.14</b>	<b>2,154.55</b>	<b>3.76</b>	<b>45,429.98</b>	<b>1,889.32</b>	<b>4.16</b>
<b>B</b>	<b>Non-Priority Sector</b>						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	26,118.77	229.27	0.88	20,216.81	396.23	1.96
	Of which:						
	<i>Chemicals and Chemical Products</i>	3,042.42	2.61	0.09	2,195.31	3.15	0.14
	<i>Infrastructure</i>	7,725.29	81.61	1.06	5,737.07	110.17	1.92
	<i>Textiles</i>	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:						
	<i>Commercial Real Estate</i>	4,516.47	31.47	0.70	3,712.22	36.85	0.99
	<i>Non-Banking Finance Companies</i>	16,460.09	0.04	-	14,707.06	17.19	0.12
	<i>Trade</i>	5,805.39	388.13	6.69	5,988.56	457.71	7.64



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(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
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
	<b>Sub-total (B)</b>	<b>120,046.39</b>	<b>2,029.22</b>	<b>1.69</b>	<b>102,209.47</b>	<b>2,247.42</b>	<b>2.20</b>
	<b>Total (A+B)</b>	<b>177,376.53</b>	<b>4,183.77</b>	<b>2.36</b>	<b>147,639.45</b>	<b>4,136.74</b>	<b>2.80</b>

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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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
<b>Total</b>	<b>3,091.09</b>	<b>123.71</b>	<b>-</b>	<b>302.06</b>	<b>2,686.57</b>

\*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) <sup>(1)</sup>	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
<b>Total</b>	<b>3,705.91</b>	<b>103.42</b>	<b>-</b>	<b>97.53</b>	<b>3,523.45</b>

1. Includes restructuring done in respect of requests received as of September 30, 2021, processed subsequently.
2. Represents net movement in balance outstanding.



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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) <sup>(1)</sup>	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 <sup>(2)</sup>	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 <sup>(1)</sup>
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
<b>Total</b>	<b>2,483.58</b>	<b>108.69</b>	<b>-</b>	<b>224.05</b>	<b>2,167.97</b>

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) <sup>(1,3)</sup>	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 <sup>(2)</sup>	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 <sup>(3)</sup>
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
<b>Total</b>	<b>2,914.84</b>	<b>62.21</b>	<b>-</b>	<b>170.55</b>	<b>2,691.91</b>

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.



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**
**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 realised 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	-
<b>Total</b>		<b>407.24</b>	<b>407.24</b>	<b>-</b>





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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	-
<b>Total</b>		<b>455.76</b>	<b>386.35</b>	<b>69.41</b>

**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
<b>(d) Closing balance *</b>	<b>1,448.41</b>	<b>1,315.51</b>

\* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting to ₹ 73.78 Crore (previous Year: ₹ 18.19 Crore) and floating provision of ₹ 12.75 Crore (previous year ₹ 12.75 Crore).





## SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

### 1.5. ASSET LIABILITY MANAGEMENT

#### 1.5.1 Maturity pattern of certain items of assets and liabilities

As at March 31, 2023

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
<b>Total</b>	<b>213,386.04</b>	<b>174,446.88</b>	<b>48,983.35</b>	<b>19,319.29</b>	<b>10,118.07</b>	<b>7,604.11</b>

(Amount in ₹ Crore)

As at March 31, 2022

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 3 Years	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
<b>Total</b>	<b>181,700.59</b>	<b>144,928.32</b>	<b>39,179.46</b>	<b>15,393.12</b>	<b>8,769.00</b>	<b>6,199.70</b>

(Amount in ₹ Crore)

Note: Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities excludes forward exchange contracts and off-balance sheet items.

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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)		<b>40,760.71</b>		<b>38,423.55</b>		<b>37,907.06</b>		<b>35,960.21</b>
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
<b>8 TOTAL CASH OUTFLOWS</b>		<b>39,324.71</b>		<b>34,188.99</b>		<b>32,402.78</b>		<b>32,137.82</b>





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

(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)	
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	
<b>12 TOTAL CASH INFLOWS</b>	<b>10,934.07</b>	<b>7,510.61</b>	<b>10,840.00</b>	<b>7,725.53</b>	<b>10,037.19</b>	<b>5,598.76</b>	<b>10,275.74</b>	<b>6,183.30</b>	
		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>	
<b>13 TOTAL HQLA</b>		40,760.71		38,423.55		37,907.06		35,960.21	
<b>14 TOTAL NET CASH OUTFLOWS</b>		31,814.10		26,463.46		26,804.02		25,954.52	
<b>15 LIQUIDITY COVERAGE RATIO (%)</b>		<b>128.12%</b>		<b>145.19%</b>		<b>141.42%</b>		<b>138.55%</b>	

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									
<b>1 Total High Quality Liquid Assets (HQLA)</b>		<b>35,898.96</b>		<b>36,304.61</b>		<b>37,608.85</b>		<b>35,015.72</b>	
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	-	-	-	-	-	-	-	-	



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(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)
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
<b>8 TOTAL CASH OUTFLOWS</b>		<b>25,913.80</b>		<b>25,646.56</b>		<b>21,694.34</b>		<b>23,889.37</b>
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
<b>12 TOTAL CASH INFLOWS</b>	<b>13,360.55</b>	<b>5,938.58</b>	<b>13,332.11</b>	<b>5,603.97</b>	<b>14,512.53</b>	<b>5,675.24</b>	<b>11,619.09</b>	<b>6,372.11</b>
		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>
<b>13 TOTAL HQLA</b>		35,898.96		36,304.61		37,608.85		35,015.72
<b>14 TOTAL NET CASH OUTFLOWS</b>		19,975.22		20,042.59		16,019.10		17,517.26
<b>15 LIQUIDITY COVERAGE RATIO (%)</b>		<b>179.72%</b>		<b>181.14%</b>		<b>234.78%</b>		<b>199.89%</b>

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 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 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





## **SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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 Standardised 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 appraises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

### **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 Management 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 Standardised 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 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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and appraises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

**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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended March 31, 2023					Quarter ended December 31, 2022				
	Unweighted value by residual maturity		Weighted value	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
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 unsecured performing loans to financial institutions	-	7,351.13	1,249.64	17,631.93	19,359.42	-	6,328.40	1,859.14	16,994.77	18,873.60
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









**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)



(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended September 30, 2022					Quarter ended June 30, 2022				
	Unweighted value by residual maturity		Weighted value	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
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
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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended September 30, 2022					Quarter ended June 30, 2022				
	Unweighted value by residual maturity		Weighted value	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
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	24,448.85	14,154.02	6,148.01	2,808.69	23,535.41	13,701.06	877.65	10,924.13
30 Off-balance sheet items	42,169.87	1,081.90	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 <b>Net Stable Funding Ratio (%)</b>			<b>138.11%</b>				<b>138.92%</b>			





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended March 31, 2022					Quarter ended December 31, 2021				
	Unweighted value by residual maturity					Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
<b>ASF Item</b>										
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
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	-	-	-	-	-	-	-	-	-	-
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
<b>RSF Item</b>										
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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended March 31, 2022					Quarter ended December 31, 2021				
	Unweighted value by residual maturity					Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
17	-	6,200.00	-	-	620.00	-	1,900.00	-	-	190.00
18	-	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	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	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	-	3.35	10.75	19,933.24	14,053.38	-	3.99	9.08	18,768.31	13,315.55
22	-	2.72	9.41	14,484.57	9,421.03	-	3.17	7.93	13,220.29	8,598.74
23	826.35	-	-	-	702.40	611.64	-	-	-	519.89
24	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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)



(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended March 31, 2022					Quarter ended December 31, 2021				
	Unweighted value by residual maturity					Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
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 <b>Net Stable Funding Ratio (%)</b>					<b>144.44%</b>					<b>140.10%</b>

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**1.6. EXPOSURES**

**1.6.1 Exposure to Real Estate Sector**

(Amount in ₹ Crore)

Category	March 31, 2023	March 31, 2022
<b>A. Direct Exposure:</b>		
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 securitised exposures –		
a) Residential	-	-
b) Commercial Real Estate	-	-
<b>B. Indirect Exposure:</b>		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	7,879.89	8,058.34
<b>Total Exposure to Real Estate sector</b>	<b>46,068.07</b>	<b>40,467.91</b>

**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





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

(Amount in ₹ Crore)

Category	March 31, 2023	March 31, 2022
(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
<b>Total Exposure to Capital Market</b>	<b>2,776.42</b>	<b>1,541.10</b>

**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	-	-	-	-
<b>Total</b>	<b>2,572.73</b>	<b>-</b>	<b>2,055.48</b>	<b>-</b>

\* 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 maximise 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





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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.





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

**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
<b>Complaints received by the Bank from its customers</b>			
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
<b>Maintainable complaints received by the Bank from Offices of Ombudsman</b>			
	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.



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**B) Top Five grounds of complaints received by the Bank from customers.**

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/ (decrease) in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
	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	1	-	2,524	955	164.29	*	334	1	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	-	-
<b>Total</b>	<b>5,390</b>	<b>3,498</b>	<b>170,278</b>	<b>160,857</b>	<b>-</b>	<b>-</b>	<b>5,864</b>	<b>5,390</b>	<b>408</b>	<b>1,013</b>

\* 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)





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Out of the above, Mr. Siddhartha Sengupta is also a member of the 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 the 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 organisational performance (both business-unit and firm-wide) and KPAs set for the official. The organisation'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.



## **SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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<sup>th</sup> 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.





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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
(i) Number of employees having received a variable remuneration award during the financial year.	8 <sup>#</sup>	8
(b) (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.	-	-





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Particulars	March 31, 2023	March 31, 2022
	Fixed - ₹ 10.10 Crore	Fixed - ₹ 9.02 Crore
	Variable - ₹ 2.87 Crore	Variable - ₹ 2.70 Crore
(d) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Deferred - ₹ 1.84 Crore (Fair Value of 587,400 Options granted during the year)	Deferred - ₹ 1.94 Crore (Fair Value of 619,000 Options granted during the year)
(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)
(e) (ii) Total amount of reductions during the financial year due to ex- post explicit adjustments	-	-
(e) (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.	-	-
(g) (ii) Number of cases where clawback has been exercised.	-	-
(g) (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 June 30, 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 Warriar, 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 <sup>§</sup> as a percentage to Working Funds* (%)	2.04	1.86



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Particulars	March 31, 2023	March 31, 2022
(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
	<b>Total</b>	<b>113.16</b>	<b>85.05</b>

**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
	<b>Total</b>	<b>30.38</b>	<b>23.32</b>

**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





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

(Amount in ₹ Crore)

Provision debited to Profit and Loss Account	Year ended March 31, 2023	Year ended March 31, 2022
iv) Provision for Taxation <sup>@</sup>	1,033.91	646.26
v) Provision towards diminution in fair value of restructured assets, other contingencies, etc.	32.33	33.44
<b>Total</b>	<b>1,783.80</b>	<b>1,868.03</b>

**@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)
<b>Total</b>	<b>1,033.91</b>	<b>646.26</b>

**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 summarised 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.



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

- 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 11<sup>th</sup> 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 11<sup>th</sup> 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 amortise over a period not exceeding five years beginning with the financial year ending March 31, 2022, subject to a minimum of 1/5<sup>th</sup> 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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**2. DISCLOSURE REQUIREMENTS AS PER ACCOUNTING STANDARDS WHERE RBI HAS ISSUED GUIDELINES IN RESPECT OF DISCLOSURE ITEMS FOR 'NOTES TO ACCOUNTS'**

**2.1. EMPLOYEE BENEFITS (AS 15)**

**a) Defined Contribution Plan**

**Provident Fund**

Employees who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

The Bank 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:





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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)
<b>Projected benefit obligation at the end of the year</b>	<b>440.73</b>	<b>451.29</b>	<b>1,701.56</b>	<b>1,747.94</b>

**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)
<b>Plan assets at the end of the year at fair value</b>	<b>464.10</b>	<b>493.78</b>	<b>1,697.14</b>	<b>1,803.99</b>

**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
<b>Liability/ (Asset) recognised in the Balance Sheet</b>	<b>(23.37)</b>	<b>(42.49)</b>	<b>4.42</b>	<b>(56.05)</b>

**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 <sup>#</sup>
Actual return on plan assets*	35.42	39.23	131.23	131.93

\* - Figures taken from Audited Financial Statements of respective trusts.

<sup>#</sup> - 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 11<sup>th</sup> Bipartite Settlement/ Joint Note dated November 11, 2020.



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**
**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
<b>Total</b>	<b>464.10</b>	<b>493.78</b>	<b>1,697.14</b>	<b>1,803.99</b>

\* - 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



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

**(c) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave**

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the 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:

Particulars	(Amount in ₹ Crore)	
	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
<b>Total actuarial liability</b>	<b>462.90</b>	<b>376.14</b>
<b>Assumptions</b>		
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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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/utilised 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 utilised 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 utilised 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



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking*	Other Banking Operations	Total
Operating profit (PBT)					4,044.50
Income taxes					(1,033.91)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					3,010.59
<b>OTHER INFORMATION</b>					
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
<b>OTHER INFORMATION</b>					
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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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	<ul style="list-style-type: none"> <li>▪ Mr. T S Srinivasan</li> <li>▪ Ms. Kamala Srinivasan</li> <li>▪ Ms. Maya Shyam</li> <li>▪ Ms. Meena Lochani</li> <li>▪ Ms. Rohini</li> </ul>	<ul style="list-style-type: none"> <li>▪ Father</li> <li>▪ Mother</li> <li>▪ Wife</li> <li>▪ Sister</li> <li>▪ Sister</li> </ul>
Mr. Ashutosh Khajuria, Executive Director	<ul style="list-style-type: none"> <li>▪ Ms. Sunita Khajuria</li> <li>▪ Ms. Vasundhara Khajuria</li> <li>▪ Ms. Yashodhara Khajuria</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wife</li> <li>▪ Daughter</li> <li>▪ Daughter</li> </ul>
Ms. Shalini Warriar, Executive Director	<ul style="list-style-type: none"> <li>▪ Ms. Parvathi Warriar</li> <li>▪ Ms. Asha Warriar</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mother</li> <li>▪ Sister</li> </ul>

**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 <sup>#</sup>	403.61	71.79	6.58	2.69	484.67
	(403.86)	(76.35)	(6.79)	(2.79)	(489.79)
Advances <sup>#</sup>	333.17	-	0.17	0.07	333.41
	(545.32)	(1.04)	(0.21)	(0.10)	(546.67)
Investments in shares <sup>#</sup>	465.80	232.01	-	-	697.81
	(465.80)	(232.01)	-	-	(697.81)
Other investments (NCD, PTC held through trust, etc)	234.70	-	-	-	234.70
	(234.70)	-	-	-	(234.70)





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
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
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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
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
	(0.92)	(20.63)	-	-	(21.55)
Payable#	8.35	-	-	-	8.35
	(12.05)	-	-	-	(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



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2023	March 31, 2022
Other investments (NCD, PTC held through trust etc)	Fedbank Financial Services Limited	234.70	234.70
	Mr. Shyam Srinivasan	0.29	0.15
Interest paid	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 Warriar	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 Warriar	1.55	-#
Number of options granted under ESOS	Mr. Ashutosh Khajuria	91,000	113,000
	Ms. Shalini Warriar	66,400	113,000
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	851,500	960,500
	Ms. Shalini Warriar	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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**2.4. DEFERRED TAX ASSETS / LIABILITY (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

Particulars	(Amount in ₹ Crore)	
	March 31, 2023	March 31, 2022
<b>Deferred Tax Liability</b>		
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
<b>Total - (A)</b>	<b>449.42</b>	<b>360.24</b>
<b>Deferred Tax Asset</b>		
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
<b>Total - (B)</b>	<b>531.16</b>	<b>486.18</b>
<b>Net Deferred tax liability/ (Asset) (A-B)</b>	<b>(81.74)</b>	<b>(125.94)</b>

**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
<b>Reconciliation between weighted average number of equity shares used in computation of basic and diluted earnings per share</b>		
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



## SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

### 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



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
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).





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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.



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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
<b>Gross Block</b>		
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
<b>Depreciation / Amortisation</b>		
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	<b>314.22</b>	<b>261.07</b>
<b>Net Block</b>	<b>189.74</b>	<b>109.74</b>

- 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	-
<b>Closing balance</b>	<b>29.73</b>	<b>6.67</b>

\* 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
<b>Closing provision *</b>	<b>10.38</b>	<b>10.89</b>

\* 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 utilised towards redemption of the debit and credit card reward points.





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

**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 utilised for Write off during the year	0.78	1.15
Reductions during the year	1.48	0.48
<b>Closing provision</b>	<b>85.31</b>	<b>76.47</b>

**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	-	-	-	-
<b>Closing balance</b>	<b>12.75</b>	<b>12.75</b>	<b>69.18</b>	<b>69.18</b>

**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).



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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:

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		
FY 2021-22	-	39.89	36.77	-	3.29	3.29
FY 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
	<b>Total</b>	<b>27.30</b>	<b>39.26</b>

\*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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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.

		<b>For and on behalf of the Board of Directors</b>	
<b>Manikandan Muthiah</b> Head - Financial Reporting	<b>Samir P Rajdev</b> Company Secretary	<b>Shalini Warriar</b> Executive Director (DIN: 08257526)	<b>C Balagopal</b> Chairman (DIN: 00430938)
<b>Venkatraman Venkateswaran</b> Chief Financial Officer		<b>Shyam Srinivasan</b> Managing Director & CEO (DIN: 02274773)	
<b>As per our report of even date</b>		<b>Directors:</b>	
For <b>Varma &amp; Varma</b> Chartered Accountants Firm's Registration No: 0045325	For <b>Borkar &amp; Muzumdar</b> Chartered Accountants Firm's Registration No: 101569W	<b>A P Hota</b> (DIN: 02593219)	<b>Siddhartha Sengupta</b> (DIN: 08467648)
<b>Vijay Narayan Govind</b> Partner Membership No: 203094	<b>Kaushal Muzumdar</b> Partner Membership No: 100938	<b>Manoj Fadnis</b> (DIN: 01087055)	<b>Sudarshan Sen</b> (DIN: 03570051)
		<b>Varsha Vasant Purandare</b> (DIN: 05288076)	<b>Sankarshan Basu</b> (DIN: 06466594)
		<b>Ramanand Mundkur</b> (DIN: 03498212)	

Place: Kochi  
Date : May 05, 2023





# 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.

#### DESCRIPTION OF KEY AUDIT MATTERS

	Key Audit Matters	How our audit addressed the Key Audit Matters
(i)	<p><b>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)</b></p> <p>Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances.</p> <p>The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms') for the identification and classification of non-performing assets ('NPA') and the minimum provision required for such assets.</p>	<p>Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following:</p> <ul style="list-style-type: none"> <li>- 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).</li> <li>- 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.</li> </ul>

#### 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.





INDEPENDENT AUDITORS' REPORT (Contd.)

	<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matters</b>
	<p>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.</p> <p>Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> <li>- Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms;</li> <li>- Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security;</li> <li>- Appropriate reversal of unrealized income on the NPAs.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>- Requires proper control mechanism and significant level of estimation by the Bank;</li> <li>- Has significant impact on the overall financial statements of the Bank;</li> </ul> <p>we have ascertained this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included:               <ol style="list-style-type: none"> <li>i. Considering testing of the exception reports generated from the application systems where the advances have been recorded.</li> <li>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.</li> <li>iii. Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>vii. Examination of advances including stressed/restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines.</li> <li>viii. Seeking independent confirmation of account balances for sample borrowers.</li> <li>ix. Visits to branches/offices and examination of documentation and other records relating to advances.</li> </ol> </li> </ul> <p>For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.</p>
(ii)	<p><b>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)</b></p>	
	<p>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments ('NPI'), non-recognition of income and provisioning against non-performing investments.</p>	<ul style="list-style-type: none"> <li>- 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 -</li> </ul>



INDEPENDENT AUDITORS' REPORT (Contd.)

	<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matters</b>
	<p>The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.</p> <p>We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.</p>	<ul style="list-style-type: none"> <li>- 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;</li> <li>- We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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.</li> </ul>
(iii)	<b>Information Technology ('IT') Systems and Controls for financial reporting</b>	
	<p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.</p> <p>The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods.</p> <p>Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.</p>	<p>As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> <li>- We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting.</li> <li>- 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.</li> <li>- We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts.</li> <li>- We reviewed key observations arising out of audits conducted on the Bank's IT systems during the year.</li> <li>- 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.</li> </ul>





INDEPENDENT AUDITORS' REPORT (Contd.)

	<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matters</b>
(iv)	<p><b>Assessment of Provisions and Contingent Liabilities (Schedules 5 and 12 read with Notes 5.13 and 5.21 of Schedule 17 to the consolidated financial statements)</b></p> <p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the consolidated financial statements) and various employee benefits schemes (Schedule 5 to the consolidated financial statements) was identified as a significant audit area.</p> <p>There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from 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.</p> <p>The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.</p>	<ul style="list-style-type: none"> <li>- Our audit approach / procedures involved:</li> <li>- Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported;</li> <li>- Understanding the current status of the litigations/tax assessments for the Bank;</li> <li>- Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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</li> <li>- Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (Contd.)

### **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:





## INDEPENDENT AUDITORS' REPORT (Contd.)

- 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





## INDEPENDENT AUDITORS' REPORT (Contd.)

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 accounts 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





## INDEPENDENT AUDITORS' REPORT (Contd.)

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 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





INDEPENDENT AUDITORS' REPORT (Contd.)

- 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





## INDEPENDENT AUDITORS' REPORT (Contd.)

### **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



## INDEPENDENT AUDITORS' REPORT (Contd.)

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





# CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2023

(₹ in Thousands)

	Schedule	As at March 31, 2023	As at March 31, 2022
<b>CAPITAL AND LIABILITIES</b>			
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
<b>TOTAL</b>		<b>2,680,040,566</b>	<b>2,262,410,445</b>
<b>ASSETS</b>			
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
<b>TOTAL</b>		<b>2,680,040,566</b>	<b>2,262,410,445</b>
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			

**Manikandan Muthiah**  
Head - Financial Reporting

**Samir P Rajdev**  
Company Secretary

**For and on behalf of the Board of Directors**

**Shalini Warriar**  
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: 0045325

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







# 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
<b>I. INCOME</b>			
Interest earned	13	178,117,772	143,815,315
Other income	14	24,362,374	21,209,332
<b>TOTAL</b>		<b>202,480,146</b>	<b>165,024,647</b>
<b>II. EXPENDITURE</b>			
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
<b>TOTAL</b>		<b>170,722,516</b>	<b>145,370,689</b>
<b>III. NET PROFIT FOR THE YEAR</b>		<b>31,757,630</b>	<b>19,653,958</b>
Less: Minority Interest		451,036	266,386
Add: Share in Profit of Associates		340,597	310,281
<b>IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP</b>		<b>31,647,191</b>	<b>19,697,853</b>
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
<b>V. AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>75,185,396</b>	<b>54,644,875</b>
<b>VI. APPROPRIATIONS</b>			
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
<b>TOTAL</b>		<b>75,185,396</b>	<b>54,644,875</b>
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			

**Manikandan Muthiah**  
Head - Financial Reporting

**Samir P Rajdev**  
Company Secretary

**For and on behalf of the Board of Directors**

**Shalini Warriar**  
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: 0045325

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





# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Cash Flow from Operating Activities</b>		
Net Profit before taxes	42,518,956	26,506,665
<b>Adjustments for:</b>		
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
	<b>54,549,010</b>	<b>43,400,384</b>
<b>Adjustments for working capital changes:-</b>		
(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
	<b>(37,535,557)</b>	<b>(112,204,141)</b>
Direct taxes paid (net)	(12,120,449)	(8,932,766)
<b>Net Cash Flow from / (used in) Operating Activities</b>	<b>4,893,004</b>	<b>(77,736,523)</b>
<b>Cash Flow from Investing Activities</b>		
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
<b>Net Cash flow from / (used in) Investing Activities</b>	<b>(98,437,442)</b>	<b>9,077,297</b>





## CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Cash Flow from Financing Activities</b>		
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)
<b>Net Cash flow from / (used in) Financing Activities</b>	<b>60,381,272</b>	<b>81,926,386</b>
<b>Effect of exchange fluctuation on translation reserve</b>	<b>(158,601)</b>	<b>(63,456)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(33,321,767)</b>	<b>13,203,704</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>211,361,053</b>	<b>198,157,349</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>178,039,286</b>	<b>211,361,053</b>

### 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 (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 Warriar**  
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: 0045325

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





## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>Authorised Capital</b>	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
<b>Issued Capital</b>	4,235,053	4,207,778
2,117,526,438 (Previous year 2,103,889,168 ) Equity Shares of ₹ 2/-each		
<b>Subscribed, Called-up and Paid-up Capital</b>	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
<b>Total</b>	<b>4,232,402</b>	<b>4,205,089</b>

Refer Note 1.1 of Schedule 18

### SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>I. Statutory Reserve</b>		
Opening balance	38,534,280	33,809,726
Additions during the year	7,526,486	4,724,554
	<b>46,060,766</b>	<b>38,534,280</b>
<b>II. Capital Reserves</b>		
a) Revaluation Reserve		
Opening balance	50,091	50,091
	<b>50,091</b>	<b>50,091</b>
b) Capital Redemption Reserve		
Opening balance	14,661	-
Additions / (Deductions) during the year	(18)	14,661
	<b>14,643</b>	<b>14,661</b>
(c) Others		
Opening balance	7,454,496	6,580,463
Additions during the year*	113,247	874,033
	<b>7,567,743</b>	<b>7,454,496</b>
	<b>7,632,477</b>	<b>7,519,248</b>
<b>III. Share premium</b> (Refer Note 1.1 of Schedule 18)		
Opening balance	62,424,782	53,303,285
Additions during the year	932,058	9,121,497
	<b>63,356,840</b>	<b>62,424,782</b>
<b>IV. Revenue and Other Reserves</b>		
a) Revenue Reserve		
Opening Balance	25,133,417	22,466,209
Additions during the year	4,265,747	2,667,208
	<b>29,399,164</b>	<b>25,133,417</b>



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	9,690	-
	<b>1,906,890</b>	<b>1,897,200</b>
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
	<b>10,090,100</b>	<b>8,483,200</b>
<b>V. Foreign Currency Translation Reserve</b>		
Opening Balance	19,116	82,572
Additions / (Deductions) during the year [Refer Schedule 17 (5.6)]	(158,601)	(63,456)
	<b>(139,485)</b>	<b>19,116</b>
<b>VI. ESOP Reserve</b>		
Opening Balance	22,912	17,222
Additions during the year	11,364	5,690
Deductions during the year	1,120	-
	<b>33,156</b>	<b>22,912</b>
<b>VII. Contingency Reserve</b>		
Opening balance	301,003	301,003
	<b>301,003</b>	<b>301,003</b>
<b>VIII. Reserve Fund</b>		
Opening balance	473,905	330,723
Additions during the year	245,987	143,182
	<b>719,892</b>	<b>473,905</b>
<b>IX. General Reserve</b>		
Opening balance	757	764
Additions / (Deductions) during the year	(1)	(7)
	<b>756</b>	<b>757</b>
<b>X. Balance in Consolidated Profit and Loss Account</b>	<b>57,630,129</b>	<b>43,540,278</b>
<b>Total</b>	<b>216,991,688</b>	<b>188,350,098</b>

\* - 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)

**SCHEDULE 2A - MINORITY INTEREST**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Minority interest at the date on which parent-subsidary relationship came into existence	786,638	786,638
Subsequent increase	2,733,068	2,266,669
<b>Total</b>	<b>3,519,706</b>	<b>3,053,307</b>





SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

**SCHEDULE 3 - DEPOSITS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
A. I. Demand Deposits		
i. From Banks	2,179,831	6,176,235
ii. From Others	151,728,327	137,523,300
	<b>153,908,158</b>	<b>143,699,535</b>
II. Savings Bank Deposits	<b>543,369,909</b>	<b>530,826,744</b>
III. Term Deposits		
i. From Banks	23,697,209	9,534,129
ii. From Others	1,408,909,733	1,132,714,805
	<b>1,432,606,942</b>	<b>1,142,248,934</b>
<b>Total</b>	<b>2,129,885,009</b>	<b>1,816,775,213</b>
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
<b>Total</b>	<b>2,129,885,009</b>	<b>1,816,775,213</b>

**SCHEDULE 4 - BORROWINGS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>228,280,023</b>	<b>176,439,791</b>
II. Borrowings outside India	30,339,762	19,434,070
<b>Total</b>	<b>258,619,785</b>	<b>195,873,861</b>
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**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>66,791,976</b>	<b>54,152,877</b>
*Includes		
General provision for standard assets	15,197,410	14,009,955





SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

**SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>126,042,359</b>	<b>160,661,105</b>

**SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>12,108,807</b>	<b>10,030,553</b>
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
<b>Total</b>	<b>39,888,121</b>	<b>40,669,395</b>
<b>Grand Total (I and II)</b>	<b>51,996,928</b>	<b>50,699,948</b>

**SCHEDULE 8 - INVESTMENTS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>485,672,637</b>	<b>390,051,572</b>





SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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	-
<b>Total</b>	<b>1,349,744</b>	<b>600,359</b>
<b>Grand Total (I and II)</b>	<b>487,022,381</b>	<b>390,651,931</b>
Gross Investments		
In India	491,054,724	395,023,569
Outside India	1,351,468	600,359
<b>Total</b>	<b>492,406,192</b>	<b>395,623,928</b>
Depreciation/ Provision for Investments		
In India	5,382,088	4,971,997
Outside India	1,724	-
<b>Total</b>	<b>5,383,812</b>	<b>4,971,997</b>
Net Investments		
In India	485,672,636	390,051,572
Outside India	1,349,744	600,359
<b>Total</b>	<b>487,022,380</b>	<b>390,651,931</b>

# 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
<b>Total</b>	<b>29,037,108</b>	<b>16,517,252</b>



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

**SCHEDULE 9 - ADVANCES**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>1,819,567,490</b>	<b>1,499,514,616</b>
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
<b>Total</b>	<b>1,819,567,490</b>	<b>1,499,514,616</b>
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
<b>Total</b>	<b>1,792,492,880</b>	<b>1,483,543,132</b>
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
<b>Total</b>	<b>27,074,610</b>	<b>15,971,484</b>
<b>Grand Total (C I and C II)</b>	<b>1,819,567,490</b>	<b>1,499,514,616</b>

\* Includes Advances against book debts

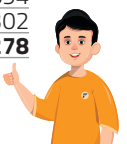
# Includes Advances against Letter of credit issued by banks

(Advances are net of provisions)

**SCHEDULE 10 - FIXED ASSETS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>A. Premises #</b>		
<b>Gross Block</b>		
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	<b>3,742,876</b>	<b>2,968,642</b>
<b>Depreciation</b>		
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	<b>1,126,704</b>	<b>1,065,719</b>
<b>Net Block</b>	<b>2,616,172</b>	<b>1,902,923</b>
<b>B. Other fixed assets</b>		
(including furniture and fixtures)		
<b>Gross Block</b>		
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	<b>18,381,526</b>	<b>15,378,278</b>





SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	(₹ in Thousands)	
	As at March 31, 2023	As at March 31, 2022
<b>Depreciation</b>		
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	<b>12,094,516</b>	<b>10,848,649</b>
<b>Net Block</b>	<b>6,287,010</b>	<b>4,529,629</b>
<b>C. Capital Work in progress (Including Capital Advances)</b>	813,928	288,481
<b>Grand Total (A+B+C)</b>	<b>9,717,110</b>	<b>6,721,033</b>

# 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.

**SCHEDULE 11 - OTHER ASSETS**

	(₹ in Thousands)	
	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>185,694,299</b>	<b>154,161,812</b>
# 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**

	(₹ in Thousands)	
	As at March 31, 2023	As at March 31, 2022
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
<b>Total</b>	<b>766,059,726</b>	<b>389,315,038</b>
(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

## SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>178,117,772</b>	<b>143,815,315</b>

\* - 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

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>24,362,374</b>	<b>21,209,332</b>

\*\* - Includes Recoveries in assets written off ₹ 1,407,335 Thousands (Previous year ₹ 1,791,353 Thousands)

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>99,752,389</b>	<b>79,593,793</b>

## SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
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
<b>Total</b>	<b>52,112,053</b>	<b>45,921,464</b>

# - 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	
				March 31, 2023	March 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.





## SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

### 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 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 categorised 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:





**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

- 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 Private Limited (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 authorised 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 recognised 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 amortised over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Treasury Bills, 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 categorised 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 categorised as HTM and assessed for impairment to determine permanent diminution, if any.



## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

- 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 realisable 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 amortisation of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortised during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

## **5.2 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 unrealised 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 unrealised interest account and not recognised 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





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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 07, 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/ replodge 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.



## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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 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***

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**

#### ***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 recognised 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.





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

### 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 recognised in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortised and recognised 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.

#### ***Fedbank Financial Services Limited***

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 recognised in the Statement of Profit and Loss account.

#### ***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.

### **5.7 DERIVATIVE TRANSACTIONS**

#### ***The Bank***

The Bank recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognised 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.

#### ***Fedbank Financial Services Limited***

The Company recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognised 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 realised first. If different entries are made in the account on the same day, the realisation shall be in the order of charges, interest, and principal.





## SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

- 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.

### **Fedbank Financial Services Limited**

- Revenue is recognised as and when it is earned, and no significant uncertainty exists as to its realisation or collection.
- Interest Income is recognised on accrual basis, except in case of interest on non-performing assets which are recognised 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 recognised when the Company is certain of its realisation.

- 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 recognised upon realisation 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.
- 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 / AMORTISATION

### **The Bank**

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortisation 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 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.





**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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 amortised over the license period.

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/amortisation 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 amortised over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortisation and amortised on an Straight Line. Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.



## SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

### ***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 capitalised 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 amortised 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 realisable 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 recognised 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 recognised 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')





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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 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.

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) 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 recognised in the accounts. Actuarial gains and losses are recognised 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



## SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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 recognised 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 recognised 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 amortised 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 recognised 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 recognised 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 amortised 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 recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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 recognised 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 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.

### **5.17 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 recognised 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





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, 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 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 recognised 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 recognised 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 recognised nor disclosed in the financial statements since this may result in the recognition of income that may never be realised. 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/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 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 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 2022-23.

#### **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



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
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).



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

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**

Particulars	(Number of Options)	
	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	-





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

Particulars	(Number of Options)	
	March 31, 2023	March 31, 2022
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.





## **SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

### ***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 recognised in the accounts. 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***

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.



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognised 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)
<b>Projected benefit obligation at the end of the year</b>	<b>440.73</b>	<b>451.29</b>	<b>4.62</b>	<b>3.19</b>	<b>0.68</b>	<b>0.45</b>	<b>1,701.56</b>	<b>1,747.94</b>

\* 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)
<b>Plan assets at the end of the year at fair value</b>	<b>464.10</b>	<b>493.78</b>	<b>2.87</b>	<b>3.07</b>	<b>1,697.14</b>	<b>1,803.99</b>

**(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
<b>Liability/ (Asset) recognised in the Consolidated Balance Sheet</b>	<b>(23.37)</b>	<b>(42.49)</b>	<b>1.75</b>	<b>0.12</b>	<b>0.68</b>	<b>0.45</b>	<b>4.42</b>	<b>(56.05)</b>



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**(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 <sup>#</sup>
Actual return on plan assets <sup>##</sup>	35.42	39.23	-	-	-	-	131.23	131.93

\* denotes figures less than ₹ 1 Lakh

<sup>#</sup> - 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.

<sup>##</sup>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 <sup>#</sup>	463.24	491.71	1,684.10	1,794.77
<b>Total</b>	<b>464.10</b>	<b>493.78</b>	<b>1,697.14</b>	<b>1,803.99</b>

\* - Figures taken from Audited Financial statements of respective trusts.

<sup>#</sup> In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**
**(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	-
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**

(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
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%



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

(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
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 unutilised accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the 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.

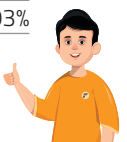
**Group**

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	-
<b>Total actuarial liability</b>	<b>462.90</b>	<b>3.36</b>	<b>376.14</b>	<b>3.07</b>
<b>Assumptions</b>				
Discount rate	7.51%	7.13%	7.36%	6.03%





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	March 31, 2023		March 31, 2022	
	FBL	FFSL	FBL	FFSL
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/utilised 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 utilised 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 utilised 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.





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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	2,535.55	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
<b>OTHER INFORMATION</b>					
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	242,853.59
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)





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Share in profit of associates					31.03
Minority interest					(26.64)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					1,969.79
<b>OTHER INFORMATION</b>					
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	Father
	Ms. Kamala Srinivasan	Mother
	Ms. Maya Shyam	Wife
	Ms. Meena Lochani	Sister
	Ms. Rohini	Sister



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Name of the Key Management personnel	Relatives of the Key Management Personnel	Description of Relationships
Mr. Ashutosh Khajuria, Executive Director	<ul style="list-style-type: none"> <li>▪ Ms. Sunita Khajuria</li> <li>▪ Ms. Vasundhara Khajuria</li> <li>▪ Ms. Yashodhara Khajuria</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wife</li> <li>▪ Daughter</li> <li>▪ Daughter</li> </ul>
Ms. Shalini Warriar, Executive Director	<ul style="list-style-type: none"> <li>▪ Ms. Parvathi Warriar</li> <li>▪ Ms. Asha Warriar</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mother</li> <li>▪ Sister</li> </ul>

**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 <sup>#</sup>	71.79 (76.35)	6.58 (6.79)	2.69 (2.79)	81.06 (85.93)
Advances <sup>#</sup>	- (1.04)	0.17 (0.21)	0.07 (0.10)	0.24 (1.35)
Investments in shares <sup>#</sup>	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 <sup>#</sup>	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.

<sup>#</sup> - 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 <sup>#</sup>	46.55 (81.55)	4.50 (4.66)	2.08 (2.11)	53.13 (88.32)
Advances <sup>#</sup>	- -	0.21 (0.24)	0.10 (0.11)	0.31 (0.35)





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Investments in shares <sup>#</sup>	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 <sup>#</sup>	10.20	-	-	10.20
	(20.63)	-	-	(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
	Ms. Shalini Warriar	1.32	1.46
Dividend received	Ageas Federal Life Insurance Company Limited	7.28	27.04



**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2023	March 31, 2022
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 Warriar	1.55	-#
Number of options granted under ESOS	Mr. Ashutosh Khajuria	91,000	113,000
	Ms. Shalini Warriar	66,400	113,000
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	851,500	960,500
	Ms. Shalini Warriar	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.





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

**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
<b>Reconciliation between weighted shares used in computation of basic and diluted earnings per share</b>		
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:

Particulars	(Amount in ₹ Crore)	
	March 31, 2023	March 31, 2022
<b>Deferred Tax Liability</b>		
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
<b>Total - (A)</b>	<b>444.61</b>	<b>360.24</b>
<b>Deferred Tax Asset</b>		
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
<b>Total - (B)</b>	<b>564.22</b>	<b>521.75</b>
<b>Net Deferred tax liability/ (Asset) (A-B)</b>	<b>(119.61)</b>	<b>(161.51)</b>





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

**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
	<b>Total</b>	<b>1,885.81</b>	<b>1,985.54</b>

**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)
<b>Total</b>	<b>1,087.18</b>	<b>680.88</b>

**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
<b>Gross Block</b>		
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	<b>515.91</b>	<b>381.06</b>
<b>Depreciation / Amortisation</b>		
At the beginning of the year	268.14	232.68
Charge for the year	54.83	35.46





**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

Particulars	(Amount in ₹ Crore)	
	March 31, 2023	March 31, 2022
Deductions during the year	-	-
Depreciation to date	322.97	268.14
<b>Net Block</b>	<b>192.94</b>	<b>112.92</b>

**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**

Particulars	(Amount in ₹ Crore)	
	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)	-
<b>Closing balance</b>	<b>29.73</b>	<b>6.67</b>

\* Provision for credit related frauds is included in Provision towards NPAs.

**b) Movement in provision for debit and credit card reward points**

Particulars	(Amount in ₹ Crore)	
	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
<b>Closing provision*</b>	<b>10.38</b>	<b>10.89</b>

\* 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 utilised towards redemption of the debit and credit card reward points.

**c) Movement in provision for other contingencies**

Particulars	(Amount in ₹ Crore)	
	March 31, 2023	March 31, 2022
Opening provision	76.47	42.22
Provision made during the year	11.10	35.88
Provision utilised for Write off during the year	0.78	1.15
Reductions during the year	1.48	0.48
<b>Closing provision</b>	<b>85.31</b>	<b>76.47</b>

**d) Movement in floating provision:**

Particulars	(Amount in ₹ Crore)			
	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	-	-	-	-
<b>Closing balance</b>	<b>12.75</b>	<b>12.75</b>	<b>69.18</b>	<b>69.18</b>



## **SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

### **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 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 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 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.

#### ***Fedbank Financial Services Limited***

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. 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



## SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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**

- 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).
- The amount approved by the Board of the Bank to be spent during the year was ₹ 43.88 Crore (previous year ₹ 40.06 Crore).
- 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		
FY 2021-22	-	39.89	36.77	-	3.29	3.29
FY 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
	<b>Total</b>	<b>27.30</b>	<b>39.26</b>

\*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.



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

**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)
<b>Parent:</b>				
The Federal Bank Limited	97.21%	21,506.63	94.87%	3,002.59
<b>Subsidiary:</b>				
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
<b>Associate:</b>				
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
<b>Total</b>	<b>100.00%</b>	<b>22,122.41</b>	<b>100.00%</b>	<b>3,164.72</b>





**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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)
<b>Parent:</b>				
The Federal Bank Limited	97.60%	18,793.84	94.53%	1,862.15
<b>Subsidiary:</b>				
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
<b>Associate:</b>				
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
<b>Total</b>	<b>100.00%</b>	<b>19,255.52</b>	<b>100.00%</b>	<b>1,969.79</b>

**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.

**1.21** Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

**Manikandan Muthiah**  
Head - Financial Reporting

**Samir P Rajdev**  
Company Secretary

**For and on behalf of the Board of Directors**

**Shalini Warriar**  
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: 0045325

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





# BASEL III – PILLAR 3 DISCLOSURES AS ON MARCH 31, 2023

## SCOPE OF APPLICATION AND CAPITAL ADEQUACY

### I. TABLE DF- 1 SCOPE OF APPLICATION

The Basel III capital adequacy norms are applicable to The Federal Bank Limited as the top consolidated entity in the group in line with the Reserve Bank of India (RBI) guidelines on the preparation of consolidated prudential reports.

#### Qualitative Disclosures

##### a) List of group entities considered for consolidation

Name of the entity / Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes / no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes / no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Fedbank Financial Services Limited India	Yes	AS 21	Yes	AS 21	NA	NA
Ageas Federal Life Insurance Company Limited India	Yes	AS 23	No	NA	NA	Ageas Federal is an insurance entity and has been risk weighted for capital adequacy purpose
Equirus Capital Private Limited	Yes	AS 23	Yes	AS 23	NA	NA
Federal Operations and Services Limited	Yes	AS 21	Yes	AS 21	NA	NA

##### b) List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Name of the entity / Country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
NIL					

#### Quantitative Disclosures

##### c) List of group entities considered for consolidation

(Amount in ₹ Million.)

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Fed bank Financial Services Limited India	Marketing of Bank's own products and lending against gold and property.	13,140.24	89,791.38
Equirus Capital Private Limited	The Company is engaged in investment banking. The Company caters to both domestic and international market.	1176.64	1525.68



(Amount in ₹ Million.)

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Federal Operations and Services Limited	FedServ will carry out all the operational activities of the Bank including but not limited to accounts service division, payment settlement division, trade finance division, treasury back end section, contact centre operations, IT support etc	206.23	260.73

**d) The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:**

Name of the subsidiaries / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies
NIL				

**e) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:**

(Amount in ₹ Million)

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
Ageas Federal Life Insurance Company Limited India	Insurance	11,211.12	26%	CRAR will be reduced by 0.08% under deduction method

**f) Restrictions or impediments on transfer of funds or regulatory capital within the banking group:**

There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

**TABLE DF -2: CAPITAL ADEQUACY**

**1 Qualitative disclosures**

- 1.1** A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities
- Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis.
  - Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis.
  - The minimum capital required to be maintained by the Bank (including CCB) for the period ended March 31, 2023 is 11.50%. The given minimum capital requirement includes capital conservative buffer of 2.50%. Bank's CRAR is above the regulatory minimum as stipulated in Based III Capital Regulations.

<b>2 Quantitative disclosures (Solo Bank)</b>	(Amount in ₹ Million)
<b>2.1 Capital requirements for Credit risk</b>	<b>124877.51</b>
Portfolios subject to Standardised approach	124877.51
Securitisation exposures	0
<b>2.2 Capital requirements for Market risk (Standardised duration approach)</b>	<b>4523.94</b>
Interest rate risk	2531.79
Foreign exchange risk (including gold)	222.75
Equity risk	1769.40
<b>2.3 Capital requirements for Operational risk</b>	<b>11822.56</b>
Basic Indicator Approach	11822.56
<b>Total Capital Requirements</b>	<b>141224.01</b>



2.4 Common Equity Tier 1, Tier 1 & Total Capital Ratios	Standalone	Consolidated
Common Equity Tier 1 capital ratio	13.02%	13.31%
Tier 1 capital ratio	13.02%	13.31%
Total capital ratio	14.81%	15.24%

### Structure and organisation of Bank’s Risk Management function

Bank has put in place an organisational framework for Bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all material risks on an enterprise-wide basis to achieve organisational goals. The structure is designed in tune with the regulatory guidelines.

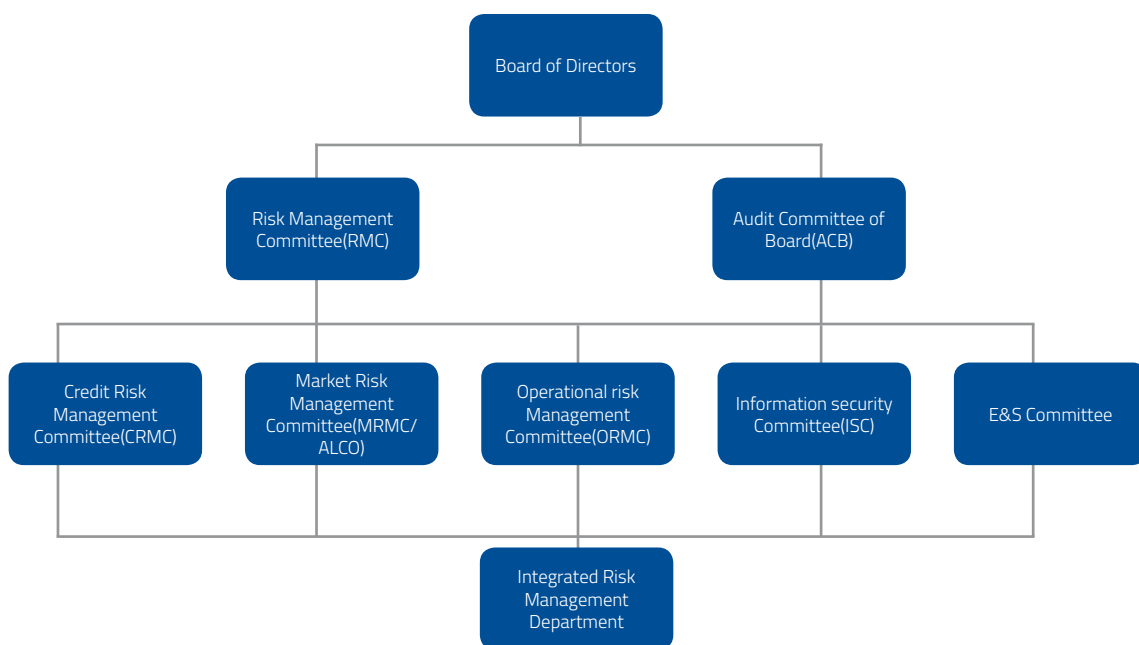
Bank’s Board at the top of the structure assumes overall responsibility for Bank-wide management of risk. The Board approves risk management policies of the Bank and sets risk exposure limits based on Bank’s risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility for devising policy and strategy for enterprise-wide risk management. The Committee also sets guidelines for measurement of risks, risk mitigation and control parameters and approves adequate infrastructure for risk management. The Committee meets regularly and reviews the reports placed before it on various risk areas.

There are five support committees of senior executives viz Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC also known as ALCO), Operational Risk Management Committee (ORMC), Information Security Committee (ISC) and E&S Committee, responsible for implementation of policies and monitoring of risk levels in their respective domains. The Committees are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committees meet regularly to take stock of various facets of risk management function and place their reports to Risk Management Committee of the Board. ALCO meets at least once in a month. Depending on requirement, ALCO meets at shorter frequencies. CRMC and ORMC meet at least once in a quarter subject to minimum of six meetings in a year. ISC and E&S Committee meets at least once in a quarter.

The major risks addressed are Credit Risk, Market Risk, Operational Risk, Residual Credit Risk, Concentration Risk, Interest Rate Risk, Liquidity Risk, Strategic Risk, Reputation Risk, Human Resources Risk, Pension Obligation Risk, IT & Cyber Security Risk, Compliance Risk, Outsourcing Risk, Model Risk, Settlement Risk and E&S Risk. Other material risks identified from time to time are taken care of by one of the above said committees or other functional committees of executives, depending on the nature of risk.

Integrated Risk Management Department is responsible for overall identification, measurement, monitoring and controlling various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator / Board. IRMD has three divisions: Credit Risk Division, Market Risk Division and Operational Risk Division. E&S Division is presently attached to Market Risk Division. Division Heads report to the Chief Risk Officer who reports directly to the Managing Director & CEO.

### Organisation Structure:





## RISK EXPOSURE AND ASSESSMENT

### 1. Credit risk

#### Strategies and processes:

The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below:

- a) Defined segment exposures delineated into Business Banking, CV/CE, Commercial Banking, Corporate, Retail and Agri advances.
- b) Industry wise segment ceilings on aggregate lending in respect of certain industries, ceilings have been fixed for specific geographies with a view to contain Concentration risk.
- c) Individual borrower wise and borrower group wise lending ceilings linked as a percentage to the Bank's eligible capital base as at the end of the previous year.
- d) Borrowers are subjected to credit rating and loans are granted only to those borrowers falling within defined thresholds of risk levels; the approach also includes diversification of borrowers within defined thresholds of risk levels.
- e) Major business of the Bank is within India. However, bank has an IFSC branch located in GIFT City, Gujarat. In respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank / institution. Bank has also fixed ceiling for its foreign currency exposures.
- f) Bank has adopted a well-defined approach for sourcing and underwriting loan proposals. Proper due diligence is carried out while sourcing fresh credit limits.
- g) Credit sanctioning powers are granted as per Credit Delegation Policy based upon the amount and riskiness of the exposure.
- h) Regular review of all credit policies including exposure ceilings are carried out with due approval of Bank's Board of Directors.
- i) Credit hub system is put in place to enhance quality of credit appraisal and underwriting process.
- j) Specialised Credit Advisory Teams operating at strategic locations to streamline and monitor credit processes within the credit hubs, evaluate and chart action plans to act on EWS, conduct unit visit of stressed account and formulate other measures to maintain standard health classification of credit exposures.
- k) Dedicated Credit Monitoring Department at national level and other key geographies to monitor / follow up of performance of loans and advances.
- l) Credit Administration Department at central level and at other key geographies are formed to ensure compliance of documentation formalities and submission of post credit monitoring reports / compliance of sanction order covenants.
- m) Market Intelligence Unit is formed under IRMD with cross functional team members to facilitate the collection and processing of multiple sources of information on large borrowers with an objective to prevent adverse selection of borrowers and throw up early warning signals of possible fraud or credit risk.
- n) Robust statistical score cards are used for retail credit appraisal process.
- o) Bank also uses Behavioral / transactional models for monitoring the transaction behavior of loan accounts.
- p) Model validation is done on yearly basis to assess the discriminatory power and stability of the models.
- q) Bank has laid down appropriate mechanism for ongoing identification, development and assessment of expertise of officials in the area of credit appraisal, underwriting and credit management functions.
- r) Internal credit rating of all credit proposals above ₹ 10 Crore is confirmed by Integrated Risk Management Department.
- s) Bank has adopted the best ESMS practices to minimise environmental and social risks associated with lending activities.

#### Structure and organisation of risk management function:

Bank has put in place Board approved comprehensive Credit Risk Management Policy. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalised required organisational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Risk Management Committee of the Board oversees Bank wide risk management and senior executive level Credit Risk Management Committee monitors



adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets at least once in a quarter (subject to minimum of 6 meetings in a year) to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Division of Integrated Risk Management Department.

Bank has put in place a detailed Loan Policy spelling out various aspects of Credit dispensation and Credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on sector wise, rating grade wise, security wise and customer-constitution wise exposure. CRM policy gives specific instructions on valuation of collaterals. Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures.

Bank has also put in place an 'Environmental and Social Management System (ESMS) Policy' for all lending activities. Adoption of ESMS practices for lending activities strengthens Bank's commitment for the cause of sustainable development as desired by the government, regulators and other stakeholders. ESMS policy enables Bank to minimise environmental and social impacts posed by the lending activities. The policy ensures more focus on funding to the borrowers whose projects are sustainable and environment friendly. This is achieved through meticulous risk categorisation of the borrowers and by ensuring that the funds lent by Bank will be used for purposes / activities which have minimal impact on the environment and the society.

#### **Scope and nature of risk reporting / measurement systems:**

Bank has implemented comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating is made applicable for all loan accounts irrespective of amount, whether funded or non-funded. However, staff loans, loan against liquid securities, pre-approved loans etc are exempted from rating. Bank uses different rating models which are two dimensional, viz obligor rating and facility rating. Risk rating models are drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics, financials, securities offered etc.

Bank has specific rating models capable of rating large corporates, traders, SME, Non-Banking Finance Companies (NBFCs), real estate and service sector clients. Retail advances, small value loans and retail agriculture loans are rated using applicable score cards. Transactional / behavioral scorecards have been developed for all major retail portfolios and are used for monitoring the performance of the borrower post onboarding. All rating models are subjected to annual validation by objectively assessing the discriminatory power, stability of ratings and calibration of models are undertaken, if necessitated.

Rating process and rating output are used by the Bank in sanction and pricing of its exposures. All internal credit ratings assigned for credit facilities above ₹ 5 Crore are reviewed on a half yearly basis using a review scorecard and a full-fledged rating review is conducted annually for credit facilities above 2 Crore. Default study/migration study is conducted annually for exposures above ₹ 2 Cr and the internal ratings are benchmarked with the external ratings.

Credit facilities are sanctioned at various levels in accordance with the delegation policy approved by the Board. Bank has generally adopted a committee approach for credit sanction. Credit rating assigned by an official is also subjected to confirmation by another official. Credit audit is being conducted at specified intervals. Credit risk mitigation techniques are resorted to contain the risk at the minimum level

#### **Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:**

Bank's Credit Risk Management Policy stipulates various tools for mitigation of credit risk and collateral management. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risk arising in investment portfolio. Risk Management Committee of the Board and executive level Credit Risk Management Committee monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures.

Risk rating process by itself is an integral part of the process for selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal / review of existing exposure by field level functionaries is permitted only for borrowers above a threshold rating grade. Entry-level restrictions are further tightened in certain sectors where market signals need for extra caution.

## **2. Market risk**

#### **Strategies and processes:**

Market risk is monitored through various risk limits set vide Board approved Market Risk Management Policy. Detailed policies





like Asset Liability Management Policy, Investment, Forex and Derivatives Policy, Market Risk Management Policy etc. are put in place for the conduct of business exposed to Market risk and also for effective management of all market risk exposures.

The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.

**Structure and organisation of risk management function:**

Risk Management Committee of the Board oversees bank-wide risk management. Asset Liability Management Committee (ALCO), also known as Market Risk Management Committee, is primarily responsible for establishing Market Risk Management and Asset Liability Management in the Bank. ALCO is responsible for implementing risk management guidelines issued by the regulator, leading risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices / policies and risk management prudential limits.

Independent Mid office, which forms a part of Market Risk Division of IRMD, is operational in the floor of Bank's Treasury for onsite monitoring of Treasury functions. The Mid Office conducts market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. It also computes capital charge for market risk and VaR of market portfolios on a daily basis. This separate desk monitors market / operational risks in Bank's Treasury/ Forex operations on a daily basis.

**Scope and nature of risk reporting / measurement systems:**

Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Non-SLR investment exposures are subjected to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc. are used for Risk management and reporting.

**Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:**

Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants are discussed in ALCO and based on the views taken by/ mandates given by ALCO, hedge deals/ mitigation steps are undertaken.

Liquidity risk of the Bank is assessed through Statements of Structural Liquidity, Liquidity Coverage Ratio, Net Stable Funding Ratio and Short-Term Dynamic Liquidity. The liquidity profile of the Bank is measured on static and dynamic basis using the Statements of Structural Liquidity and Short-Term Dynamic Liquidity respectively. Structural liquidity position and Liquidity Coverage Ratio are computed on a daily basis whereas Net Stable Funding ratio and Dynamic liquidity position is assessed on a monthly basis.

Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are monitored by ALCO on a monthly basis. Interest rate risk is analysed from earnings perspective using Traditional Gap Analysis and Economic value perspective using Duration Gap Analysis on a monthly basis. Based on the analysis, steps are taken to minimise the impact of interest rate changes.

Bank is computing LCR (Liquidity Coverage Ratio) on a daily basis and NSFR (Net stable funding ratio) on a monthly basis. Advanced techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.

**3. Operational risk**

**Strategies and processes:**

The Bank is exposed to operational risk in all its activities. Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, organisation structure and risk profile. Business Continuity and Disaster Recovery Plans are established to ensure continuity of critical operations of the Bank and safety of its people. Robust information and cyber security frameworks are established for securing the IT infrastructure and systems of the Bank

**Structure and organisation of risk management function:**

Bank has put in place a detailed framework for Operational Risk Management with a well-defined ORM Policy. The Risk





Management Committee of the Board oversees Bank-wide operational risk management. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. The operational risk management framework of the Bank also encompasses information and cyber security framework for securing the IT infrastructure and systems. The executive level Information Security Committee (ISC) is responsible for implementation of strategies and policies for protection of all information assets of the Bank. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices.

**Scope and nature of risk reporting / measurement systems:**

Bank is collecting operational risk loss data directly from the loss originating points. Bank has established a separate accounting procedure for operational risk events to enhance transparency and to enable effective monitoring of loss events. The operational risk loss data is consolidated, analysed and reported to the Operational Risk Management Committee at least on a quarterly basis.

Bank is conducting RCSAs (Risk and Control Self-Assessments) regularly to assess the level of inherent and residual risks and appropriate controls are introduced, wherever necessary, to reduce the risk levels. The controls are frequently tested based on the level of the underlying risk and if failure exceeds defined thresholds, immediate steps are initiated for remediation/improvement of the failed control.

Bank is monitoring Key Risk Indicators on a periodical basis for assessing the changes in operational risk profile and triggering reviews and corrective actions, if required.

**Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:**

A robust control mechanism covering centralised processing, segregation of duties, straight through processing, timely reconciliation, user access controls etc. is in place and periodically reviewed. Wherever deficiencies are found in the processes or improvements are required to the mitigants, measures to remediate the same are taken up by the respective functional owners. Various training and awareness Programmes are conducted to improve awareness among the staff regarding the internal controls and procedures as also the various actions to be taken to avoid or minimise operational risks.

Prior to launching of any new product or process or alteration of any existing product or process, all relevant risks are analysed, and processes and controls established to manage the risks involved.

As information & communication technologies are relied on for delivery of banking services, robust system level controls are put in place to ensure the confidentiality, integrity and availability of information systems in the Bank. There is a Security Operations Centre (SOC) which performs security monitoring round the clock. Bank has also received ISO 27001 accreditation for its critical IT areas.

To evaluate the effectiveness of the business continuity arrangements, periodic drills and tests are conducted. Bank has implemented a Business Continuity Management System in conformance with ISO 22301 standards for its IT, centralised operations and clearing functions.

A preventive vigilance framework is in place, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and AML. Bank is also using insurance for minimising the impact of various operational risk losses and liabilities.

The Internal Audit Department undertakes various audits like RBIA, Revenue Audit, IS Audit, Special Audit, Management Audit etc. to provide an independent assurance on the management of operational risks.

**4. Interest rate risk in Banking Book**

**Strategies and processes:**

Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and Economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.

**Structure and organisation of risk management function:**

Risk Management Committee at the Board level and ALCO at the executive level are responsible for effective management of Interest Rate Risk in Bank's business. Board approved ALM Policy governs the Interest rate risk management framework of the





Bank. Market Risk Management Policy takes care of the management of Interest rate risk in the Trading Book of the Bank.

**Scope and nature of risk reporting / measurement systems:**

Interest rate risk in Banking Book is assessed and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank

**Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigators:**

Bank has put in place mitigating / hedging measures prescribed by Investment Forex and derivative Policy, ALM Policy, Market Risk Management Policy. Risk profiles are analysed and mitigating strategies/ hedging process are suggested and operationalised by Treasury Department with the approval of Senior Level Committees.

**TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES**

**Qualitative disclosures**

**Definitions of past due and impaired (for accounting purposes):**

1. Non-Performing Assets

An asset including a leased asset becomes non-performing when it ceases to generate income for the bank. A non-performing asset (NPA) is a loan or an advance where

- a. Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- b. The account remains 'Out of order' as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC).
- c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted.
- d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- f. The amount of liquidity facility remains outstanding for more than 90 days, in respect of securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- g. The overdue receivables representing positive mark-to-market value of a derivative contract remaining unpaid for a period of 90 days from the specified due date for payment, in respect of derivative transactions.
- h. The minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the payment due date mentioned in the statement, in respect of credit card.
- i. The accounts with following temporary deficiencies.
  - i. Drawings in the working capital account based on drawing power calculated from stock statements older than three months, would be deemed as irregular. Such account will turn NPA if such irregular drawings are permitted in the account for a continuous period of 90 days.
  - ii. Regular/ ad hoc credit limits which is not reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

2. 'Out of Order' status

A Cash Credit / Overdraft account will be treated as 'Out of Order' if

- a) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- b) The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.



3. 'Overdue'

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

4. Special Mention Accounts

As prescribed by RBI, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below:

<b>SMA Sub-categories</b>	<b>Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between</b>
SMA-0	1 - 30 days
SMA-1	31 - 60 days
SMA-2	61 - 90 days

In the case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows

<b>SMA Sub-categories</b>	<b>Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:</b>
SMA-1	31- 60 days
SMA-2	61 – 90 days

The above norms pertaining to classifying borrower accounts into SMA categories will be applicable for all loans (including retail loans), other than agricultural advances governed by crop season-based asset classification norms.

**Credit Risk**

Credit Risk may be defined as

- Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities.
- Downgrading of counterparties whose credit instruments, the Bank may be holding, causing the value of those assets to fall.
- Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).

**Discussion of the Bank's Credit Risk Management Policy:**

Bank has put in place a detailed Credit Risk Management Policy. The goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organisational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilisation of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimising returns with satisfactory spread over funding cost and overheads.

The policy deals with the structure, framework and processes for effective management of inherent credit risk. Credit Risk Management Policy also provide a framework for identification of stressed sectors in the economy and creating additional provision for exposures to these sectors.

**Quantitative disclosures**

(Amount in ₹ Million.)

	<b>Fund based exposure*</b>	<b>Non-fund based exposure**</b>	<b>Total</b>
Total gross credit risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	2156793.74	176015.54	2332809.28
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	22850.63	0.00	22850.63
Domestic	2133943.11	176015.54	2309958.65





\*Fund based exposures include all type of funded facilities including the un-availed limits and inter-bank exposures. However, exposures to Food Credit, RIDF related exposures, deposits to SIDBI, NABARD and NHB for priority sector lending purposes are excluded.

\*\*Non fund based exposures include guarantees, Letters of Credit and Co-Acceptances of bills/ deferred payment guarantees.

### INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(With industry break up on same lines as prescribed for DSB returns)

(Amount in ₹ Million.)

Industry Name	Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
<b>A. Mining and Quarrying</b>	<b>5027.40</b>	<b>959.06</b>	<b>5986.46</b>	<b>0.26%</b>
A.1 Coal	300.35	0.00	300.35	0.01%
A.2 Others	4727.05	959.06	5686.11	0.24%
<b>B. Food Processing</b>	<b>64080.70</b>	<b>1421.82</b>	<b>65502.51</b>	<b>2.81%</b>
B.1 Sugar	5361.13	0.00	5361.13	0.23%
B.2 Edible Oils and Vanaspati	3871.89	549.93	4421.81	0.19%
B.3 Tea	4318.88	3.70	4322.58	0.19%
B.4 Coffee	1270.08	2.53	1272.61	0.05%
B.5 Others	49258.72	865.66	50124.38	2.15%
<b>C. Beverages (excluding Tea &amp; Coffee) and Tobacco</b>	<b>4336.76</b>	<b>499.60</b>	<b>4836.36</b>	<b>0.21%</b>
C.1 Tobacco and tobacco products	792.48	0.00	792.48	0.03%
C.2 Others	3544.27	499.60	4043.88	0.17%
<b>D. Textiles</b>	<b>62687.14</b>	<b>2359.52</b>	<b>65046.66</b>	<b>2.79%</b>
D.1 Cotton	13366.12	380.51	13746.64	0.59%
D.2 Jute	3588.47	0.14	3588.60	0.15%
D.3 Man-made	527.39	71.19	598.57	0.03%
D.4 Others	45205.17	1907.68	47112.85	2.02%
Out of D (i.e., Total Textiles) to Spinning Mills	11919.49	364.41	12283.89	0.53%
<b>E. Leather and Leather products</b>	<b>1216.90</b>	<b>414.35</b>	<b>1631.25</b>	<b>0.07%</b>
<b>F. Wood and Wood Products</b>	<b>6935.84</b>	<b>486.37</b>	<b>7422.22</b>	<b>0.32%</b>
<b>G. Paper and Paper Products</b>	<b>7604.20</b>	<b>619.50</b>	<b>8223.70</b>	<b>0.35%</b>
<b>H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b>	<b>26840.10</b>	<b>1.92</b>	<b>26842.01</b>	<b>1.15%</b>
<b>I. Chemicals and Chemical Products (Dyes, Paints, etc.)</b>	<b>65265.36</b>	<b>3609.05</b>	<b>68874.41</b>	<b>2.95%</b>
I.1 Fertilizers	11237.68	1474.78	12712.46	0.54%
I.2 Drugs and Pharmaceuticals	20755.74	317.27	21073.01	0.90%
I.3 Petro-chemicals (excluding under Infrastructure)	354.50	132.63	487.13	0.02%
I.4 Others	32917.44	1684.37	34601.80	1.48%
<b>J. Rubber, Plastic and their Products</b>	<b>20096.72</b>	<b>1042.49</b>	<b>21139.21</b>	<b>0.91%</b>
<b>K. Glass, Glassware and other non-metallic mineral products (Except Cement and Cement products)</b>	<b>1984.91</b>	<b>598.35</b>	<b>2583.26</b>	<b>0.11%</b>
<b>L. Cement and Cement Products</b>	<b>8858.44</b>	<b>517.32</b>	<b>9375.76</b>	<b>0.40%</b>
<b>M. Basic Metal and Metal Products</b>	<b>37752.39</b>	<b>8771.73</b>	<b>46524.12</b>	<b>1.99%</b>
M.1 Iron and Steel	23637.37	6266.66	29904.03	1.28%
M.2 Other Metal and Metal Products	14115.02	2505.07	16620.09	0.71%
<b>N. All Engineering</b>	<b>40845.67</b>	<b>9501.68</b>	<b>50347.35</b>	<b>2.16%</b>
N.1 Electronics	2641.16	1003.40	3644.56	0.16%
N.2 Others	38204.51	8498.28	46702.79	2.00%



(Amount in ₹ Million.)

Industry Name	Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
<b>O. Vehicles, Vehicle Parts and Transport Equipments</b>	<b>30882.03</b>	<b>2410.62</b>	<b>33292.65</b>	<b>1.43%</b>
<b>P. Gems and Jewellery</b>	<b>11727.14</b>	<b>317.72</b>	<b>12044.86</b>	<b>0.52%</b>
<b>Q. Construction</b>	<b>15975.37</b>	<b>13901.30</b>	<b>29876.67</b>	<b>1.28%</b>
<b>R. Infrastructure (Pertaining to Industries Sector Only)</b>	<b>140897.73</b>	<b>36928.48</b>	<b>177826.21</b>	<b>7.62%*</b>
R1. Transport and adjoining Infrastructure	12687.55	1688.48	14376.03	0.62%
R2. Energy	64187.03	11527.25	75714.28	3.25%
R3. Water and Sanitation	34.58	47.49	82.07	0.00%
R4. Communication	793.30	251.24	1044.54	0.04%
R5. Social and Commercial Infrastructure	7926.11	1680.61	9606.72	0.41%
R6. Others, if any, please specify	55269.15	21733.42	77002.58	3.30%
<b>S. Other Industries, pl. specify</b>	<b>16070.10</b>	<b>660.79</b>	<b>16730.89</b>	<b>0.72%</b>
<b>1. Industry (A to S)</b>	<b>569084.88</b>	<b>85021.67</b>	<b>654106.55</b>	<b>28.04%</b>
<b>2. Agriculture and Allied Activities</b>	<b>241251.97</b>	<b>87.47</b>	<b>241339.44</b>	<b>10.35%</b>
<b>3. Services</b>	<b>702077.33</b>	<b>90906.40</b>	<b>792983.73</b>	<b>33.99%</b>
<b>4. Retail Loans</b>	<b>575543.17</b>	<b>0.00</b>	<b>575543.17</b>	<b>24.67%</b>
<b>Interbank exposure</b>	<b>45985.76</b>	<b>0.00</b>	<b>45985.76</b>	<b>1.97%</b>
<b>Overseas</b>	<b>22850.63</b>	<b>0.00</b>	<b>22850.63</b>	<b>0.98%</b>
<b>Total Exposure (1 to 6)</b>	<b>2156793.74</b>	<b>176015.54</b>	<b>2332809.28</b>	<b>100.00%</b>

\* Total exposure exceeds 5% of gross credit exposure

#### RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS (maturity bands as used in ALM returns are used)

(Amount in ₹ Million.)

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	26705.06	6698.88	11045.95	92565.57	25501.88	0.00	7822.46	170339.80
2 – 7 days	0.00	963.83	39903.98	3757.73	14828.88	0.00	4889.42	64343.84
8-14 days	0.00	1140.26	0.00	4933.40	11455.92	0.00	0.15	17529.74
15-30 days	0.00	3073.24	0.00	12009.64	26616.37	0.00	486.15	42185.40
31 days & up to 2 months	0.00	3373.25	0.00	10427.09	65238.25	0.00	5.67	79044.26
Over 2 months & up to 3 months	0.00	2493.71	0.00	4326.20	60421.18	0.00	473.06	67714.15
Over 3 months & up to 6 months	0.00	8054.47	0.00	8556.34	175198.80	0.00	4545.89	196355.51
Over 6 months & up to 1 year	0.00	16077.56	0.00	18152.46	174870.76	0.00	30538.05	239638.83
Over 1 year & up to 3 years	0.00	53825.39	28.41	75542.97	803655.04	0.00	66470.03	999521.85
Over 3 years & up to 5 years	0.00	2136.02	0.00	111043.51	189510.52	0.00	20795.26	323485.31
Over 5 years & upto 7 years	0.00	902.82	0.00	89058.98	105254.85	0.00	44037.32	239253.97
Over 7 years & up to 10 years	0.00	458.22	0.00	45364.12	58023.29	0.00	203.50	104049.13
Over 10 year & up to 15 years	0.00	5.01	0.00	17.96	27633.73	0.00	21.01	27677.71
Over 15 years	0.00	0.74	0.00	14077.49	6259.37	9339.74	2601.46	32278.80
<b>Total</b>	<b>26705.06</b>	<b>99203.41</b>	<b>50978.34</b>	<b>489833.47</b>	<b>1744468.85</b>	<b>9339.74</b>	<b>182889.43</b>	<b>2603418.29</b>





## ASSET QUALITY

### Advances

(Amount in ₹ Million.)

<b>Amount of Non-Performing Assets (Gross)</b>	41,837.69
Substandard	10,170.69
Doubtful 1	9,676.77
Doubtful 2	10,271.93
Doubtful 3	7,265.40
Loss	4,452.89
Net NPA	12,050.10
<b>NPA ratios</b>	
Gross NPAs to gross advances (%)	2.36%
Net NPAs to net advances (%)	0.69%
<b>Movement of NPAs (Gross)</b>	
Opening balance (balance as at the end of previous Fiscal)	41,367.44
Additions during the period*	17,191.28
Reductions*	16,721.04
Closing balance	41,837.69

\*Including stressed asset sold to ARC

### Movement of provisions

(Amount in ₹ Million.)

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	26,419.43	691.80
Provisions made during the period	12,013.54	-
Write Off	3,750.24	-
Write back of excess provisions	5,997.89	-
Any other adjustments, including transfers between provisions	80.20	-
Closing balance	28,604.64	691.80

### Details of write offs and recoveries that have been booked directly to the income statement

(Amount in ₹ Million.)

Write offs that have been booked directly to the income statement	1,402.81
Recoveries that have been booked directly to the income statement	1,888.33

### Investments

(Amount in ₹ Million.)

Amount of Non-Performing Investments (Gross)	782.53
Amount of provisions held for Non-Performing Investments	778.63

### Movement of provisions for depreciation on investments

Opening balance (balance as at the end of previous Fiscal)	4,073.62
Provisions made during the period	1,051.96
Write-off	(246.04)
Write-back of excess provisions	(292.74)
Closing balance	4,586.80

### Major Industry breakup of NPA

(Amount in ₹ Million.)

Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	6699.59	5496.64





### Geography wise Distribution of NPA and Provision

(Amount in ₹ Million.)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	39,783.44	26,550.39	691.80
Overseas	2,054.25	2,054.25	-
Total	41,837.69	28,604.64	691.80

**TABLE DF – 4: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH**

#### 1. Qualitative disclosures

For portfolios under the Standardised Approach:

Names of credit rating agencies used, plus reasons for any changes:

Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrower accounts that forms the basis for determining risk weights under Standardised Approach.

External Credit Rating Agencies approved are:

1. CRISIL Ratings Limited
2. CARE
3. India Ratings and Research Private Limited (Formerly FITCH INDIA)
4. ICRA
5. Acuite Rating & Research (Formerly SMERA Ratings Limited)
6. INFOMERICS Valuation and Rating Private. Limited (INFOMERICS)

Bank is also using the ratings of the following international credit rating agencies for assigning risk weights to claims for capital adequacy purposes where the exposure can be specified as international exposure:

1. Fitch;
2. Moody's and
3. Standard & Poor's

With respect to external credit rating, Bank is using long term ratings for risk weighting all long-term claims and unrated short-term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short-term claims of the obligor and not to risk weight unrated long-term claims on the same counterparty.

Types of exposure for which each agency is used:

1. Rating by the agencies is used for both funds based and non-fund-based exposures.
2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits).
3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits.
4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group.

The rating reviewed, at least once during past 15 months will only be considered for risk weighting purposes.

Description of the process used to transfer public issue ratings into comparable assets in the Banking Book:

The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject.

Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/ counterparty) or Issuer Ratings (borrower constituent/ counterparty) are applied to unrated exposures of the same borrower constituent/ counterparty subject to the following:

1. Issue specific ratings are used where the unrated claim of the Bank ranks paripassu or senior to the rated issue / debt.
2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty.
3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned. The name of the lender and the credit facility shall be published by the rating agency.





## 2. Quantitative disclosures

Risk weight wise details of exposures (rated and unrated) after risk mitigation subject to the Standardised Approach (Credit equivalent amount of all exposures subjected to Standardised Approach, after risk mitigation)	<b>Risk Weight</b>	(Amount in ₹ Million.)
	Below 100 %	1598186.81
	100 %	656971.08
	More than 100 %	173283.70
	Deducted*	7005.02
<b>Total</b>	<b>2428441.59</b>	

\*Investment in subsidiary

### TABLE DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACHES

#### 1. Qualitative disclosures

Disclosures on credit risk mitigation methodology adopted by the Bank that are recognised under the Standardised Approach for reducing capital requirements for credit risk

##### 1.1 Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting

Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.

##### 1.2 Policies and processes for collateral valuation and management

Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both Risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.

##### 1.3 Description of the main types of collateral taken by the Bank

Collaterals used by Bank as risk mitigants for capital computation under Standardised Approach comprise eligible financial collaterals namely:

1. Cash margin and fixed deposits of the counterparty with the Bank.
2. Gold jewel of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity.
3. Securities issued by Central and State Governments.
4. Kisan Vikas Patra and National Savings Certificates.
5. Life Insurance Policies with a declared surrender value of an Insurance company regulated by the insurance sector regulator.
6. Debt securities rated by a chosen Credit Rating Agency in respect of which the Bank is sufficiently confident of market liquidity of the security and where these securities are either:
  - a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public sector entities and other entities including banks and Primary Dealers or
  - b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments
7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are:
  - a. Issued by the bank
  - b. Listed on a recognised exchange
  - c. Classified as senior debt
  - d. All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or A3 by a chosen Credit Rating Agency
  - e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency
  - f. Bank is sufficiently confident about the market liquidity of the security.
8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where
  - a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain
  - b. Mutual fund is limited to investing in the permitted instruments listed.

Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/ advances and deposits of the same counterparty. Netting benefit, even if available, is not utilised in capital computation under Basel III norms.



#### 1.4 Main types of guarantor counterparty and their creditworthiness

Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for Credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject.

Main types of guarantor counterparties are

- Sovereigns (Central / State Governments)
- Sovereign entities like ECGC, CGFTSI, individual schemes under NCGTC which are backed by explicit Central Government Guarantee.
- Banks and Primary Dealers with a lower risk weight than the counter party

Other entities that are externally rated except when credit protection is provided to a securitisation exposure. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.

#### 1.5 Information on market / credit risk concentrations within the mitigation taken by the Bank

Majority of financial collaterals held by the Bank are by way of own Deposits, Government Securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals except in Gold and Units of Mutual Funds since sufficient margin is always kept. Bank does not have concentration in exposure collateralised through units of eligible Mutual Funds. With respect to gold loans, each and every exposure is reviewed/ renewed/ closed within a maximum period of 12 months. Bank could successfully manage the risks posed by sudden reduction in gold price in the past on account of maintaining RBI stipulated LTV and close monitoring of the accounts. Measures warranted during each situation were timely taken.

Bank has not experienced any significant Market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realisation.

Concentration on account of collateral is also relevant in the case of Land & building. Except in the case of Housing loan to individuals and loans against property, land and building is considered only as an additional security. As land and building is not recognised as eligible collateral under Standardised Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of Housing loan to individuals and non-performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

## 2. Quantitative Disclosures

### 2.1 Credit risk exposure covered by eligible financial collaterals

(Amount in ₹ Million.)

Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A Funded Credit Exposure	296459.75	269218.56	27241.18
B Non funded Credit exposure	55996.51	32093.51	23903.00
C Securitisation exposures – On balance sheet	-	-	-
D Securitisation exposures – Off balance sheet	-	-	-
<b>TOTAL</b>	<b>352456.25</b>	<b>301312.07</b>	<b>51144.18</b>

### 2.2 Credit risk exposure covered by guarantees

(Amount in ₹ Million.)

Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)
A Funded Credit Exposure	540649.15	37233.15
B Non funded Credit exposure	557.53	274.93
C Securitisation exposures – on balance sheet	-	-
D Securitisation exposures – off balance sheet	-	-
<b>TOTAL</b>	<b>541206.68</b>	<b>37508.08</b>





**TABLE DF – 6: SECURITISATION: DISCLOSURES FOR STANDARDISED APPROACH**

**1. Qualitative disclosures**

**1.1 General disclosures on securitisation exposures of the Bank**

A Objectives of securitisation activities of the Bank (including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the Bank to other entities and nature of other risks inherent in securitised assets)

Bank's securitisation exposure is limited to investments in securitisation instruments (Pass Through Certificates) and purchase of asset portfolio by way of Direct assignment route. The bank invests/ purchase securitised assets with the objective of book building and yield optimisation.

B Role of Bank in securitisation processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.

As an Investor: The Bank invests in Pass Through Certificates backed by financial assets originated by third parties. Such investments are held in its Trading book.

As an Assignee: The Bank also purchases Asset portfolio by way of Direct assignment from Banks / NBFCs.

C Processes in place to monitor changes in the credit and market risk of securitisation exposures

The major risks involved in Loan assignment transactions are:

**Credit Risk:** The risk of default on a debt that may arise from an obligor failing to make required payments.

**Co-mingling risks:** Risks arising on account of co-mingling of funds belonging to the assignee with that of originator. This occurs when there is a time lag between collection of loan instalments by the originator and remittance to the assignee.

**Regulatory and legal risks:** Risks arising due to non-compliance of regulatory requirements resulting in keeping higher risk weight/ capital charge for assignment transactions. Risk of non-compliance of regulatory rules.

**Prepayment risk:** Prepayment risk arises on account of prepayment of dues by obligors in the assigned pool either in part or full. Bank is constantly monitoring the changes in Credit and Market risk profile of securitisation instruments held in the Trading book and Banking book. In case of portfolio purchased through Assignment route, monitoring is done on an individual account level.

D Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures

The Bank has not originated any securitisation exposures. In the case of purchase by way of Direct assignment route, Bank has not used any Credit risk mitigants.

**1.2 Accounting policies for securitisation activities**

A Treatment of transaction (whether as sales or financings)

NA

B Methods and key assumptions (including inputs) applied in valuing positions retained or purchased

Income from investments in Pass Through Certificates is recognised on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard. The loans purchased through Direct assignment route are classified as advances. The loans purchased will be carried at acquisition cost.

C Changes in methods and key assumptions from the previous period and impact of the changes

No change is effected in methods and key assumptions used for valuation of investment in securitised instruments (Pass Through Certificates).

D Policies for recognising liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitised assets.

Bank has not entered into any arrangement to provide financial support for securitised assets.

**1.3 In the Banking Book, names of ECAIs used for securitisations and the types of securitisation exposures for which each agency is used.**

For computation of Capital requirements for loans purchased by way of Direct assignment, Bank has used the Credit rating issued by eligible ECAIs.



## 2. Quantitative disclosures (Amount in ₹ Million)

### 2.1 In the Banking Book

A	Total amount of exposures securitised by the Bank	Nil
B	For exposures securitised, losses recognised by the Bank during the current period (exposure type wise break up)	Nil
C	Amount of assets intended to be securitised within a year	Nil
D	Of (C) above, amount of assets originated within a year before securitisation	Nil
E	Securitisation exposures (by exposure type) and unrecognised gain or losses on sale thereon	

Type of exposure	Amount securitised	Unrecognised gain / loss
Nil	Nil	Nil
F Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup) (Direct assignment of Cash flows)	Housing	4292.46
	Loan against property	6626.66
	Mixed Assets*	535.28
	Agri / Allied activities	222.04
	<b>Total</b>	<b>11676.4</b>
G Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup)	NIL	

H Aggregate amount of securitisation exposures retained or purchased and associated capital charges (Direct assignment of Cash flows)

Risk Weight Bands	Exposure Type	Exposure	Capital Charge
Less than 100%	Housing Loans	4280.83	189.446
	Mixed Assets*	535.576	36.1514
	Loan against property	-	-
	Agri / Allied activities	-	-
At 100%	Agri / Allied activities	159.303	14.3373
	Loan against property	6626.66	596.399
	Housing Loans	11.632	1.04688
More than 100%	Agri / Allied activities	62.7382	8.46966
	Mixed Assets*	-	-

\*includes Commercial Vehicle Loans, Personal loan and Micro & Small Business Loans

I	Total amount of deductions from capital on account of securitisation exposures	Nil
	Deducted entirely from Tier I capital-underlying exposure type wise break up	Nil
	Credit enhancing interest only strips (I/O) deducted from total capital – underlying exposure type wise break up	Nil
	Other exposures deducted from total capital – underlying exposure type wise break up	Nil

### 2.2 In the Trading Book

A Aggregate amount of exposures securitised by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)

Type of exposure	Gross Amount	Amount retained
NIL	NIL	NIL





B	Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup)		
	Type of exposure	(Amount in ₹ Million.)	
	Investment in Pass through Certificates	25761.61	
C	Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup)		
D	Securitisation exposures retained / purchased subject to Comprehensive Risk Measure for specific risk		
	-		
E	Securitisation exposures retained / purchased subject to specific risk capital charge (risk weight band wise distribution)		
	<b>Type of Exposure</b>	<b>Capital charge as % to exposure</b>	<b>Exposure</b> (Amount in ₹ Million.)
	Investment in Pass through Certificates	4.13%	25825.37
F	Aggregate amount of capital requirements for securitisation exposures (risk weight band wise distribution)		
	<b>Type of exposure</b>	<b>Capital charge as % to exposure</b>	<b>Capital charge</b> (Amount in ₹ Million.)
	Investment in Pass through Certificates	4.13%	1066.60
G	Total amount of deductions from capital on account of securitisation exposures		
	Deducted entirely from Tier I capital – underlying exposure type wise break up		NIL
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up		NIL
	Other exposures deducted from total capital – underlying exposure type wise break up		NIL

#### TABLE DF – 7: MARKET RISK IN TRADING BOOK

##### 1. Qualitative disclosures

###### 1.1 Approach used for computation of capital charge for market risk

Bank has adopted Standardised Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardised Duration Approach is applied for computation of General Market Risk for

- Securities under HFT category
- Securities under AFS category
- Open gold position limits
- Open foreign exchange position limits
- Trading positions in derivatives
- Derivatives entered into for hedging trading book exposures

Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.

###### 1.2 Portfolios covered in the process of computation of capital charge

Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.

(Amount in ₹ Million.)

##### 2. Quantitative disclosures

###### 2.1 Minimum capital requirements for market risk as per Standardised Duration Approach

Interest rate risk	2531.80
Foreign exchange risk (including gold)	222.75
Equity position risk	1769.40





**TABLE DF – 8: OPERATIONAL RISK**

**1. Qualitative disclosures**

**1.1 Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)**

Bank is following the Basic Indicator Approach for computation of capital charge for operational risk.

**TABLE DF – 9: INTEREST RATE RISK IN BANKING BOOK (IRRBB)**

**1. Qualitative disclosures**

The impact of adverse movements in interest rates on financials is referred to as interest rate risk. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. As interest rate risk can impact both Net Interest Income (NII) and Economic value of capital, it is assessed and managed from both earnings and economic value perspective.

- a) **Earnings perspective:** Analyses the impact on Bank’s Net Interest Income (NII) in the short term through traditional gap analysis.
- b) **Economic perspective:** Analyses the impact on the Net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items through duration gap analysis.

The Bank classifies an asset/liability as rate sensitive if:

- Within the time interval under consideration, there is a cash flow
- The interest rate resets / reprices contractually during the interval
- RBI changes the interest rates in cases where interest rates are administered.

Rate sensitive assets and liabilities are grouped under various time buckets prescribed by RBI for interest rate sensitivity statement and bucket wise modified duration is computed using the suggested common maturity, coupon and yield parameters.

Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.

IRRBB is assessed on a monthly basis and monitored by ALCO, both under earnings and economic value perspectives.

Amount in ₹ Million

<b>2 Quantitative disclosures - Impact of interest rate risk</b>	Total Book	Banking Book
<b>2.1 Earnings perspective (Traditional Gap Analysis)</b>		
Earnings at Risk (EaR) – impact for one year due to Uniform 1% increase/decrease in interest rate	2610.46	2458.56
Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase/decrease in interest rate	8803.41	7175.53

(Currency wise break up not provided as the turnover in other currencies is less than 5% of total turnover)

**TABLE DF – 10: GENERAL DISCLOSURE FOR EXPOSURE RELATED TO COUNTERPARTY CREDIT RISK**

**Qualitative disclosures**

Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardised Approach.

### Quantitative disclosures

The Bank does not recognise bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The balance outstanding and the current exposure thereof are as follows:

(Amount in ₹ Million.)

Particulars	Notional Amounts	Current Exposure
Foreign exchange contracts	520724.56	22442.40
Interest rate derivative contracts	110800.00	1090.83
<b>Total</b>	<b>631524.56</b>	<b>23533.24</b>

**TABLE DF-11: COMPOSITION OF CAPITAL**

(Amount in ₹ Million.)

Basel III common disclosure template			Ref No
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	67589.24	a+d-m2
2	Retained earnings	54630.90	l+m-m1
3	Accumulated other comprehensive income (and other reserves)	94014.58	b+c+e+f+i+j+k+di
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital: before regulatory adjustments	216234.72	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	150.18	x1
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	31.61	r+p
10	Deferred tax assets	0.00	
11	Cash-flow hedge reserve	0.00	
12	Shortfall of provisions to expected losses	0.00	
13	Securitisation gain on sale	0.00	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	1842.67	
15	Defined-benefit pension fund net assets	0.00	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0.00	
17	Reciprocal cross-holdings in common equity	0.00	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00	
20	Mortgage servicing rights (amount above 10% threshold)	0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	
22	Amount exceeding the 15% threshold	0.00	
23	of which: significant investments in the common stock of financial entities	-	
24	of which: mortgage servicing rights	0.00	
25	of which: deferred tax assets arising from temporary differences	0.00	
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00	



26 a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00	
26 b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00	
26 c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00	
26 d	of which: Unamortised pension funds expenditures	0.00	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00	
28	Total regulatory adjustments to Common equity Tier 1	2024.46	
29	Common Equity Tier 1 capital (CET1)	<b>214210.26</b>	
<b>Additional Tier 1 capital: instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	0.00	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	0.00	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0.00	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00	
35	of which: instruments issued by subsidiaries subject to phase out	0.00	
36	Additional Tier 1 capital before regulatory adjustments	0.00	
<b>Additional Tier 1 capital: regulatory adjustments</b>			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41 a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00	
41 b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00	
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	0.00	
44	<b>Additional Tier 1 capital (AT1)</b>	0.00	
45	<b>Tier 1 capital (T1 = CET1 + AT1) (29 + 44)</b>	<b>214210.26</b>	
<b>Tier 2 capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	19950.00	n
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00	
49	of which: instruments issued by subsidiaries subject to phase out	0.00	
50	Provisions	11633.54	ci+h+o+g
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>31583.54</b>	





**Tier 2 capital: regulatory adjustments**

52	Investments in own Tier 2 instruments	0.00
53	Reciprocal cross-holdings in Tier 2 instruments	391.79
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0.00
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00
56	National specific regulatory adjustments (56a+56b)	0.00
56 a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	0.00
56 b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00
57	Total regulatory adjustments to Tier 2 capital	391.79
58	<b>Tier 2 capital (T2)</b>	31191.75
59	<b>Total capital (TC = T1 + T2) (45 + 58)</b>	<b>245402.01</b>
60	<b>Total risk weighted assets (60a + 60b + 60c)</b>	<b>1609839.13</b>
60 a	of which: total credit risk weighted assets	1428211.31
60 b	of which: total market risk weighted assets	50266.08
60 c	of which: total operational risk weighted assets	131361.75

**Capital ratios and buffers**

61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.31%
62	Tier 1 (as a percentage of risk weighted assets)	13.31%
63	Total capital (as a percentage of risk weighted assets)	15.24%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	0.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: bank specific countercyclical buffer requirement	0.00%
67	of which: G-SIB buffer requirement	0.00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	7.81%

**National minima (if different from Basel III)**

69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%

**Amounts below the thresholds for deduction (before risk weighting)**

72	Non-significant investments in the capital of other financial entities	7104.93
73	Significant investments in the common stock of financial entities	7005.02
74	Mortgage servicing rights (net of related tax liability)	0.00
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00

**Applicable caps on the inclusion of provisions in Tier 2**

76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	9704.11
77	Cap on inclusion of provisions in Tier 2 under standardised approach	17852.64
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA



**Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)**

80	Current cap on CET1 instruments subject to phase out arrangements	NA
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA
82	Current cap on AT1 instruments subject to phase out arrangements	NA
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA
84	Current cap on T2 instruments subject to phase out arrangements	NA
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA

**Note to the Template**

Row No. of the template	Particular	(Amount in ₹ Million.)
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	1196.14
	Total as indicated in row 10	1196.14
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	2080.00
	of which: Increase in Common Equity Tier 1 capital	2080.00
	of which: Increase in Additional Tier 1 capital	0.00
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
50	Eligible Provisions included in Tier 2 capital	9704.11
	Investment Fluctuation Reserve included in Tier 2 capital	1906.89
	Eligible Revaluation Reserves included in Tier 2 capital	22.54
	<b>Total of row 50</b>	<b>11633.54</b>

**Table DF-12**

(Amount in ₹ Million.)

<b>Composition of Capital: Reconciliation Requirements Step 1</b>		<b>Balance sheet as in financial statements</b>	<b>Balance sheet under regulatory scope of consolidation</b>
		<b>31-03-2023</b>	<b>31-03-2023</b>
<b>A</b>	<b>Capital &amp; Liabilities</b>		
i	Paid-up Capital	4232.40	4232.40
	Reserves & Surplus	210829.97	219628.36
	Minority Interest	-	-
	Total Capital	215062.37	223860.76
ii	Deposits	<b>2133860.38</b>	<b>2129885.01</b>
	of which: Deposits from banks	25877.04	25877.04
	of which: Customer deposits	2107983.34	2104007.97
	of which: Other deposits (pl. specify)	0.00	0.00
iii	Borrowings	193192.89	258619.79
	of which: From RBI	0.00	0.00
	of which: From banks	978.00	64201.77
	of which: From other institutions & agencies	161875.13	164078.25
	of which: Others (pl. specify)	30339.76	30339.76
	of which: Capital instruments	19950.00	19950.00



**Table DF-12**

(Amount in ₹ Million.)

<b>Composition of Capital: Reconciliation Requirements Step 1</b>		<b>Balance sheet as in financial statements</b>	<b>Balance sheet under regulatory scope of consolidation</b>
		<b>31-03-2023</b>	<b>31-03-2023</b>
iv	Other liabilities & provisions	<b>61302.65</b>	<b>66791.98</b>
	<b>Total Liabilities</b>	<b>2603418.29</b>	<b>2679157.54</b>
<b>B</b>	<b>Assets</b>		
i	Cash and balances with Reserve Bank of India	125908.46	126042.36
	Balance with banks and money at call and short notice	50978.34	51996.93
ii	Investments:	<b>489833.47</b>	<b>486139.35</b>
	of which: Government securities	423955.33	426889.67
	of which: Other approved securities	0.00	0.00
	of which: Shares	6874.98	6934.92
	of which: Debentures & Bonds	23478.02	21197.65
	of which: Subsidiaries / Joint Ventures / Associates	6688.02	2080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	28837.12	29037.11
iii	Loans and advances	<b>1744468.85</b>	<b>1819567.49</b>
	of which: Loans and advances to banks	2069.35	2069.35
	of which: Loans and advances to customers	1742399.49	1817498.14
iv	Fixed assets	<b>9339.74</b>	<b>9717.11</b>
v	Other assets	<b>182889.43</b>	<b>185694.30</b>
	of which: Goodwill and intangible assets	0.00	31.61
	of which: Deferred tax assets	817.43	1196.14
vi	Goodwill on consolidation	-	-
vii	Debit balance in Profit & Loss account	-	-
	<b>Total Assets</b>	<b>2603418.29</b>	<b>2679157.54</b>

**TABLE DF-12**

(Amount in ₹ Million.)

<b>Composition of Capital: Reconciliation Requirements Step 2</b>		<b>Balance sheet as in financial statements</b>	<b>Balance sheet under regulatory scope of consolidation</b>	<b>Ref No.</b>
		<b>31-03-2023</b>	<b>31-03-2023</b>	
<b>A</b>	<b>Capital &amp; Liabilities</b>			
i	Paid-up Capital	<b>4232.40</b>	<b>4232.40</b>	
	of which: Amount eligible for CET1	4232.40	4232.40	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	<b>210829.97</b>	<b>219628.36</b>	
	Of which	0.00	0.00	
	-Statutory Reserve	46060.77	46060.77	b
	-Revaluation Reserve (Part of CET1 at a discount of 55%)	0.00	0.00	c
	-Revaluation reserves at a discount of 55 percent (T-2) (if not already shown under CET 1)	50.09	50.09	c i
	-Share premium	61716.22	63356.84	d
	-Capital Redemption Reserve	0.00	14.64	di
	-Capital Reserve	7567.74	7567.74	e
	-Revenue and other reserves	29399.16	30119.81	f
	-Investment fluctuation reserve	1906.89	1906.89	g
	-Investment reserve			h
	-Foreign Currency Translation Reserve (at a discount of 75 per cent)	-139.49	-139.49	i
	-ESOP Reserve	24.78	33.16	i1
	-Special reserve	10090.10	10090.10	j
	-Contingency reserve	301.00	301.00	k





**TABLE DF-12**

(Amount in ₹ Million.)

<b>Composition of Capital: Reconciliation Requirements Step 2</b>		<b>Balance sheet as in financial statements</b>	<b>Balance sheet under regulatory scope of consolidation</b>	<b>Ref No.</b>
		<b>31-03-2023</b>	<b>31-03-2023</b>	
	- Balance in Profit and loss account at the end of the previous financial year	41055.45	42881.78	l
	- Current Financial year profit (After appropriations)	12797.24	13865.32	m
	- Dividend appropriation considered for regulatory purposes		2116.20	m1
	Minority Interest	0.00	3519.71	m2
	-Cash flow hedge reserve	0.00		
	<b>Total Capital</b>	<b>215062.37</b>	<b>223860.76</b>	
ii	<b>Deposits</b>	<b>2133860.38</b>	<b>2129885.01</b>	
	of which: Deposits from banks	25877.04	25877.04	
	of which: Customer deposits	2107983.34	2104007.97	
	of which: Other deposits (pl. specify)	0.00	0.00	
iii	<b>Borrowings</b>	<b>193192.89</b>	<b>258619.79</b>	
	of which: From RBI	-	-	
	of which: From banks	978.00	64201.77	
	of which: From other institutions & agencies	161875.13	164078.25	
	of which: Others	30339.76	30339.76	
	of which: Capital instruments (Tier II bonds)	19950.00	19950.00	
	- Recognised under Tier II	19950.00	19950.00	n
	- Not Recognised under Tier II	0.00	0.00	
iv	<b>Other liabilities &amp; provisions</b>	<b>61302.65</b>	<b>66791.98</b>	
	of which: DTLs		0.00	
	of which: Standard asset provision included under Tier II	8990.80	9704.11	o
	<b>Total Liabilities</b>	<b>2603418.29</b>	<b>2679157.54</b>	
<b>B</b>	<b>Assets</b>			
i	Cash and balances with Reserve Bank of India	<b>125908.46</b>	<b>126042.36</b>	
	Balance with banks and money at call and short notice	<b>50978.34</b>	<b>51996.93</b>	
ii	<b>Investments</b>	<b>489833.47</b>	<b>486139.35</b>	
	of which: Government securities	423955.33	426889.67	
	of which: Other approved securities	0.00	0.00	
	of which: Shares	6874.98	6934.92	
	of which: Good will	0.00	150.18	x1
	of which: Debentures & Bonds	23478.02	21197.65	
	of which: Subsidiaries / Joint Ventures / Associates	6688.02	2080.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	28837.12	29037.11	
iii	<b>Loans and advances</b>	<b>1744468.85</b>	<b>1819567.49</b>	
	of which: Loans and advances to banks	2069.35	2069.35	
	of which: Loans and advances to customers	1742399.49	1817498.14	
iv	<b>Fixed assets</b>	<b>9339.74</b>	<b>9717.11</b>	
	of which Intangible assets	<b>0.00</b>	<b>31.61</b>	p
v	<b>Other assets</b>	<b>182889.43</b>	<b>185694.30</b>	
	a Other intangibles (excluding MSRs)	0.00	0.00	r
	b Deferred tax assets	817.43	1196.14	
	c MAT credit entitlement	0.00	0.00	
vi	Goodwill on consolidation	0.00	0.00	
vi	Debit balance in Profit & Loss account	0.00	0.00	
	<b>Total Assets</b>	<b>2603418.29</b>	<b>2679157.54</b>	





**TABLE DF- 16: EQUITIES – DISCLOSURE FOR BANKING BOOK POSITIONS**

**Qualitative Disclosures**

Valuation and accounting of equity holdings in the banking book:

In accordance with the RBI Master Directions on “Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks”, investments are classified at the time of purchase into Held for Trading” (‘HFT’), “Available for Sale” (‘AFS’) and “Held to Maturity” (‘HTM’) categories.

Investment in the equity of subsidiaries and joint ventures (a Joint Venture is the one in which the bank, along with its subsidiaries, holds more than 25% of the equity) are required to be classified under HTM category.

Investments in Held to Maturity are carried at their acquisition cost. Any diminution, other than temporary, in the value of such securities is provided for. 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

Investments in subsidiaries/associates as per RBI guidelines are categorised as HTM and assessed for impairment to determine permanent diminution, if any. The book value of Bank’s equity investment HTM portfolio was ₹ 6,688.02 Million as at 31.03.2023.

**Quantitative Disclosures**

(Amount in ₹ Million.)

Market Value of Equity Investments in HTM Outstanding	6688.01
The types and nature of investments, including the amount that can be classified as:	
▪ Market Value of Listed Equities in HTM	0.00
▪ Market Value of Unlisted Equities in HTM	6688.01
Net Profit / Loss on sale of Equities from HTM	-
Total unrealised gains (losses)*	-
MTM of HTM equities	-

\*Unrealised gains (losses) recognised in the balance sheet but not through the profit and loss account.

All our investments in subsidiaries are kept under common equity.

**LEVERAGE RATIO (Consolidated)**

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III leverage ratio is defined as the ratio of capital measure (the numerator) to exposure measure (the denominator), expressed as a percentage.

The capital measure used for the leverage ratio at any particular point in time is the Tier 1 capital measure applying at that time under the risk-based framework. Total exposure measure is the sum of the on-balance sheet exposures, derivative exposures, securities financing transaction (SFT) exposures and off- balance sheet (OBS) items.

$$\text{Leverage Ratio} = \frac{\text{Tier I Capital}}{\text{Total Exposure}}$$

**TABLE DF 17 - SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE.**

Item	(Amount in ₹ Million.)
1 Total consolidated assets as per published financial statements	2603418.29
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	75739.24
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure (less)	2024.46
4 Adjustments for derivative financial instruments	23533.24
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00



Item	(Amount in ₹ Million.)
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	218801.77
7 Other adjustments	6755.62
8 Leverage ratio exposure	2926223.71

**TABLE DF 18 - LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE**

Item	Leverage ratio framework (Amount in ₹ Million.)
<b>On-balance sheet exposures</b>	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2685913.15
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	2024.46
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	2683888.70
<b>Derivative exposures</b>	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6038.45
5 Add-on amounts for PFE associated with all derivatives transactions	17494.79
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8 (Exempted CCP leg of client-cleared trade exposures)	0.00
9 Adjusted effective notional amount of written credit derivatives	0.00
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
<b>11 Total derivative exposures (sum of lines 4 to 10)</b>	<b>23533.24</b>
<b>Securities financing transaction exposures</b>	
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14 CCR exposure for SFT assets	0.00
15 Agent transaction exposures	0.00
<b>16 Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>0.00</b>
<b>Other off-balance sheet exposures</b>	
17 Off-balance sheet exposure at gross notional amount	570657.68
18 (Adjustments for conversion to credit equivalent amounts)	351855.90
<b>19 Off-balance sheet items (sum of lines 17 and 18)</b>	<b>218801.77</b>
20 Tier 1 Capital	214210.26
21 Total exposures (sum of lines 3,11,16 and 19)	2926223.71
22 Basel III leverage ratio	7.32%

\*Leverage ratio (Solo):7.18%





## FORM AOC-I

(PURSUANT TO FIRST PROVISION TO SUB-SECTION (3) OF SECTION 129 READ WITH RULE 5 OF COMPANIES (ACCOUNTS) RULES, 2014)

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

#### PART "A": SUBSIDIARIES

As on/for the year ended March 31, 2023

(₹ in Thousand)

1. Sl. No.	1	2
2. Name of the subsidiary:	Fedbank Financial Services Limited	Federal Operations and Services Limited
3. The date since when subsidiary was acquired	17/04/1995	26/10/2018
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA	NA
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA	NA
6. Share Capital	3,219,100	100,000
7. Reserves & surplus	9,920,800	106,229
8. Total assets	90,204,800	260,724
9. Total Liabilities	77,064,900	54,495
10. Investments	3,200,900	-
11. Turnover	12,259,700	618,527
12. Profit before taxation	2,206,500	57,761
13. Provision for taxation	522,600	9,994
14. Profit after taxation	1,683,900	47,767
15. Proposed Dividend	NIL	NIL
16. Extent of shareholding (in %)	73.21	100.00

#### Notes:

- Names of subsidiaries which are yet to commence operations - NIL
- Names of subsidiaries which have been liquidated or sold during the year. – NIL
- The reported figures of the subsidiaries are as per the audited financial statements prepared for the consolidation as per AS 21, Consolidated Financial Statements.

#### PART "B": ASSOCIATES AND JOINT VENTURES

### STATEMENT PURSUANT TO SECTION 129 (3) OF THE COMPANIES ACT, 2013 RELATED TO ASSOCIATE COMPANIES AND JOINT VENTURES

Name of Associates/Joint Ventures	Ageas Federal Life Insurance Company Limited	Equirus Capital Private Limited
1. Latest audited Balance Sheet	31/03/2023	31/03/2023
2. Date on which the Associate or Joint Venture was associated or acquired	23/11/2006	12/07/2018
3. Shares of Associate/Joint Ventures held by the company on the year end		
Number of shares held	208,000,000	13,395,910
Amount of Investment in Associates/Joint Venture (₹ in Thousand)	2,080,000	240,138
Extent of Holding (in %)	26.00%	19.79%





Name of Associates/Joint Ventures	Ageas Federal Life Insurance Company Limited	Equirus Capital Private Limited
4. Description of how there is significant influence	Investment more than 20%	Right of proportionate representation in the Board as well as power to participate in the financial/operational matters like approval of business plan, policies, budgets, managerial remuneration, change in KMP etc
5. Reason why the associate/joint venture is not consolidated	NA	NA
6. Networth attributable to Shareholding as per latest audited Balance Sheet (₹ in Thousand)	2,914,892	231,793
7. Profit / (Loss) for the year 2022-23 (₹ in Thousand)		
i. Considered in Consolidation	297,331	43,258
ii. Not Considered in Consolidation	846,251	175,327

**Notes:**

- Names of associates or joint ventures which are yet to commence operations - NIL
- Names of associates or joint ventures which have been liquidated or sold during the year - NIL.

**Manikandan Muthiah**  
Head - Financial Reporting

**Samir P Rajdev**  
Company Secretary

**Venkatraman Venkateswaran**  
Chief Financial Officer

**For and on behalf of the Board of Directors**

**Shalini Warriar**  
Executive Director  
(DIN: 08257526)

**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)

Place: Kochi  
Date : May 05, 2023





<b>Statement of use</b>	The Federal Bank Limited has reported its ESG performance in accordance with the GRI Standards for the period 1 <sup>st</sup> April 2022 to 31 <sup>st</sup> March 2023
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
<b>General disclosures</b>		
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	Federal Bank Limited
	2-2 Entities included in the organization’s sustainability reporting	About the Report (Page 1)
	2-3 Reporting period, frequency and contact point	About the Report (Page 1)
	2-4 Restatements of information	The Scope 2 emissions reported for FY22 has been restated due to a change in the conversion factor used.
	2-5 External assurance	The Bank has not conducted any external assurance of its ESG report.
	2-6 Activities, value chain and other business relationships	Digital at the fore, Human at the core (Page 12) Offering a holistic range of banking solutions (Page 16) Unveiling Key Milestones of the Year (Page 8)
	2-7 Employees	Empowering Lives with Enriching Relationships (Page 76) BRSR Principle 3, 5 (Pages 254-258, 261-264)
	2-8 Workers who are not employees	“Employee” defined under Sec 2(l) of the Industrial Relations Code, 2020, includes Officers, Clerical and Sub Staff. To avoid duplication, we have not reported anyone under workers, though Clerical and Sub Staff may also qualify under the definition of worker.
	2-9 Governance structure and composition	Board Structure and Diversity (Page 47) Board Committees (Page 49) ESG Governance (Page 54) Corporate Governance Report (Page 197)
	2-10 Nomination and selection of the highest governance body	Corporate Governance Report (Page 197)
	2-11 Chair of the highest governance body	Corporate Governance Report (Page 197)
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Report (Page 197)
	2-13 Delegation of responsibility for managing impacts	ESG Governance (Page 54) Corporate Governance Report (Page 197)
	2-14 Role of the highest governance body in sustainability reporting	ESG Governance (Page 54) Corporate Governance Report (Page 197)







GRI STANDARD	DISCLOSURE	LOCATION
<b>General disclosures</b>		
	2-15 Conflicts of interest	Building Trust through Ethics (Page 56) Board's Report - Disqualification/Conflicts of Interest (Pages 110,111)
	2-16 Communication of critical concerns	Building Trust through Ethics (Page 56)
	2-17 Collective knowledge of the highest governance body	Board Training (Pages 47,48) Corporate Governance Report - List of core skills/ experience/ competencies identified by the Board (Pages 200,201) BRSR Report Principle 1 (Pages 250-252)
	2-18 Evaluation of the performance of the highest governance body	Board's Report – Board Evaluation (Pages 114-116) Board Performance Evaluation (Page 48)
	2-19 Remuneration policies	Board Remuneration Policies (Page 48) Board's Report – Policy on Remuneration (Pages 111-114)
	2-20 Process to determine remuneration	Board Remuneration Policies (Page 48) Board's Report – Policy on Remuneration (Pages 111-114) Schedule 18: Disclosures on Remuneration (Pages 347-352)
	2-21 Annual total compensation ratio	27.85
	2-22 Statement on sustainable development strategy	Shaping a Future-Ready Federal Bank (Pages 24-27) Harnessing Technology, Nurturing Relationships (Pages 28-31)
	2-23 Policy commitments	Responsible Business Conduct (Page 55) Human Rights (Page 55) BRSR Section B: Management and Process Disclosures (Pages 247-250)
	2-24 Embedding policy commitments	Responsible Business Conduct (Page 55) Human Rights (Page 55) BRSR Section B: Management and Process Disclosures (Pages 247-250)
	2-25 Processes to remediate negative impacts	Grievance Handling and Risk Management Mechanisms (Pages 56-58)
	2-26 Mechanisms for seeking advice and raising concerns	Grievance Handling and Risk Management Mechanisms (Pages 56-58)
	2-27 Compliance with laws and regulations	BRSR Report Principle 1 (Page 251) BRSR Principle 6 (Page 268)
	2-28 Membership associations	BRSR Report Principle 3 (Page 255)
	2-29 Approach to stakeholder engagement	Building Trust with Bespoke Engagement (Pages 60-62) BRSR Principle 4 (Pages 259,260)
	2-30 Collective bargaining agreements	Nurturing Employee Engagement and Well-being (Pages 86-95)





GRI STANDARD	DISCLOSURE	LOCATION
<b>General disclosures</b>		
<b>Material topics</b>		
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	Identifying Our Material Issues (Pages 64-67)
	3-2 List of material topics	Identifying Our Material Issues (Pages 64-67) BRSR Report Section A (Pages 243-246)
<b>Economic performance</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67) BRSR Report Section A (Pages 243-246)
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	Identifying Our Material Issues (Pages 64-67)
	201-2 Financial implications and other risks and opportunities due to climate change	Identifying Our Material Issues (Pages 64-67) BRSR Report Section A (Pages 243-246)
	201-3 Defined benefit plan obligations and other retirement plans	Schedule 17: Employee Benefits (Pages 302-305) Schedule 18: Employee Benefits (AS 15) (Pages 356-359)
	201-4 Financial assistance received from government	Tax Strategy (Pages 58,59)
<b>Market presence</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	BRSR Report Principle 5 (Page 262)
	202-2 Proportion of senior management hired from the local community	All the senior management personnel of the Bank are from India.
<b>Indirect economic impacts</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)



GRI STANDARD	DISCLOSURE	LOCATION
<b>General disclosures</b>		
<b>GRI 203:</b> Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Driving Communities Towards a Resilient and Empowered Tomorrow (Pages 93-95) Annexure 1 - Annual Report on Corporate Social Responsibility Activities (Pages 119-150)
	203-2 Significant indirect economic impacts	Driving Communities towards a Resilient and Empowered Tomorrow (Pages 93-95) Human Rights (Page 55) Responsible Business Conduct (Page 55) Annexure 1 - Annual Report on Corporate Social Responsibility Activities (Pages 119-150)
<b>Procurement practices</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 204:</b> Procurement Practices 2016	204-1 Proportion of spending on local suppliers	BRSR Report Principle 8 (Page 271)
<b>Anti-corruption</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 205:</b> Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	During the reporting period, the Bank has not specifically incorporated corruption in the risk assessment process.
	205-2 Communication and training about anti-corruption policies and procedures	Building Trust through Ethics (Page 56)
	205-3 Confirmed incidents of corruption and actions taken	BRSR Report Principle 1 (Pages 250-252)
<b>Anti-competitive behavior</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 206:</b> Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.
<b>Tax</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)





GRI STANDARD	DISCLOSURE	LOCATION
<b>General disclosures</b>		
<b>GRI 207:</b> Tax 2019	207-1 Approach to tax	Tax Strategy (Pages 58,59)
	207-2 Tax governance, control, and risk management	Tax Strategy (Pages 58,59)
	207-3 Stakeholder engagement and management of concerns related to tax	Tax Strategy (Pages 58,59)
	207-4 Country-by-country reporting	The Bank has operations only in India.
<b>Energy</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 302:</b> Energy 2016	302-1 Energy consumption within the organization	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	302-2 Energy consumption outside of the organization	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	302-3 Energy intensity	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	302-4 Reduction of energy consumption	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	302-5 Reductions in energy requirements of products and services	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
<b>Emissions</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 305:</b> Emissions 2016	305-1 Direct (Scope 1) GHG emissions	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	305-2 Energy indirect (Scope 2) GHG emissions	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	305-3 Other indirect (Scope 3) GHG emissions	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	305-4 GHG emissions intensity	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	305-5 Reduction of GHG emissions	GHG Emissions and Energy Conservation (Pages 68-70) BRSR Principle 6 (Pages 264-269)
	305-6 Emissions of ozone-depleting substances (ODS)	As a provider of financial services, Air emissions other than GHG emissions are not material to the Bank.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	As a provider of financial services, Air emissions other than GHG emissions are not material to the Bank.



GRI STANDARD	DISCLOSURE	LOCATION
<b>General disclosures</b>		
<b>Employment</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 401:</b> Employment 2016	401-1 New employee hires and employee turnover	Our Diverse Workforce (Pages 80-83)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Health and Safety (Page 88)
	401-3 Parental leave	Health and Safety (Page 88)
<b>Labor/management relations</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 402:</b> Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Nurturing Employee Engagement and Well-being (Page 87)
<b>Training and education</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 404:</b> Training and Education 2016	404-1 Average hours of training per year per employee	Driving Performance through Learning (Page 89,90)
	404-2 Programs for upgrading employee skills and transition assistance programs	Driving Performance through Learning (Page 89,90) BRSR Report Principle 3 (Pages 254-258)
	404-3 Percentage of employees receiving regular performance and career development reviews	Driving Performance through Learning (Page 89,90) BRSR Report Principle 3 (Pages 254-258)
<b>Diversity and equal opportunity</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 405:</b> Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Board Structure and Diversity (Page 47) Corporate Governance Report (Pages 197-238) BRSR Report Section A (Page 241)
	405-2 Ratio of basic salary and remuneration of women to men	BRSR Report Principle 5 (Page 262)





GRI STANDARD	DISCLOSURE	LOCATION
<b>General disclosures</b>		
Non-discrimination		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 406:</b> Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	There were no cases of discrimination and corrective actions taken during the reporting period.
<b>Rights of indigenous peoples</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	
<b>GRI 411:</b> Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	There were no incidents of violations involving rights of indigenous peoples in the reporting period.
<b>Local communities</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 413:</b> Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Driving Communities towards a Resilient and Empowered Tomorrow (Pages 93-95) Annexure 1 - Annual Report on Corporate Social Responsibility Activities (Pages 119-150)
	413-2 Operations with significant actual and potential negative impacts on local communities	Owing to the nature of Business no such impacts are identified.
<b>Public policy</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 415:</b> Public Policy 2016	415-1 Political contributions	Building Trust through Ethics (Page 56)
<b>Marketing and labeling</b>		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)







GRI STANDARD	DISCLOSURE	LOCATION
General disclosures		
<b>GRI 417:</b> Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Owing to the nature of Business this is not material to the Bank.
	417-2 Incidents of non-compliance concerning product and service information and labeling	No cases reported
	417-3 Incidents of non-compliance concerning marketing communications	No cases reported
Customer privacy		
<b>GRI 3:</b> Material Topics 2021	3-3 Management of material topics	Identifying Our Material Issues (Pages 64-67)
<b>GRI 418:</b> Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No cases reported







The logo for Federal Bank, featuring the words "FEDERAL BANK" in a bold, white, sans-serif font. The text is contained within a solid blue rectangular box. A thin yellow horizontal line is positioned directly below the blue box. The entire logo is centered on a background of overlapping circles in shades of orange and yellow.

**FEDERAL BANK**

YOUR PERFECT BANKING PARTNER

ANNUAL REPORT 2022-2023