

Secretarial Department

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

SDF-24/ /2019-20

01st July 2019

The Manager
The National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051.

The Manager
Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers,
Floor 25, Dalal Street,
MUMBAI – 400 001

Dear Sir,

Sub. : Annual Report of The Federal Bank Limited 2018-19

As required under Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements Regulations, 2015), we hereby submit the copy of Annual Report FY 2018-19 and Notice of 88th Annual General Meeting of the Bank to be sent to the shareholders.

Kindly take the same on record.

Thanking you,
Yours faithfully,


Girish Kumar G
Company Secretary



The Federal Bank Ltd. Registered Office: Federal Towers, P O Box No.103, Aluva, Kerala, India 683 101
E-mail: secretarial@federalbank.co.in | www.federalbank.co.in | Phone : 0484-2622263 fax:04842623119CIN:

L65191KL1931PLC000368

A journey to conquer
new horizons



**Presence
to Prominence**

**Prominence
to Dominance**

FEDERAL BANK

YOUR PERFECT BANKING PARTNER
ANNUAL REPORT 2018-2019

Safe Harbour

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

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The beginning of a new journey

Last year's all women motorbike expedition organised by Federal Bank attracted much media attention. Six women employees of Federal Bank rode all the way from Kerala to Delhi, championing the cause of diversity and women empowerment at the workplace and in society at large. This year's Annual Report Cover captures a moment from that historic expedition. While the rally primarily symbolised the Bank's commitment to women empowerment, it was also a metaphor for the Bank's ambitious forays into the vast vistas of opportunities that our country presents.

Prominence to Dominance

Federal Bank has materially consolidated its leadership position in its home state and is dominating the banking landscape in Kerala. The Bank has fast evolved from being 'prominent' to being 'dominant' in Kerala.

Presence to Prominence

Over the years, Federal Bank could carve out a conspicuous presence pan India. By investing and redoubling its efforts in these markets, the Bank is swiftly transiting from conspicuous to commanding presence.

About the Bank

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

Our Vision

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

Our Mission

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

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

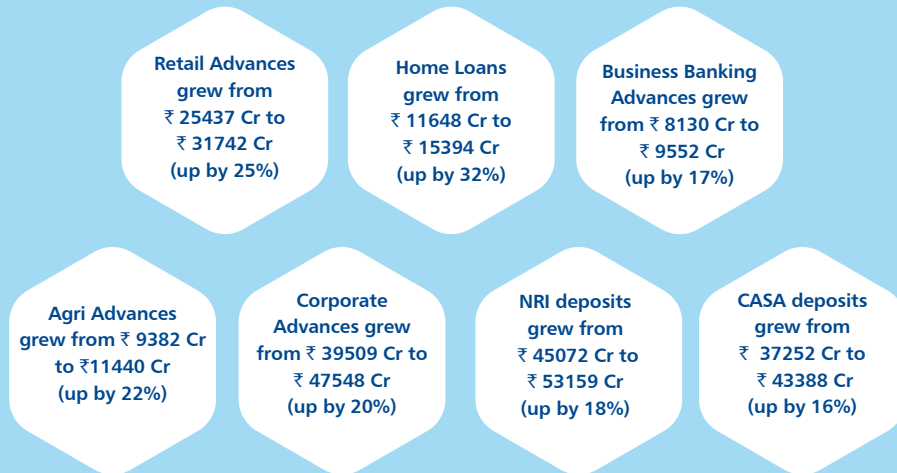
Employees: Develop in every employee a high degree of pride and loyalty in serving the Bank.

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

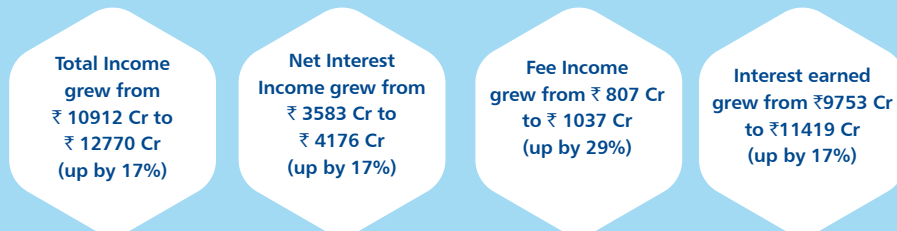


PERFORMANCE DASHBOARD

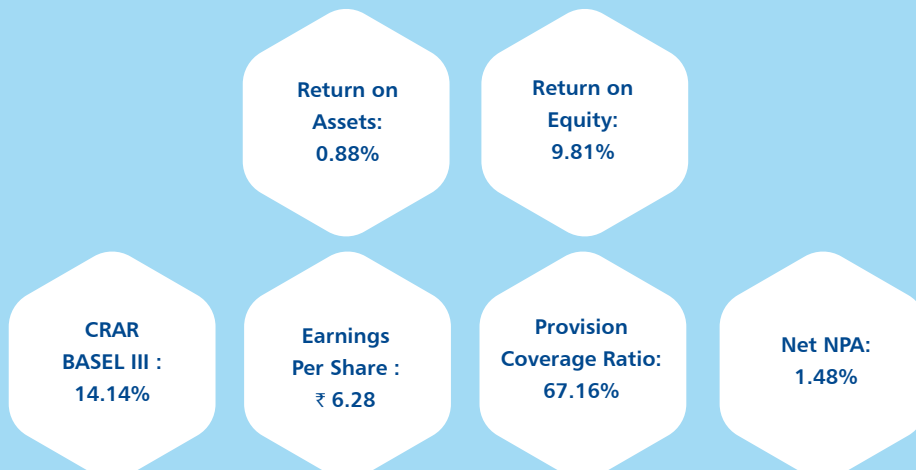
VOLUME GROWTH



INCOME GROWTH

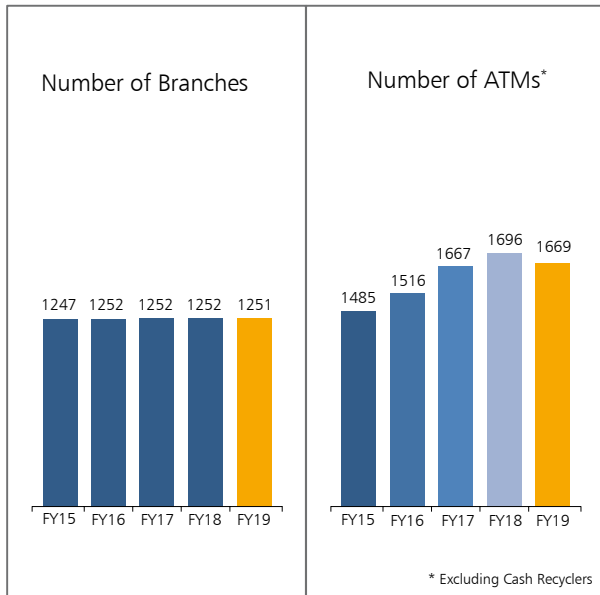


KEY RATIOS

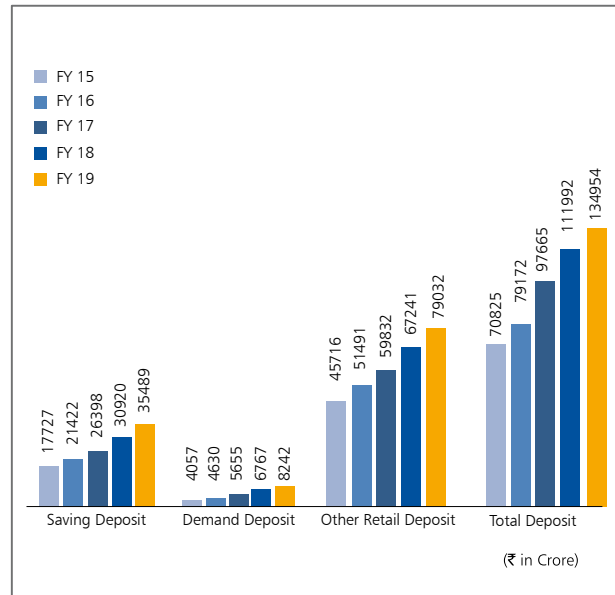


Performance Dashboard

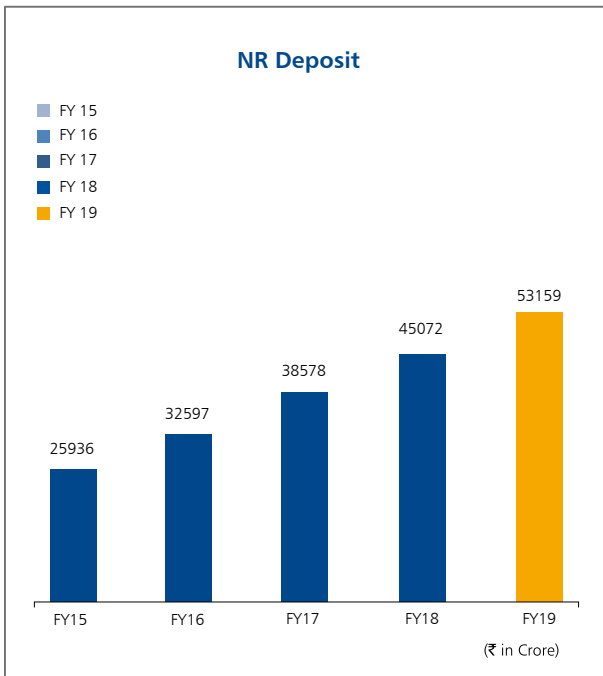
Footprint Coverage



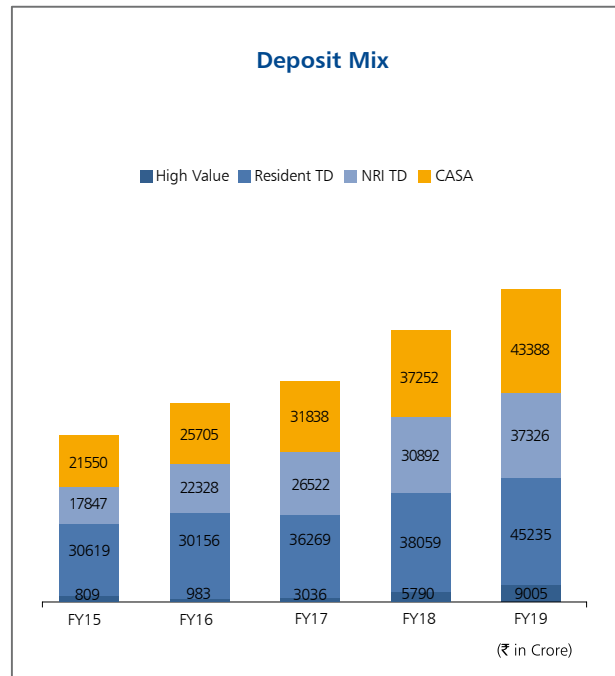
Retail Deposit



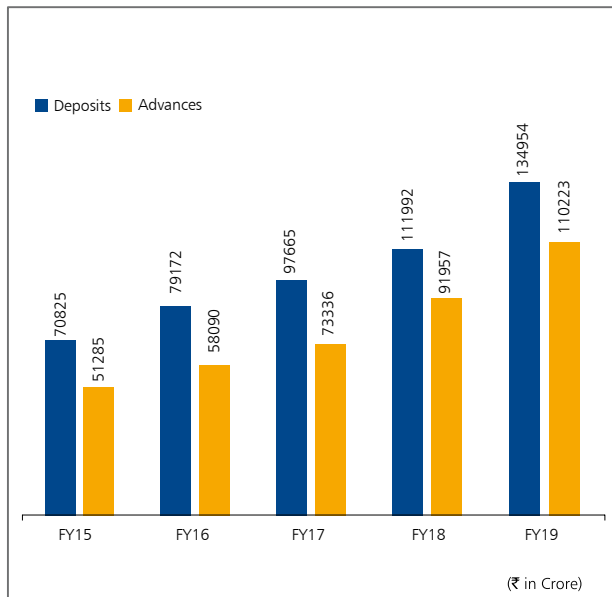
NR Deposit



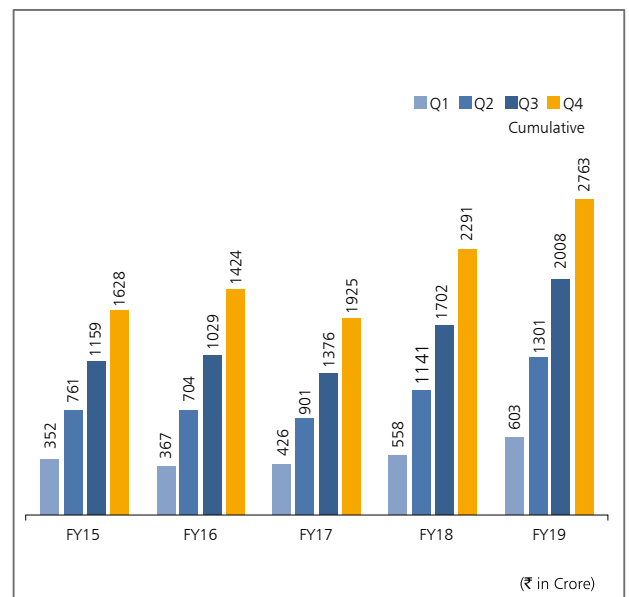
Deposit Mix



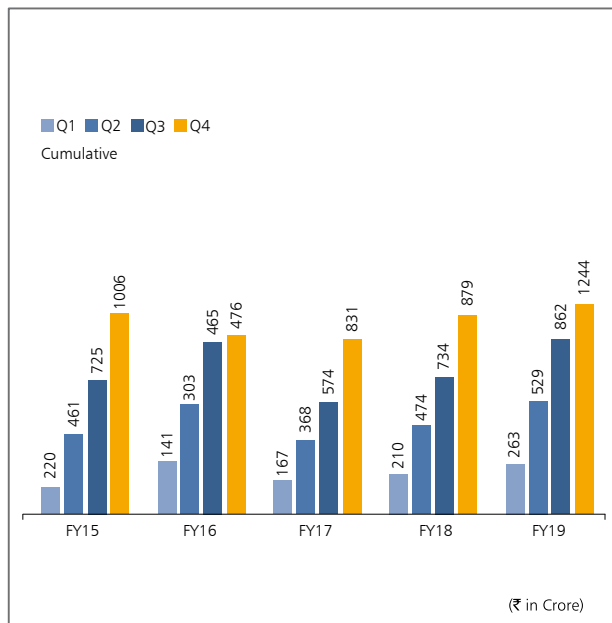
Business



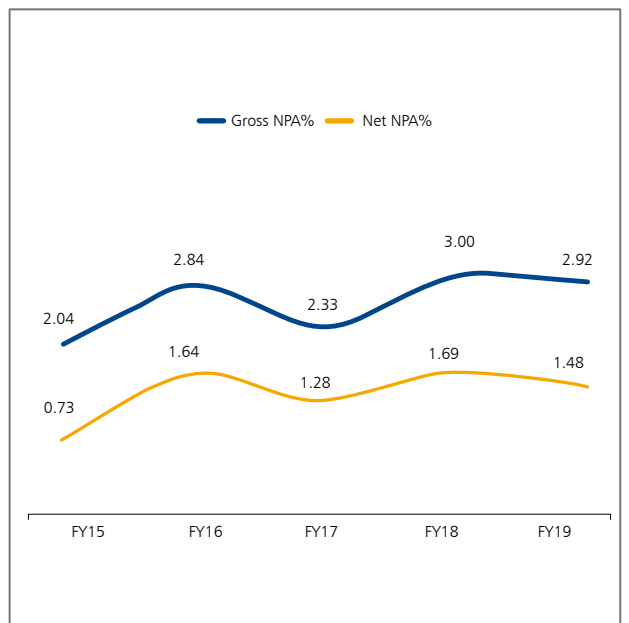
Operating Profit



Net Profit



Asset Quality



MESSAGE FROM THE

CHAIRMAN

Dear Shareholders,

'Our greatest transformation happens through our toughest times'. It's a thought provoking axiom that neatly sums up the times we live in. Probably, no other period in human history witnessed such a rapid surge of transformational ideas. One after the other, these new ideas are affecting and altering the destiny of humanity in unprecedented ways. Banking and finance too were and are being buffeted by wave after wave of game changing developments. With commendable foresight and nimbleness, your bank navigated through this disruptive whirlwind of currents and undercurrents, triumphantly emerging to share with you some impressive results. So, it's with considerable pride and delight that I am addressing you all.

By and large, the passing year was a year of tumult and turmoil for the Indian economy, with many bright spots of growth and glory. Sector after sector, from telecom to aviation, came under great stress and the cascading effect was felt by others too. The country was confronted with the cumulative impact of a strengthening US Dollar and rising crude oil prices until early October 2018.

On the positive side, the microstructure of the Indian economy continued to flourish with noticeable and transformational changes. It is heartening to note that India has leapfrogged to secure a rank of 77 in World Bank's Doing Business Assessment Report, from 100 earlier, thereby making it one of the fastest improvers globally on the metric of 'ease of doing business'. Further, the IBC (Insolvency and Bankruptcy Code) and the GST (Goods and Services tax) have started to transform the structural 'way of doing business' in India by altering the incentive structures and bringing about a paradigm shift in commercial and economic behaviour of all key stakeholders. The country saw unprecedented social and behavioural changes through massive programs for improving the basic needs of people's needs in areas of sanitation, cleanliness, medical assurance etc.

So, in this fluid scenario, it's gratifying to note that your bank has come out with impressive results. On many key parameters such

as EPS, Profitability and a few key qualitative metrics, your bank could register impressive results. Total income grew by 17.03% from ₹10911.98 Cr to ₹12770.05 Cr, while Operating Profit grew from ₹ 2291.03 Cr to ₹2763.10 Cr. The Capital Adequacy Ratio (CRAR) of the Bank stands at a comfortable level of 14.14% as on 31st March, 2019.

During the unprecedented Kerala floods, your bank exhibited tell-tale signs of resilience with the support of a well laid down Business Continuity Plan, which enabled the bank to come through this terrible trial with flying colours. The continued goodwill and patronage of stakeholders enabled your bank to come out with historic performance during the year.

To be able to compete and grow where margins are thin, competition is fierce, regulations are changing and technology has an increasing impact, financial institutions must place innovation as a top priority. Banks must anticipate consumer needs and innovate in ways that will prioritize the most effective mix of capabilities, processes and people. At Federal Bank, we are actively encouraging a culture of "Nayi Soch". This passion for "New Thinking" is manifest in everything we do now. Whether it is our forays into Blockchain Technology through a tie up, or the introduction of a slew of pioneering digital products such as Fed E Biz, we are consistently pushing the envelope and redefining the customer experience in myriad ways.

As the cover of this year's annual report suggests, your bank is now on the threshold of a more ambitious leap. Having secured leadership position in the Kerala market, the bank is now poised to fly higher and capture more mindshare and market share across India. With a missionary zeal, your bank is determined to make this vision a reality and has christened this pan India thrust as "from Presence to Prominence". This resetting of targets will naturally open up new vistas of growth and opportunities for the bank.

Increased commitment to innovation in response to consumer expectations and increased fear of non-traditional players are two of the primary impulses seen across the banking spectrum. The

last few years have seen several non-banking companies such as technology majors, digital upstarts and FinTechs steadily expand their foothold in the financial services space. A recent study revealed that FinTechs now constitute about 33% of the financial services revenue globally. The recent Infosys Efma study found that non-banking players are perceived as drivers of innovation in the industry. The bank has taken cognizance of this emerging new competitive framework and is busy devising strategies to address it.

At Federal Bank, we aspire to mould a well-rounded workforce that combines knowledge of business, industry, customer and organizational issues. We realise that we will have to accommodate a multigenerational workforce of GenZ, millennials, and older representatives. We will have to embrace diversity, and we will hire talent from different industries and disciplines. The new culture will value continuous learning and customer-centricity more than ever. Training programs will become more accessible on mobile devices. The trend will be to use real-time feedback to align banking practices with organizational objectives and increase customer-centricity.

While concluding, I wish to quote Alexander Graham Bell who famously said "the achievement of one goal should be the starting point of another". Your bank has crossed many significant milestones in the recent past. But, we can't rest on our laurels. We need to soldier on to conquer new horizons. As I mentioned earlier, our new goal is to spread our wings and to put our stamp of excellence in more villages and towns across India. And I am sure that with surefooted confidence your bank will move from Presence to Prominence to Dominance.

On behalf of the board of directors, I wish to express my sincere gratitude to all the shareholders, customers, employees and all stakeholders. Your unstinted support has made our journey a lot more fulfilling and delightful. We look forward to your continued co-operation as we enter even more exciting times.

A portrait of Shri. Dilip Sadarangani, an elderly man with white hair and glasses, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking directly at the camera.

Shri. Dilip Sadarangani

MESSAGE FROM THE

MANAGING DIRECTOR & CEO

Dear Shareholders,

I am privileged to present yet another Annual Report to you, our esteemed Shareholders. Thank you!

When our six lady colleagues in the Bank (we call them, *Federal Angels*) embarked on a motorcycle ride, in early August 2018 from Kochi on their mission to ride over 3000 KMs, it was much more than an adventure trip; it signaled something more profound. It was an expression of invoking the '*Nari Shakthi*' in all of us, Federals! As we flagged off this unique expedition, our aim was not just to communicate empowerment and break traditional norms, but to indicate our journey in charting out new horizons!

In the same breath, it is also worthy to note that '*Speak for India*', the Bank's much-admired debating competition, launched as a state-wide initiative in 2014, is now truly national and is now conducted in four states across India (two more states being added in FY 2020), participated by nearly two lakh students, last year. More than its indubitable social relevance, it illustrates the Federal Journey from **Presence to Prominence**, in the various geographies of India!

Around the same time, when Federal Angels were hoisting our 'Flag' across the country, closer home, in Kerala, the unforeseen south-west monsoons led the state into the most frenzied and unprecedented deluge of this century, impacting people and businesses, gravely. Amidst the catastrophe, the Bank did outstandingly well in fighting this calamity and bouncing back to performance mode. In a very short span of time, the Bank could ensure safety of people, restore operations, handhold the state reconstruction and remarkably up the ante, to deliver on promises. All credit and gratitude to our team for their selfless and tireless restoration efforts. It brought to the fore our resilience and commendable strength of the franchise in our home market, which we define as our move from being **Prominent to Dominant!**

As pointed out in our Chairman's message, Globally, ensuing financial volatility, trade tensions and rise in oil prices, convulsed the economic landscape of economies that resulted in a moderated growth rate. In India and for Banks here, the year unfurled a heady mix of challenges as well as opportunities! What is encouraging is that structural reforms such as the GST and Insolvency and Bankruptcy Code (IBC) have settled in and are providing impetus to the disciplined business momentum. Though, for some parts, it is challenging, I believe in a few more quarters, India will move to a high growth mode! But, it's in times like this the fit and ambitious make their presence count and that's why we at Federal are excited.

Staying true to our commitment made in my last year's message, we have built on our theme of '**Strong Fundamentals and Soaring Ambitions**' and delivered a landmark year for the Bank, both in terms of financial and operating performance. With a sharp focus on execution, guided by the philosophy of '*Nayi Soch*', the bank could surpass the budgeted numbers across all parameters and as

committed, **delivered a 1.02% RoA for the exit quarter FY'19.**

You may recall in my note in 2015, I referred to our guidance along the '4-D' principle. The first two 'D's from the '4-D' theme encompasses:

- **D-Dominate our Home Market**
- **D- Double our operating run rate in our chosen markets**

Over the years, we have been guided by these principles and we stayed committed to strengthen our focus and diligently implement it. The present position of the Bank as also the strong performance that we delivered is testimony to the fact that our efforts have been well served and which has inspired us to introduce to you, the theme of **Presence to Prominence**; and **Prominence to Dominance**.

Focused on the first 'D', to dominate in our home market, we have further strengthened the franchise and as an outcome, we command an incremental share of nearly a fifth of all the new banking business originated in the state. Despite the headwinds including the natural calamity, our fundamentals held us in good stead and the Bank continued to grow good quality business, gain share and ensure we have low slippages. Increasing share of NR business (36.6% of the total NR deposits from the state) and higher engagement with the State Government are pillars to our dominance in the market. Being the **Numero-Uno** player among all Private Sector Banks in the state, the bank will continue to dominate and expand our share, materially.

In our chosen geographies, we have had meaningful growth in market share and as on 31st March 2019, we command 1.09% of the incremental Banking Business across India, other than the home market. Also, with capability enhancements including expertise on Wealth Management through a partnership with Equirus Capital, the Bank could reach out to a large number of 'New-to-Bank' customers, across the country. Enhanced digital footprint, an improved distribution architecture, foray into new business are all coming together to position us as a prominent player, well-poised to take on the competition. It is well upon us, to replicate the art of dominance across the country that would take us where we want to be!

Let me now elaborate on the performance of the Bank for the Financial Year 19, through the following:

- The operating performance continues to be robust and the Bank reported the highest ever Operating Profit of ₹ 2763.10 Cr. **Net Profit for the full year saw a robust growth of 41.5% to reach ₹1243.89 Cr.** The total business of the Bank stood at ₹ 2,45,177 Cr for the year ended 31st March 2019. The granularity of the liability profile (91% - Retail) continue to be the strength for the franchise and the core deposit currently forms 97.6% of the total deposits of the Bank. The bank could also clock highest ever Net Interest Income, at ₹ 4176.35 Cr, improved by 16.6% Y-o-Y. Our Bank is well capitalized with an overall CRAR of 14.14% as on 31.03.2019.

- Over the years, the Bank has significantly invested in reengineering the business and credit architecture. This has played a material role in the credit growth and market share gain, across all segments and geographies. **With the strength of 1251 branches, 750 plus Relationship Managers and wider Digital presence, the Bank could gain consistent market share and the Bank is now holding a share of 1.13% and 1.03% of the Total Advances and Deposits in the entire system, respectively.**
- Net advances grew at a blended rate of 20%, with Core Retail being the primary growth driver, growing 33% Y-o-Y. The attempt to foray into newer channels of business has proved effective and the testimony to its efficacy is the growing high yield portfolio of Retail Unsecured products (Personal Loan growing 143% Y-o-Y, catering to more New-to-Bank customers) as also being an empaneled Banker in 15 states, catering to over 210 Government entities and select PSUs.
- Asset Quality of the franchise showed marked progress and the Bank recorded highest ever Recovery/Upgrades of 965 Cr and along with a significant reduction in slippages, it resulted in the **Gross NPA and Net NPA improving to 2.92% and 1.48% respectively.** Credit Cost for the FY was 68 bps even while increasing the Provision Coverage Ratio to 67.16%.
- Integrating the themes of *'Digital at the Fore and Human at the Core'* along with *'Nayi Soch'*, the last year was rewarding for us, in terms of Digital Adoption and Innovation. The Bank is agile in responding, swiftly and imaginatively to the digital disruption that has embraced us. I am happy to report that over 73.50% of the Bank's transactions are now handled through digital platforms. Being one of the pioneers in using BlockChain technology, last year, we improvised our cross-border remittance platform in association with R3 by Corda for a seamless experience for the NRI clients. I am also pleased to report that we have onboarded over a lakh merchants on to the Bharat QR platform, for digital payments and we will significantly increase these touchpoints in the ongoing year. Another noteworthy achievement was the launch of a state-of-the-art transaction banking application for business customers, the Fed-e-Biz. More than a 1000 business clients are already using this application for a huge volume of transactions.

Way Ahead

"Are we thinking big and acting responsibly enough today?" I ask ourselves this question every day.

That provocation, often, help us unlock new windows of opportunities and new vistas of growth. The drive to attempt something new and innovative is the fuel that propels any winning team. The *'Nayi Soch'* movement is a bold attempt in that direction and it has started yielding results. As we march ahead, we will double up our efforts to make ourselves a *'Smarter, Faster and Better'* franchise, committed to deliver yet another strong operating and financial performance while we remain steadfastly compliant and well governed. In doing so, we remain committed to sharpen our execution, extensively

leverage on data and analytics, deepen the integration of the new verticals with our well-oiled distribution network and importantly, widen our digital footprint. Staying true to our themes of **'Presence to Prominence'** and **'Prominence to Dominance'**, we are well poised to up the ante and make the Dominant even stronger and strive to make the Prominent to Dominant. Our endeavor is to continuously stay relevant and deliver very high value to all our stakeholders.

Before I close, I take this opportunity to thank all our eminent Board Members for giving us continued guidance, support, confidence and constructive challenges, always. Their professional insights and encouragement have guided us through all our endeavors and am sure this will take us to a higher order of performance in the coming years as well.

Let me close by extending thanks to all our stakeholders for youth continued support and patronage. I remain, 'Proud to be a Federal'.



Shri. Shyam Srinivasan

BOARD OF DIRECTORS

Shri. A. P. HOTA
(Independent Director)

Shri. ASHUTOSH
KHAJURIA
(Executive Director)

Shri. NILESH
VIKAMSEY
(Independent Director)

Smt. SHUBHALAKSHMI
PANSE
(Independent Director)

Shri. DILIP
SADARANGANI
(Chairman)

Shri. SHYAM SRINIVASAN
(Managing Director & CEO)

Shri. C. BALAGOPAL
(Independent Director)

Shri. BALAKRISHNAN
KRISHNAMURTHY
(Independent Director)

Shri. SIDDHARTHA
SENGUPTA
(Independent Director)

Shri. CA MANOJ FADNIS
(Independent Director)



FEDERAL BANK

YOUR PERFECT BANKING PARTNER

MANAGEMENT TEAM



Shyam Srinivasan



Ashutosh Khajuria



Shalini Warriar



Sumit Kakkar



Harsh Dugar



Jose K. Mathew



Girish Kumar Ganapathy



Ajith Kumar K. K.



Baby K. P.



Varghese T. A.



Nandagoplan G.



Krishnakumar K.



Wilson Cyriac



Srinivasan K.



Babu K. A.



Divakar Dixit



Nilufer Mullanfiroze



Ayaskant Sarangi



Sanjesh Kumar



Kapil Bhatia



Nandakumar V.



Radhakrishnan K.



Anil Kumar V. V.

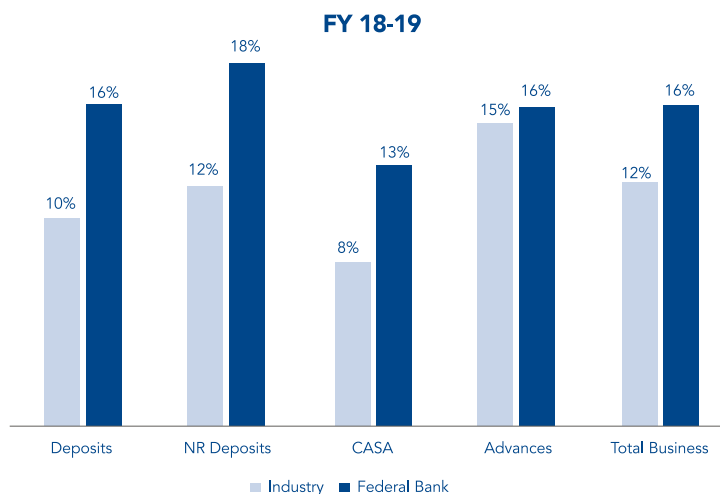


Pitchai Mahalingam

Prominence to Dominance



Federal Bank began its journey of excellence from Central Kerala. Thanks to the homespun values of honesty and transparency instilled by its founders, the Bank could inspire the trust and goodwill of generations of Keralites from early on. Over the years, the Bank attained comprehensive leadership in Kerala, covering all segments of business. From the beginning, the Bank laid special emphasis on growth with quality. 2018-19 saw the benchmark being further raised and the Bank effortlessly converting its commanding prominence in Kerala market into complete dominance. And the journey continues. It's a pointer to the tall stature enjoyed by the Bank that Govt. of Kerala has handpicked Federal Bank as one of its banking partners.



Source : SLBC Kerala



Your Board of Directors has immense pleasure in presenting this 88th Annual Report of The Federal Bank Limited, along with the audited financial statements for the year ended 31 March, 2019.

Financial Results

(₹ in Crore)

Financial Parameters for the year ended	March 31, 2019	March 31, 2018
Net Interest Income	4,176.35	3,582.81
Fee and Other Income	1,351.02	1,159.12
Net Revenue	5,527.37	4,741.93
Operating Expense	2,764.27	2,450.90
Operating Profit	2,763.10	2,291.03
Net Profit	1,243.89	878.85
Profit brought forward	1,742.49	1,451.27
Total Profit Available for appropriation	2,986.38	2,330.12
Appropriations:		
Transfer to Revenue Reserves	143.93	97.07
Transfer to Statutory Reserves	310.97	219.71
Transfer to Capital Reserves	34.48	26.83
Transfer to / (from) Investment Reserve Account	0.00	-23.57
Transfer to Special Reserve	84.00	57.00
Dividend pertaining to previous year paid during the year	198.01	174.97
Tax on dividend	40.70	35.62
Balance Carried over to Balance Sheet	2,174.29	1,742.49
Financial Position		
Deposits	1,34,954.34	1,11,992.49
Advances	1,10,222.95	91,957.47
Total Business (Deposits + Advances)	2,45,177.29	2,03,949.96
Other Borrowings	7,781.32	11,533.50
Investments	31,824.47	30,781.08
Total Assets (Balance Sheet Size)	1,59,339.99	1,38,313.95
Equity Capital	397.01	394.43
Ratios		
Return on Total Assets (%)	0.88	0.75
Return on Equity (%)	9.81	8.39
Earnings Per Share (₹)	6.28	4.62
Book value per share (₹)	66.87	61.28
Operating cost to Income (%)	50.01	51.69
Capital Adequacy Ratio (%) Basel (III)	14.14	14.70

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

Highlights of Performance

During the year 2018-19, your Bank has delivered robust growth in all the business segments. Total business of your Bank improved by 20.21% to reach at ₹ 245177.29 Cr as on 31 March 2019. 20.50% growth in deposits and 19.86% growth in advances (net) helped your bank to clock this number. Total deposits reached ₹ 134954.34 Cr and advances (net) reached ₹ 110222.95 Cr and on averages, deposit portfolio of your bank grew by 19.09% to reach ₹ 116752.51 Cr and advance portfolio grew by 24.33% to reach ₹ 98337.60 Cr.

On the NR side, NRE deposits had a growth rate of 17.66% to reach ₹50109.16Cr and NRE Savings clocked a growth of 10.40% to reach ₹13675.63 Cr. The total NR business of your Bank stood at ₹53159.37 Cr with a growth of 17.94%.

Growth in Business

On CASA front, Savings deposit touched ₹ 35489 Cr with 13% growth and Current deposits stood at ₹ 7899 Cr with a growth of 25%. Your Bank registered a healthy CASA growth of 16% to reach ₹ 43388 Cr. CASA ratio of your Bank stood at 32.15%.

The investment portfolio of your Bank has reached ₹ 31824.47 Cr as on 31 March 2019. The average investment as on 31 March 2019 is ₹ 30338.06 Cr.

Profitability

The Operating Profit of your Bank increased by 20.61% to ₹ 2763.1 Cr and Net Profit of your bank is up by 41.54% to ₹ 1243.89 Cr. Healthy traction in core income streams has helped your Bank to have a good momentum in core operating performance. Net Interest Income improved by 16.57% to ₹ 4176.35 Cr while the Non-Interest Income rose to ₹ 1351.02 Cr, showing a rise of 16.56%. Total income of your Bank during the fiscal year 2019 recorded 17.03% growth to reach ₹ 12770.05 Cr. Income from advances increased by 20.57% to reach ₹ 9089.62 Cr. The yield on advances stood at 9.24% and the yield on investments at 7.47%. The Net Interest Margin for the fiscal year is at 3.14% as against 3.21%, in the previous year.

Return on Average Equity and Return on Average Total Assets stood at 9.81% and 0.88% respectively. Earnings per Share (face value of ₹ 2 each) of the Bank, as on 31 March 2019 were ₹ 6.28. Book value per share increased to ₹ 66.87 during FY 19.

Expenditure

Higher revenue growth and better cost management resulted in Cost / Income Ratio improving to 50.01% in 2018-19 as against 51.69% last year. The total expenses of your Bank increased by 16.08%, to reach ₹ 10006.95 Cr and by an increase of 17.38%, interest expenses increased to ₹ 7242.68 Cr in FY 19. Operating Expenses of the Bank during the fiscal year grew to ₹ 2764.27 Cr.

The cost of deposits of the Bank has come down during the year. The cost of deposits of the Bank is 5.78% as on 31 March 2019. The Interest expenses as percentage to total income stood at 56.72%.

Spread

During the fiscal year the Bank's spread on advances (gross) decreased to 3.46% and spread on investments (gross) increased to 1.69%. The Spread (net of provisions) on advance increased to 2.82% from 2.74% of last year.

Asset Quality

The Gross NPA of your Bank as on 31 March 2019 stood at ₹ 3260.68 Cr. Gross NPA as a percentage to Gross Advances is 2.92% which is lower than 3.00% as at the end of FY18. The Net NPA stood at ₹ 1626.20 Cr and this as a percentage to Net Advances is 1.48%. The Provision Coverage Ratio (including technical write-offs) stood at 67.16%.

Net Worth & Capital Adequacy

The Net Worth of your Bank grew by 9.83% to ₹ 13273.04 Cr as against ₹ 12084.91 Cr in the previous year. Historically, your Bank has been strong on capital adequacy. CRAR of the Bank calculated in line with Basel III norms stood at 14.14% which is considerably higher than the 9% stipulated by RBI. Of this, Tier 1 CRAR is at 13.38%.

Business Overview

Your Bank continued its consistent performance during FY 2018-19 with the total business of the Bank increasing by 20.21% to ₹ 245177.29 Cr.

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

Employee Productivity

Business per employee of your Bank during the period stood at ₹ 20.15 Cr, an improvement of 17.08% for the year and the profit per employee of the Bank stood at ₹ 10.22 Lakh during the fiscal.

Expansion of Network

The Bank has 1251 branches and 1669 ATMs and 269 cash recyclers as on 31 March 2019. The Bank also has its Representative Office at Abu Dhabi & Dubai and an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City).

Share Value

Earnings Per Share (face value ₹ 2/- each) of your Bank has improved to 6.28 from 4.62 during the year under review. Return on Equity during the year reached 9.81% in the fiscal year ended 31 March 2019.

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 70% i.e. ₹ 1.40 per Equity Share

on face value of ₹ 2/- each for the year 2018-19 (previous year 50% i.e ₹ 1.00 per Equity Share) subject to the approval of the members in the ensuing Annual General Meeting. Protecting shareholders' value has always been a guiding philosophy of the Bank.

Appropriations

(₹ in Thousands)

	FY 2018-19	FY 2017-18
Transfer to Revenue Reserve	1,439,300	970,732
Transfer to Statutory Reserve	3,109,700	2,197,114
Transfer to Capital Reserve	344,800	268,319
Transfer to/(from) Investment Reserve Account	-	(235,721)
Transfer to Special Reserve	840,000	570,000
Dividend pertaining to previous year paid during the year	1,980,092	1,749,634
Tax on dividend	407,014	356,184
Balance carried over to Balance Sheet	21,742,841	17,424,864
Total	29,863,747	23,301,126

Material changes and commitment affecting financial position of the Bank

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

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

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

Dividend Distribution Policy

In accordance with the Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has formulated a Dividend Distribution Policy and the same is annexed herewith as **Annexure VI**. The Policy is hosted on the website of the Bank and can be viewed in the following link: <https://www.federal-bank.co.in/documents/10180/45777/Dividend+Distribution+Policy/ea1bb41c-64fc-4fb5-bce5-bf96dea3432b>

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.

Increase of Capital

In FY 2018-19, Paid up Capital of the Bank was increased by an amount of ₹ 25811528 by allotment of 12905764 ESOS shares of ₹

2/- each. The Paid up Capital of the Bank as on 31 March 2019 is ₹ 3,970,096,156 consisting of 1985050203 equity shares of ₹ 2/- each

Investor Education and Protection Fund

As per the Companies Act 2013, dividend unclaimed for more than seven years from the date of declaration is to be transferred to Investor Education and Protection Fund. On 05th November 2018 the Bank had transferred ₹ 8,967,228.00/- to the above Fund, being the unclaimed dividend for the year 2011.

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 in accordance with the SEBI guidelines, as amended from time to time. The eligibility and number of options to be granted to an employee is determined on the basis of various parameters such as scale, designation, performance, grades, period of service, Bank's performance and such other parameters as may be decided by the Nomination, Remuneration, Ethics and Compensation Committee of the Board from time to time in its sole discretion.

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

Under ESOS 2010, the Nomination, Remuneration, Ethics and Compensation Committee granted 34720200 options during the year 2011-12, 24484750 options during the year 2012-13, 26094250 options during the year 2013-14, 11156450 options during 2014-15, 10,25,000 options during the year 2015-16, 9,65,000 options during the year 2016-17 and 1,00,000 options during the year 2017-18. The options granted which are non transferable, with vesting period of 1, 2, 3 & 4 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on 31 March 2019, 56340076 options had been exercised and 24147513 options were in force.

Under ESOS 2017, the Nomination, Remuneration, Ethics and Compensation Committee granted 22318348 options during the year 2017-18 and 37231307 options during the year 2018-19, the options granted which are non transferable, with vesting period of 1, 1.25, 2, 2.50, 3 & 3.75 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on 31 March 2019, 2425 options had been exercised and 50336281 options were in force.

Other statutory disclosures as required by the SEBI guidelines/ Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 on ESOP are given in website of

the Bank in the link: <https://www.federalbank.co.in/web/guest/shareholder-information>

Corporate Social Responsibility

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

Overview of some of the major CSR programs undertaken by the Bank during FY 2018-19 are detailed in the Management Discussion and Analysis part of the Annual Report.

CSR Expenditure

The amount to be spent by the Bank towards CSR for FY 2018-19 as per Section 135 of the Companies Act, 2013, comes to ₹ 22.47Cr. Amount spent by the Bank this year towards CSR was ₹17.04 Cr. Through various projects which are already sanctioned, your Bank will be thoughtfully spending the CSR funds earmarked for the purpose. The ratio adopted was 80:20, wherein 80% of the CSR funds will be utilized for long term sustainable projects and 20% of the funds will be utilized to meet location specific requests. The Bank had also embarked on some major projects last year in the field of education, Youth engagement, skill development, support to differently abled etc. By choosing long term sustainable projects, Bank has taken an approach which brings steady and long lasting impact on the society.

During August 2018, our state witnessed one of the worst natural calamities of the Century which rendered many homeless and had vast impact on economic condition of the state. Being a responsible organization, we had donated ₹ 4.00 Cr. to Chief Ministers Distress Relief Fund and extended support to the affected through our Zonal offices at various places in the State.

The details of the other CSR activities of FY 2018-19 are mentioned in **Annexure II** to this report.

Risk Management

The Board of Directors oversees the enterprise wide risk management of the Bank. 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. Integrated Risk Management Department co-ordinates and administers the risk management functions in the Bank. The Department has three divisions for managing the main risk streams, Credit risk, Market risk and Operational risk. Dedicated teams within the Divisions are responsible for assessment, monitoring and reporting of various material risks. Default risk and asset quality of loan portfolio are monitored and managed by the Credit Risk Division. The Bank has established an independent Mid Office as part of Market Risk Division for real time monitoring of Treasury activities. Business Continuity

Management and Information and Cyber Security measures form part of operational risk management. Risk Management policies are approved by the Board of Directors and reviewed from time to time with updated regulatory and internal guidelines. Executive level risk management committees, namely, Credit Risk Management Committee, Asset Liability Management Committee, Operational Risk Management Committee and Information Security Committee regularly assess the respective risks and direct corrective actions wherever required. The risk management functions are co-ordinated by a senior Executive designated as Chief Risk Officer who reports directly to the Managing Director & CEO. The Executive level committees report to the Risk management Committee of the Board the various risk events and the direction and level of the various risks. 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, presently there are no material risks which pose as a threat to the net worth and continuous functioning of the Bank.

Internal control systems and their adequacy

The Bank has through the years developed and stabilized an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the internal audit function is defined in the Audit and Inspection Policy of the Bank, duly approved by the Board of Directors. In order to help Bank achieve its mission of adopting the best professional practices prevailing in the industry, while framing the policy, substantial inputs are taken from - RBI guidance note on Risk Based Internal Audit, 'The internal audit function in banks' published by Basel Committee on Banking Supervision and Model Audit Manual on Internal & Concurrent Audit Systems in Public Sector Banks. Audit and Inspection Policy is reviewed annually. Policy is reviewed considering various guidelines of RBI, Basel Committee recommendations, ICAI guidelines, other statutory / regulatory guidelines, directions of Board / Audit Committee of the Board issued from time to time and periodic internal guidelines / instructions issued by the Bank. At the enterprise level, the Inspection and Audit Department, on a continuous basis, assesses and monitors the effectiveness of the control systems and its adequacy to meet the growing complexities. The audit function essentially validates the compliance of Bank's processes and operations with regulatory guidelines, accounting procedures and Bank's own internal rules and guidelines. A department level group meets on periodical intervals to discuss latest internal / RBI / regulatory guidelines for ensuring that the required changes are implemented for making the audit function updated and dynamic.

The Bank has a robust system towards escalating the audit findings to appropriate levels in the hierarchy of management and discussions in various committees towards suggesting corrective action and its follow up. The Bank in compliance of the requirements of Section

138 of the Companies Act 2013, has designated the Head of Inspection and Audit Department as Internal Auditor. Audit being an independent function, the Internal Auditor is reporting to the Audit Committee of the Board of Directors. The Bank has various types of audit which inter-alia include Risk Based Internal Audit, Information System Audit, Concurrent Audit, Gold Loan Audit and Management Audit. Branches are risk rated and the frequency of Risk Based Internal Audit is decided based on Risk – Audit Matrix defined in Audit and Inspection Policy. Significant audit findings and observations are presented to Inspection Review Committee of Executives and a report on the meetings of Inspection Review Committee of Executives along with significant audit findings, directions / suggestions of the committee and action taken in such cases are placed to the Audit Committee of the Board for review periodically. Other findings are placed before a department level committee called the 'Inspection Department Review Committee' for review and its observations are placed before Inspection Review Committee of Executives.

As per the requirement of Companies Act 2013, Bank has formulated Internal Financial Controls framework. Risk and Controls associated with each process in the Bank are documented under the Internal Financial Controls Framework. Inspection and Audit Department plays a significant role in testing the control effectiveness for each process under the framework.

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

Vigil Mechanism/Whistle Blower Policy

Based on RBI directions, Bank has put in place a Fraud Risk Management Policy that covers the various controlling, monitoring and surveillance mechanism of the Bank to prevent frauds and to manage the risk of loss in the event of a fraud. Functions of Vigilance Department covers both prevention as well as investigation of frauds. Vigilance Department conducts Preventive Vigilance Workshops and Preventive Vigilance Audits to ensure the effectiveness of fraud prevention mechanism of the Bank. Vigilance Department also issue alerts / communications on a regular basis that disseminates various modus operandi of frauds in the banking industry, which enable the Branches/ Offices to prevent similar kind of fraudulent attempts. Similar thrust is given by the Bank, in educating customers as well. The customers are made well updated on the various fraudulent activities happening in the Banking Industry, through various means including SMS, E-Mails, posters at Branches, ribbon messages on Bank website, internet banking webpage, etc for prevention of all types of frauds, including Cyber Frauds.

As a part of Detective Vigilance all the cases of frauds reported in the Bank are investigated in detail. Lacunae if any observed during

the course of investigation are plugged and cases where systemic corrections are required, are placed before the Committees concerned for corrective measures / necessary directions.

Bank has a robust Whistle Blower Policy termed as Protected Disclosure Scheme (PDS) with a view to enhancing public confidence in the Bank and also in compliance of RBI directions in this regard. The policy aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest. It is disseminated among the employees assuring confidentiality and protection to the whistle blower against any personal vindictive actions such as humiliation, harassment or any other form of unfair treatment. Directors and Employees of the Bank, employee representative bodies, customers, stakeholders, non-governmental organizations (NGO) and members of the public can lodge complaints / disclosures under this scheme. A dedicated e-mail ID is provided for sending complains/disclosures under PDS. Vigilance Department conducts investigation of all complaints /information received through the PDS and submits report to MD & CEO. The details of the complaints and findings are also placed before the Audit Committee of the Board on a quarterly basis. The scheme is popularised through various measures such as preventive vigilance classes, internal circulars, alerts etc. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure scheme. The PDS Document is made available in Bank's website and Intranet.

Website link to Bank's Whistle Blower Policy/Vigil Mechanism is

<https://www.federalbank.co.in/documents/10180/45777/Whistle+Blower+policy/558aea51-1335-4546-9c9a-28c5030377a1>

Subsidiaries of the Bank

As on 31 March 2019, the Bank has one unlisted subsidiary named Fedbank Financial Services Limited and one unlisted fully-owned subsidiary Federal Operations and Services Limited.

Fedbank Financial Services Limited

Fedbank Financial Services Limited is a diversified Non-Deposit-Taking & Systemically Important (ND-SI) NBFC offering multiple loan products such as Loan against Property (LAP), Structured Finance and Loan against pledge of Gold ornaments. It also distributes loan products of The Federal Bank Limited. The Fedbank Financial Services Limited issued 4,00,42,500 number of equity shares of face value of ₹ 10/- each to True North Fund VI LLP on private placement basis on November 13, 2018, pursuant which the Bank's shareholding in Fedbank Financial Services Limited decreased from 100% to 82.59%. The total loan portfolio of Fedbank Financial Services Limited as on 31 March 2019 is ₹ 1992 Crores as against ₹ 1413 Crores as on 31 March 2018. The Profit after tax of the company for the year ended 31 March 2019 increased to ₹ 35.08 Crores from ₹ 30.80 Crores for the year ended 31 March 2018.

Federal Operations and Services Limited

The Bank floated a wholly owned subsidiary company named Federal Operations and Services Ltd (FedServ) on October 26, 2018 with the main objects of providing banking operational services, technology oriented services and support functions. The total revenue of FedServ for the period ended on 31 March 2019 is ₹ 1.28 Crores. The entire revenue pertains to services provided by the company to the Bank only. Company started its operations on 01 December 2018 and this was the first year of operation of the company. The Company had net loss for the period ended 31 March 2019 of ₹ 28.59 Lakhs after writing of preliminary expenditure in full.

The Net Worth of FedServ at the beginning of the year was ₹ 5 Cr. and closing net worth of FedServ as on 31 March 2019 was ₹ 4.71 Cr. During the year, Bank has invested in equity shares of company amounting to ₹ 5 Cr.

Associate Companies

As on 31 March 2019, the Bank has two Associate Companies named IDBI Federal Life Insurance Company Limited and Equirus Capital Private Limited.

Joint Venture in Life Insurance Business

The Bank's Joint Venture Life Insurance Company, in association with IDBI Bank Limited and Ageas Insurance International N.V. (Formerly known as Fortis), namely IDBI Federal Life Insurance Company Limited (erstwhile IDBI Fortis Life Insurance Company Limited), commenced operations in March 2008. Currently the Bank has a total stake of ₹ 208 Cr. in the equity of the company holding 26% of the equity capital. The total premium collected by IDBI Federal Life Insurance Company Limited during the period ended 31 March 2019 is ₹ 1,933 Cr. The Company has declared a dividend of 10% for the FY 2018-19.

Investment Banking Associate

During the year the Bank had invested in 8.74% equity shares of Equirus Capital Private Limited on July 12, 2018. Pursuant to the right of proportionate representation on Board as well as power to participate in the financial, operational matters like approval of business plan, policies, budgets, managerial remuneration, change in KMP etc., the same has been treated as an associate concern as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. The Bank's Associate Equirus Capital Private Limited is a private company domiciled in India and is engaged in the business of Investment banking. Equirus Capital Private Limited has 3 subsidiaries named Equirus Securities Private Limited, Equirus Digital Private Limited and Equirus Wealth Private Limited.

The total turnover of Equirus Capital Private Limited on a consolidated basis was ₹ 51.46 Crore for FY 2019 as against ₹ 34.84 Crore for FY 2018.

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 Fedbank Financial Services Limited and Federal Operations and Services limited and associates IDBI Federal life Insurance company limited and Equirus capital private limited, which is forming part of this Annual report. The financial position and performance of its subsidiaries / Associates is given in the statement containing salient features of the financial statements of the subsidiaries / Associate Companies / Joint Venture, (Given as **Annexure V**) which forms part of the consolidated financial statements.

In accordance with third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its standalone and the consolidated financial statements has been hosted on its website www.federalbank.co.in. Further, as per fourth proviso to the said section, the audited annual accounts of the said subsidiary company of the Bank have also been hosted on the Bank's website www.federalbank.co.in. The said documents have been hosted on the website of the subsidiary company of the Bank also, in compliance with the said section.

The documents / details available on the Bank's website (www.federalbank.co.in) will also be available for inspection by any Member at its Registered Office. Further, pursuant to the provisions of Accounting Standard ('AS') 21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013, read together with Rule 7 of the Companies (Accounts) Rules, 2014 issued by the Ministry of Corporate Affairs, the Consolidated Financial Statements of the Bank along with its subsidiaries and associates for the year ended March 31, 2019 forms part of the Annual Report.

Corporate Governance

Corporate governance is essentially a set of standards, systems, and procedures aimed at effective, honest, transparent, and responsible management of a company within the applicable statutory and regulatory structures. This code represents a set of desirable, corporate governance practices to be adopted by the Bank. The Code takes into account the relevant statutory and SEBI / stock exchange listing requirements and Reserve Bank of India (RBI) directives and other guidelines under the Companies Act 2013. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress is in its substance and spirit rather than on its form.

Good corporate governance practices help support and strengthen corporate actions aimed at achieving the corporate objective. The Bank's principle corporate objective, like that of any corporate business entity, is to perpetuate its business while protecting and enhancing, over the long term, the value of the investments of its shareholders in the Bank.

A copy of the Code of Conduct for the Board of Directors and Management is available on Bank's website.

A separate section on corporate governance standards followed by

the Bank and relevant disclosures, as per regulatory requirements forms part of this Annual Report.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Agreement") and the Code of Corporate Governance adopted by the Bank. The Board comprises of eleven Directors as on the date of this report, with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, MSME, finance, small scale industry, agriculture, strategic planning, risk management, information technology and Payment and Settlement Systems.

Mr. K Balakrishnan who was appointed as additional Independent Director on 25 September 2018 and Mr Siddhartha Sengupta and Mr Manoj Fadnis who are appointed as additional Independent Directors as on date of this report will be regularized in this AGM. The Bank also proposes the re-appointment of Mr C Balagopal as an Independent Director of the Bank in this AGM after the completion of his first term of appointment.

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

During the year Mr. Dilip Sadarangani was appointed by the Board as the Chairman of the Bank for which approval from RBI was obtained vide letter DBR. Appt. No.6191/08.38.001/2018-19 dated January 25, 2019.

During the year Mr. Harish Engineer ceased to be the Director on the Board of the Bank w.e.f 01 October 2018, on completion of 70 years of age. Mr. Deepak Maheshwari was appointed as an Additional Independent Director on the Board of the Bank, w.e.f 22 June 2018 and he resigned from the Board w.e.f 01 January 2019 to take up a role as senior executive position in a leading financial organization. Mr. K Balakrishnan was appointed as an Additional Independent Director on the Board of the Bank w.e.f 25 September 2018. Mr. Ganesh Sankaran, Executive Director of the Bank resigned from the Board of the Bank w.e.f 15 February 2019. The Board places on record their appreciation for the commendable contribution made by the Directors, during their tenure in the Bank.

Apart from the above mentioned Directors Mr Siddhartha Sengupta and Mr Manoj Fadnis were appointed as Additional Independent Directors as on date of this report.

Excluding Mr. Shyam Srinivasan, MD & CEO and Mr. Ashutosh Khajuria, Executive Director & Chief Financial Officer, all other members of the Board are Non-Executive and Independent Directors. Necessary declarations were obtained from the Independent Directors as required under the RBI Regulations, SEBI (Listing

Obligations and Disclosure Requirements) Regulations, 2015 and section 149 (6) of Companies Act, 2013. The remuneration and other benefits paid to MD & CEO of the Bank and Executive Directors during the year are disclosed in the annexure to this Report and in Corporate Governance Report. The Non Executive Independent Directors, except Chairman of the Board, are paid only sitting fees for attending every meeting of the Board / Committees of the Board within the limits as prescribed under the Companies Act, 2013. During the year Mr. Dilip Sadarangani, the Chairman of the Board, as on 31st March 2019 was paid an amount of ₹ 1.50 lakhs per month as remuneration w.e.f 25th January 2019, as approved by the Board and RBI in addition to sitting fee for attending Board / Committee meetings. The Bank has framed a Comprehensive Compensation Policy for Non-Executive Directors of the Bank (Other than Part Time Chairman) which is detailed in the heading Policy on Remuneration to Non-Executive Directors/ Independent Directors.

Mr. Ashutosh Khajuria, Executive Director of the Bank is liable to retire at this AGM in compliance with Section 152 of Companies Act, 2013, as required under the regulations regarding retirement of directors by rotation. The detailed profile of Mr. Ashutosh Khajuria, recommended for reappointment in this AGM is mentioned in the Notice for the Annual General Meeting of the Bank.

Composition of Audit Committee

The Audit Committee consists of four Non Executive, Independent Directors and is chaired by Ms. Grace Koshie, Non-Executive Independent Director. The Committee was reconstituted twice in the financial year 2018-19. The other members of the Committee are Mr. Nilesh Vikamsey, Ms. Shubhalakshmi Panse and Mr. A P Hota who are Non-Executive Independent Directors as on the date of this report.

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

Independent Directors

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

- | | |
|-------------------------------|------------------|
| 1. Mr. Dilip Sadarangani | (DIN - 06610897) |
| 2. Mr. Nilesh Vikamsey | (DIN - 00031213) |
| 3. Ms. Grace Elizabeth Koshie | (DIN - 06765216) |
| 4. Ms. Shubhalakshmi Panse | (DIN - 02599310) |
| 5. Mr. C Balagopal | (DIN - 00430938) |

- | | |
|-----------------------------|------------------|
| 6. Mr. A P Hota | (DIN - 02593219) |
| 7. Mr. K Balakrishnan | (DIN - 00034031) |
| 8. Mr. Siddhartha Sengupta* | (DIN - 08467648) |
| 9. Mr. Manoj Fadnis* | (DIN - 01087055) |

*Appointed as Additional Independent Directors on the Board of the Bank on 13.06.2019

A meeting of Independent Directors for FY 2018-19 was conducted on 26 February 2019 to evaluate the performance of Board as a whole, evaluation of Non-Independent Directors and Chairman of the Board and assess the flow of information. The meeting was attended by all the Independent Directors of the Bank.

Women Director

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

Bank's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

a) Qualifications, Experience and knowledge

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

b) Disqualification / Conflicts of interest

1. The Bank's Directors shall be subject to the disqualifications / prohibitions contained in the Companies Act 2013 and the Banking Regulation Act 1949 with respect to directorship of companies in general or banking companies in particular.
2. A Director shall not be a director of any other company, or

partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential conflicts of interest as a Director of the Bank. A Director shall promptly inform the Board / committee of any actual or potential conflicts of interest with respect to any matter that may come up for the consideration of the Board or of any committee of which he is a member, and shall refrain from participating in a discussion on the matter.

c) Suggested criteria for determining attributes of a director as required to be specified under Companies Act, 2013 include

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

d) Suggested criteria for determining Independence of a director

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

The independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence.

The terms and conditions of appointment of Independent Director is disclosed on the website of the Bank and a web link thereto is :

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

Policy on Board Diversity

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

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

Board Diversity enhances the quality of performance of the Board, usher in independence in the performance of the Board; eradicate the gender bias in the Board; achieves sustainable and balanced performance and development; support the attainment of strategic

objectives & also ensures compliance of applicable laws and good corporate practices.

The 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 requirement as per the Companies Act, 2013 for appointment of atleast one woman director on the Board of the Bank will also be considered.

Policy on Remuneration

Policy on remuneration to Non-Executive Directors/ Independent Directors

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

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

As per the Policy during FY 2018-19, Non-Executive Independent Directors of the Bank are paid only sitting fee for attending Board/Committees meetings and reimbursement of expenses for participation in Board/Committee meetings other than Non- Executive Part Time Chairman, who is paid remuneration in addition to sitting fee for attending Board/Committees meetings and reimbursement of expenses for participation in BoardCommittee meetings, with the approval of RBI.

Policy on remuneration to MD & CEO, Executive Director, Key Managerial Personnel and other employees

The Compensation / Remuneration Policy of the Bank as approved by the Board contains the policy for payment of remuneration to 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 Senior Executives

(Non IBA)

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

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

Compensation Package to Executives in Level IV and above

Executives in Level 4 and above are covered under Grander Compensation Package, which was introduced in the Bank from May 2017.

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 scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package has been revised consequent to the 10th Bipartite Settlement.

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

In compliance with Section 203 of the Companies Act, 2013, no Key Managerial Personnel have been appointed or have resigned during FY 2019.

Management Discussion and Analysis

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

Loans, Guarantees or Investments in Securities

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

Internal Complaints Committees (Information under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013)

For particulars relating to Internal Complaints Committee (Information under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013) kindly refer the section Corporate Governance report.

Board Evaluation

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

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

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

I) Performance Evaluation of Non-Independent Directors (MD & CEO and Executive Director)**Criteria for Evaluation include:**

Quantitative Targets:

i) Achievements of performance against targets set

Qualitative Targets :

ii) Appraises the Board regarding the organization's financial position and operational budget so as to enable the Board to make informed financial decisions iii) Provides Leadership in developing

strategies and organizational plans with the management and the Board of Directors iv) Ensures that the Board is kept informed about all issues concerning the Bank v) Media interaction and ability to project positive image of the Company vi) Effectively pursue the performance goals in relation to mission and objective of the organization vii) Motivating employees, providing assistance & directions viii) Supervising & Safeguard of confidential information ix) Establishment of internal control processes, monitoring policies and encouraging suggestions x) Cultivates effective Relationship with Industry Forums, Community and business leaders, Regulatory Bodies and Public Officials. xi) Ensures compliance with all legal and regulatory requirements.

Evaluation Outcome

i) The MD & CEO and EDs adequately endeavor to implement Board decisions and are very strong in media interactions and have put in efforts in building and reinforcing the Brand and Image of the Bank ii) The Executives constantly endeavor to enhance internal control processes, monitor execution of policies and are very receptive to suggestions iii) Attendance of MD & CEO and EDs at the Board and Committee meetings was good iv) They present financial reports to the Board on a regular basis and submit an annual budget for Board review, revision and approval v) They regularly appraise the Board on the organization's financial position and operational budgets that aids the Board to make informed financial decisions vi) The MD has adequate qualities of leadership in developing strategy & execution for achieving them vii) The MD / ED has demonstrated a sound knowledge of Board governance procedures and has consistently followed them viii) The MD / ED has accurately communicated his concept, vision, mission, strategies, goals, and directions for the Bank to stakeholders ix) The MD/ED has accurately identified and analyzed problems and issues confronting the Bank.

II) Performance Evaluation of Independent Directors including Chairman**Criteria for evaluation include:**

i) Attendance at the Board and Committee meetings ii) Study of agenda papers in depth prior to meeting and active participation at the meeting iii) Contributes to discussions on strategy as opposed to focus only on agenda iv) Participate constructively and actively in the Committee of the Board in which they are chairpersons or members v) Exercises his/her skills and diligence with due and reasonable care and brings an independent judgement to the Board vi) The Director remains abreast of developments affecting the company and external environment in which it operates independent of his being appraised at meetings vii) Knowledge and Competency: a) How the person fares across different competencies as identified for effective functioning of the entity and the Board b) Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates viii) Whether the person demonstrates highest level of

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

Evaluation Outcome

i) The Board directors considered the Chairman's evaluation and noted positive comments about his leadership qualities ii) The Chairman has promoted constructive debate and effective decision making at the board iii) The Chairman has managed the meetings effectively and has promoted a sense of participation in all the Board meetings.

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

III) Performance Evaluation of Board and Committees

A. Criteria for Evaluation of Board include:

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

interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.

B. Criteria for Evaluation of Committees include:

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

Evaluation Outcome of Board/Committee

The Board has performed on all the parameters and the Board of the Bank is well balanced in terms of diversity of experience and skill sets to meet the requirements of the Bank and also confirm to the Regulatory requirements.

The Directors had an elaborate discussion on the subject including the criteria for evaluation of Board. The assessment covered various components relating to aspects like the Structure and Composition of Board, its culture, processes and procedures, effectiveness, Financial Reporting and Internal Controls, Conflict of Interest and Compliance and Regulations. Almost all members gave the highest rating as "Good".

In almost all the committees the directors have rated on various parameters as good.

IV) Assessment of flow of information

Criteria for Evaluation include:

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

Evaluation Outcome

The assessment of the Members about the flow of information to the Board and its committees revealed that almost all members rated the flow under various dimensions as "Good".

Evaluation of Senior Management Personnel in the Bank

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

The variable compensation for Managing Director & CEO and Senior Executives (Non-Grander Compensation Package) is to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay will be paid purely based on performance and is measured through Score Cards for Managing Director & CEO / WTDs. Key Performance Indicators (KPAs) to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs.

An ED level Committee comprising of ED and Heads of Risk Division and HR Department ensures alignment of risk and financial control in Compensation in respect of employees.

- The Committee shall review the Compensation paid vis-a-vis risk taking by the Executives to ensure that prudent risk taking is recognized in the compensation framework
- The Committee shall analyse the risk reward correlation and ensures that excess risk taking is not encouraged
- The Committee shall review the performance based variable compensation paid every year and ensures that an optimum risk reward balance is maintained.

Meetings

During the year nine Board meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and also as per the Listing Regulations.

Related Party Transactions

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

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

Since all related party transactions entered into by the Bank were in the ordinary course of business and were on an arm's length basis, disclosures as per Form AOC-2 is not applicable to the Bank. There

were also no material contracts or arrangement or transactions at arm's length basis during the period.

Business Responsibility Report

As stipulated in the Listing Regulations the Business Responsibility Report describing the initiatives taken by the Bank from environmental, social and governance perspective forms part of the Annual Report.

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

Technology and digital updates and measures taken in IT Governance, Information Security, IT Audit, IT Operations, IT Services outsourcing

Technology and Digital updates:

During the financial year 2018-19 your Bank focused extensively on Digital Banking. The Management Discussion and Analysis provides more details about the technical and digital updates of the bank during FY 2018-19

Information Technology (IT) Governance:

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

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

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

Executive level 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). Implementation of large projects is overseen by dedicated Project Steering Committees.

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 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 down time in the main production capability.

The Bank is conducting employee and customer awareness on cyber frauds, vishing/phishing attacks etc through SMS, E-Mails and popup messages in Banks' website and mobile banking applications. Bank has done separate awareness workshops for Directors on the cyber frauds and its impacts. As a measure to assess the effectiveness of awareness among employees Bank is conducting 'Redteam' exercises on a quarterly basis. Bank has implemented most of the Gopalakrishna Committee recommendations on Information Security, Electronic Banking, Technology Risk and Cyber Fraud. The progress of pending items for implementations are followed up for completion in a time bound manner.

Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo

The Bank has undertaken various initiatives for energy conservation at its premises, further details are given under Principle 6 of Section E of the Business Responsibility Report. The Bank prides itself on continuous investment in technology upgrades that are designed to deliver cost effective best in class customer service. The Bank has taken measures to improve the operational efficiency by adopting Robotic Process Automation technology that can enable a virtual workforce that works around the clock and can handle higher volumes with accuracy. Bank has made investments in blockchain technology and has gone live with remittance arrangement with one of the leading exchange houses in GCC. Bank has setup a Testing Center of Excellence (TCoE), an independent test organization within the Bank, to ensure quality of the bank applications and products. The Bank has used information technology extensively in its operations, for more details please refer the section on Technology and Digital Updates portion forming part of Management Discussion and Analysis. Through its export-financing operations, the Bank supports and encourages the country's export efforts.

Compliance with the ICSI Secretarial Standards

The Bank has complied with relevant Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) related to the

Board Meetings and General Meeting during the year.

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.

Awards and Accolades

Your Bank has won various awards and accolades in the Financial Year 2018-19 also. These awards are actually a testimony of Bank's commitment on digital front with various initiatives which brought in acclaim from both customers and stakeholders.

Your Bank has won the best bank of year award at the Dhanam Banking and Finance Summit. Your Bank is one of front runners in adopting this technology. Your Bank's Cross Border Remittance Solution using blockchain technology was declared as Winner under the category "Emerging blockchain technology solution of the year" for BFSI innovative technology awards 2018. Bank was also adjudged winner of "best use of blockchain technology" at drivers of digital awards 2018. Your Bank won 1st prize in Best Technology Bank Award 2019 instituted by Indian Banks Association. NPCI National Payment Excellence award 2018 was awarded to your Bank.

Auditors

Statutory Audit

M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, together with M/s M M Nissim & Co, Chartered Accountants, Mumbai, carried out the statutory central audit of the Bank during Financial Year 2018-19. Additionally 1234 number of branches / offices were subjected to branch statutory audit by various branch auditors appointed by the Bank. The statutory central/branch auditors audited all the branches and other offices of the Bank. The resolution for the appointment of M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, together with M/s M M Nissim & Co, Chartered Accountants, Mumbai, as the Joint Central Statutory Auditors of the Bank from the conclusion of the 88th Annual General Meeting till the conclusion of 89th Annual General Meeting is placed in the Notice to shareholders for AGM.

Secretarial Audit

The Board had in its meeting dated 13 March 2019, appointed M/s. SVJS & Associates, practicing Company Secretaries, to undertake the Secretarial Audit of the Bank during the Financial Year ended 31 March 2019, in compliance with the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report is annexed herewith as "Annexure III". With regard to Secretarial Auditors noting regarding delay of two days in filing Statement of Investor Complaints under Regulation 13(3), it was explained that the exchange (BSE) has taken on record the submission made by the Bank on the delayed filings.

Extract of Annual Return

Pursuant to Section 134 (2) (a) and Section 92 (3) of the Companies Act, 2013, the extract of the Annual Return in the prescribed format (MGT-9) is annexed as **Annexure I** to this Report. Further, the Annual Return of the Bank in the prescribed Form MGT-7 is available on the website of the Bank at the link: www.federalbank.co.in

Particulars of Employees

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

Stock Exchange Information

The Bank's Equity Shares are listed on:

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

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

Director's Responsibility Statement

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:

- a) that in the preparation of the annual financial statements for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) 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, 2019 and of the profit of the Bank for the year ended on that date.

- c) 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;
- d) that the annual financial statements have been prepared on a going concern basis;
- e) that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- f) that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Your bank exhibited resilience during the unprecedented Kerala floods. The support given by your bank to the employees which in turn reciprocated by each employee to the customers, made your bank stand tall and proud, yet humble, during the most needy hour. We remember with gratitude the monumental support exhibited by various stakeholders of your bank in maintaining the business continuity.

Acknowledgement

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

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

For and on behalf of the Board of Directors

Aluva
Date: 13 June 2019

Mr. Dilip Sadarangani (DIN- 06610897)
Chairman of the Board

Annexures

Annexure I

Extract of Annual Return as on the financial year ended 31.03.2019

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

FORM NO. MGT - 9

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF SUBSIDIARY AND ASSOCIATE COMPANIES –

Sl. No	Name and address of the Company	CIN/GLN	Holding /subsidiary/ associate	% of Shares held	Applicable Section
1.	Fedbank Financial Services Limited	U65910KL 1995PLC008910	Subsidiary	82.59%	2(87)
2.	Federal Operations and Services Limited	U74999KL 2018PLC055298	Subsidiary	100%	2(87)
3	IDBI Federal Life Insurance Company Limited	U66010MH 2007PLC167164	Associate	26%	2(6)
4	Equirus Capital Private Limited	U65910MH 2007PTC172599	Associate	8.74%	2(6)

IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)
(i) Category-wise Shareholding

Category of Shareholder		No. of shares held at the beginning of the year (as on 01.04.2018)				No. of shares held at the end of the year (as on 31.03.2019)				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A	SHAREHOLDING OF PROMOTER AND PROMOTER GROUP									
(1)	Indian									
a	Individual/Hindu Undivided Family	0	0	0		0	0	0		
b	Central Government/State Government(s)	0	0	0		0	0	0		
c	Bodies Corporate	0	0	0		0	0	0		
d	Financial Institutions/Banks	0	0	0		0	0	0		
e	Any other(specify)	0	0	0		0	0	0		
	SUB TOTAL A(1)	0	0	0	0.000	0	0	0	0.000	
(2)	Foreign									
a	Individual(Non Resident/ Foreign Individuals)	0	0	0		0	0	0		
b	Bodies corporate	0	0	0		0	0	0		
c	Institutions	0	0	0		0	0	0		
d	Any other(specify)	0	0	0		0	0	0		
	SUB TOTAL A(2)	0	0	0	0.000	0	0	0	0.000	
	Total Shareholding of promoter and Promoter Group(A)=A(1)+A(2)	0	0	0		0	0	0		
B	Public Shareholding									
(1)	Institutions									
a	Mutual Funds/UTI	471569965	68750	471638715	23.920	439017853	74750	439092603	22.120	
b	Financial Institutions/Banks (Including Foreign Banks)	47955939	95500	48051439	2.440	57399630	95500	57495130	2.900	
c	Central Government/State Government(s)	10	0	10	0.000	10	0	10	0.000	
d	Venture Capital Funds									
e	Insurance Companies	36910880	0	36910880	1.870	32566530	0	32566530	1.640	
f	Foreign Institutional Investors	766556319	203500	766759819	38.880	753544738	203500	753748238	37.970	
g	Foreign Venture Capital Investors									
h	Any other(specify)									
	Alternative Investments	16024921	0	16024921	0.810	7829371	0	7829371	0.390	
	SUB TOTAL B(1)	1339018034	367750	1339385784	67.920	1290358132	373750	1290731882	65.020	-2.900

Category of Shareholder	No. of shares held at the beginning of the year (as on 01.04.2018)				No. of shares held at the end of the year (as on 31.03.2019)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non-Institutions									
a Bodies Corporate (Including NBFCs)	60610301	378320	60988621	3.090	86157438	289320	86446758	4.350	
b Individuals(Resident/NRI/ Foreign National)	0	0	0						
(i) Individual shareholders holding Nominal share Capital upto ₹1 Lakh	265605241	25986679	291591920	14.790	286304046	21330869	307634915	15.500	
(ii) Individual shareholders holding Nominal share Capital above ₹1 Lakh	197845380	3133350	200978730	10.190	232064700	1833020	233897720	11.780	
c Any other(specify)									
a Limited Liability Partnership	3366838	0	3366838	0.170	4388427	0	4388427	0.220	
b Trust	12111248	58800	12170048	0.620	8094021	58800	8152821	0.410	
c Overseas Corporate Bodies	0	6000	6000	0.000	0	0	0		
d Investor Education and Protection Fund	5056858	0	5056858	0.260	5680842	0	5680842	0.290	
e Foreign Body Corporate	3367241	0	3367241	0.170	0	0	0		
f Clearing Member	17183809	0	17183809	0.870	10269951	0	10269951	0.520	
g Directors	5123000	0	5123000	0.260	8568595	0	8568595	0.430	
h Foreign National / QFI	0	0	0	0.000	4617	0	4617	0.000	
SUB TOTAL B(2)	570269916	29563149	599833065	30.420	641532637	23512009	665044646	33.500	3.080
Total Public Share Holding (B)=B(1)+B(2)	1909287950	29930899	1939218849	98.330	1931890769	23885759	1955776528	98.530	0.200
TOTAL (A)+(B)	1909287950	29930899	1939218849	98.330	1931890769	23885759	1955776528	98.530	
C Shares held by Custodians for GDRs and ADRs	32925590	0	32925590	1.670	29273675	0	29273675	1.470	
Grand Total (A)+(B)+(C)	1942213540	29930899	1972144439	100.000	1961164444	23885759	1985050203	100.000	0.000

(ii) Shareholding of Promoters

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

(iii) Change in Promoters Shareholding

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

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

SI No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (1 April, 2018)		Shareholding at the end of the year (31 March, 2019)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	ICICI Prudential	65699449	3.33	80051471	4.03
2	Yusuffali Musaliam Veetil Abdul Kader	74828640	3.79	74828640	3.77
3	Reliance Capital Trustee Co Ltd	42660864	2.16	70083976	3.53
4	HDFC Trustee Company Ltd	71340720	3.62	57758817	2.91
5	East Bridge Capital Master Fund Limited	48345447	2.45	48345447	2.44
6	Amansa Holdings Private Limited	58001055	2.94	47161424	2.38
7	Life Insurance Corporation of India	40344910	2.05	45799910	2.31
8	Rakesh Jhunjhunwala	34771060	1.76	44721060	2.25
9	East Bridge Capital Master Fund I Ltd	Nil	0.00	37729342	1.90
10	Aditya Birla Sun Life Trustee Private Limited	41943687	2.13	35224187	1.77
11	Fidelity Investment Trust	29526202	1.50	34320594	1.73
12	Bank Muscat India Fund	33351210	1.69	33351210	1.68

Note:

- The shares of the Bank are substantially held in dematerialized form, and are traded on a daily basis and hence the date wise increase / decrease in shareholding is not indicated.
- The top ten shareholders after consolidation of shares held by the institutions/individuals based on the PAN, as on 31st March 2019 is considered for the above purpose.

V.Shareholding of Directors and Key Managerial Personnel

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
Mr. Shyam Srinivasan, MD & CEO				
Shareholding at the beginning of the year (as on 01.04.2018)	48,81,000	0.25	48,81,000	0.25
Increase(purchase of ESOS shares on 07.06.2018)*	35,27,570	0.18	84,08,570	0.42
Decrease(Sale of shares on 12.09.2018)	2,00,000	0.01	82,08,570	0.41
Increase (purchase of shares on 16.11.2018)*	25	0.00	82,08,595	0.41
Shareholding at the end of the year (as on 31.03.2019)	82,08,595	0.41	82,08,595	0.41
Mr. Ashutosh Khajuria, ED & CFO				
Shareholding at the beginning of the year (as on 01.04.2018)	2,42,000	0.01	2,42,000	0.01
Increase(purchase of ESOS shares on 29.05.2018)	1,00,000	0.01	3,42,000	0.02
Decrease (Sale of shares on 27.07.2018)	1,30,000	0.01	2,12,000	0.01
Decrease (Sale of shares on 24.10.2018)	1,00,000	0.01	1,12,000	0.01
Decrease (Sale of shares on 02.11.2018)	50,000	0.00	62,000	0.00
Increase(purchase of ESOS shares on 3.12.2018)	1,60,000	0.01	2,22,000	0.01
Decrease (Sale of shares on 12.02.2019)	1,00,000	0.01	1,22,000	0.01
Increase(purchase of ESOS shares on 28.02.2019)	2,00,000	0.01	3,22,000	0.02
Shareholding at the end of the year (as on 31.03.2019)	3,22,000	0.02	3,22,000	0.02
Mr. Girish Kumar G, Company Secretary				
Shareholding at the beginning of the year (as on 01.04.2018)	16,290	0.00	16,290	0.00
Increase(purchase of ESOS shares on 01.08.2018)	7,000	0.00	23,290	0.00
Decrease (Sale of shares on 07.08.2018)	3,400	0.00	19,890	0.00
Increase (purchase of ESOS shares on 14.09.2018)	7,500	0.00	27,390	0.00
Decrease (Sale of shares on 30.10.2018)	3,000	0.00	24,390	0.00
Decrease (Sale of shares on 29.11.2018)	1,200	0.00	23,190	0.00
Decrease (Sale of shares on 03.12.2018)	500	0.00	22,690	0.00
Decrease (Sale of shares on 14.12.2018)	2,200	0.00	20,490	0.00
Decrease (Sale of shares on 19.12.2018)	1,800	0.00	18,690	0.00
Decrease (Sale of shares on 24.12.2018)	700	0.00	17,990	0.00
Increase (purchase of ESOS shares on 02.01.2018)	3,000	0.00	20,990	0.00
Decrease (Sale of shares on 01.02.2018)	4,100	0.00	16,890	0.00
Increase (purchase of ESOS shares on 07.03.2018)	5,500	0.00	22,390	0.00
Decrease (Sale of shares on 29.03.2018)	500	0.00	21,890	0.00
Shareholding at the end of the year (as on 31.03.2019)	21,890	0.00	21,890	0.00
Mr. K Balakrishnan, Director				
Shareholding at the beginning of the year (as on 01.04.2018)	0	0.00	0	0.00
Increase (purchase of shares on 13.04.2018)	32,000	0.00	32,000	0.00
Increase (purchase of shares on 7.9.2018)	6,000	0.00	38,000	0.00
Shareholding at the end of the year (as on 31.03.2019)	38,000	0.00	38,000	0.00

NOTE: 1. None of the Non-Executive Independent Directors of the Bank hold shares of the Bank as at beginning and at end of the year except Mr K Balakrishnan who holds 38,000 shares as on 31st March 2019.

2. *as per the value approved by the Nomination, Remuneration, Ethics and Compensation Committee of the Board and paid by MD &CEO.
3. For purchase of ESOS the date of allotment has been taken and mentioned.

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

(₹ in Crore)

	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	2,603.33	6,245.88	8,849.22
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	7.93	64.61	72.54
Total (i+ ii+ iii)	2,611.26	6,310.49	8,921.76
Change in Indebtedness during the financial year			
• Addition	2,04,498.68	65,270.65	2,69,769.33
• Reduction	206,495.42	66,487.31	2,72,982.74
Net Change	-1,996.74	-1,216.66	-3,213.40
Indebtedness at the end of the financial year			
i) Principal Amount	613.34	5,052.00	5,665.34
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	1.18	41.83	43.01
Total (i+ii+iii)	614.52	5,093.83	5,708.35

VII. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A.Remuneration to Managing Director, Whole – time Directors and / or Manager:

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount (in ₹)
		Mr.Shyam Srinivasan (MD & CEO)	Mr. Ashutosh Khajuria(ED & CFO)	Mr. Ganesh Sankaran %%	
1.	Gross salary				
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,20,00,000.00	22,00,008.00	18,79,935.72	1,60,79,943.72
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	14,39,608.00	10,99,948.00	87,732.00	26,27,288.00
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option *** (perquisite value of ESOS)	14,57,54,251.25	1,96,24,700.00	NIL	16,53,78,951.25
3.	Sweat Equity	NIL	NIL	NIL	NIL
4.	Commission As % of profit Others, specify...	NIL	NIL	NIL	NIL
5.	Others, please specify				
i)	Leave encashment	33,333.00	5,66,667.00	13,38,889.00	19,38,889.00
ii)	Leave travel concession	NIL	4,00,000.00	NIL	4,00,000.00
iii)	Performance Linked Incentive	NIL	NIL	NIL	NIL
iv)	House Rent Allowance	-	-	14,77,132.00	14,77,132.00
v)	Personal Fixed Pay	-	45,99,999.96	40,39,284.00	86,39,283.96
	Total**	13472941.00	8866622.96	88,22,972.72	3,11,62,536.38
	Ceiling as per the Act	NA	NA	NA	

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

*** This includes stock options granted and vested in previous years, and exercised during the last financial year

% Resigned from the Board of the Bank w.e.f 15.02.2019

Note: 1. In addition to above, Provident Fund of ₹1200000.00 was made in respect of Mr. Shyam Srinivasan, MD & CEO, ₹ 2,20,001.00 was made in respect of Mr. Ashutosh Khajuria, Executive Director & CFO and ₹ 1,87,994.00 to Mr. Ganesh Sankaran, erstwhile Executive Director during FY 2018-19.

1. During FY 2018-19, MD & CEO relinquished his entire ESOS eligibility and offered his grant to the ESOS pool.

2. The options relating to ESOS 2010 Scheme were availed by MD & CEO and ED before it lapsed, in accordance with terms of the scheme. External financing was availed by them for exercising the ESOS options. Perquisite tax has been paid by MD & CEO, Mr. Shyam Srinivasan and Executive Director Mr. Ashutosh Khajuria, on an amount of 14,57,54,251.25 and 1,96,24,700.00 respectively relating to perquisite for ESOS.

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of Directors									Total Amount (in ₹)
		Mr. Dilip Sadarangani	CA. Nilesh Vikamsey	Mr. Harish Engineer**	Ms. Grace Koshie	Ms. Shubhalakshmi Panse	Mr. C Balagopal	Mr. A P Hota	Mr. Deepak Maheshwari%%	Mr. K Balakrishnan%	
1	Independent Directors • Fee for attending board and committee meetings • Commission • Others, please specify (Remuneration with RBI approval)	1,993,871 [@]	1,820,000	525,000	2,090,000	2,180,000	1,100,000	1,685,000	625,000	690,000	12,708,871
	Total (1)	1,993,871[@]	1,820,000	525,000	2,090,000	2,180,000	1,100,000	1,685,000	625,000	690,000	12,708,871
	Sweat Equity										
2	Other Non – Executive Directors • Fee for attending board committee meetings • Commission • Others, please specify										
	Total (2)										
	Total (B) = (1+2)	1,993,871[@]	1,820,000	525,000	2,090,000	2,180,000	1,100,000	1,685,000	625,000	690,000	12,708,871
	Total Managerial Remuneration										
	Overall Ceiling as per the Act [^]										

Note: @ Includes an amount of ₹333871 paid as remuneration with the approval of Board and RBI during the year to Mr. Dilip Sadarangani, who is the Chairman of the Board of the Bank w.e.f 25 January 2019.

% - Mr K Balakrishnan joined as Independent Director on the Board of the Bank w.e.f 25 September 2018.

%%- Mr Deepak Maheshwari resigned from the Board of the Bank w.e.f 01 January 2019

#- Mr. Harish Engineer retired from the Board of the Bank w.e.f 01st October 2018.

^ Section 197 of the Companies Act, 2013 does not by virtue of section 35B (2A) of the Banking Regulation Act, 1949, apply to Banking companies

C. Remuneration To Key Managerial Personnel Other Than MD/ MANAGER/ WTD

Sl. No	Particulars of Remuneration	Name of Key Managerial Personnel	Total Amount
		Girish Kumar Ganapathy(SVP CUM COMPANY SECRETARY)	
1.	Gross salary		
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	28,98,787.83	28,98,787.83
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	32,400.00	32,400.00
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2.	Stock Option *** (perquisite value of ESOS)	6,40,450.00	6,40,450.00
3.	Sweat Equity	-	-
4.	Commission	-	-
	As % of profit	-	-
5.	Others , please specify Performance Linked Incentive	2,80,000.00	2,80,000.00
	Total**	3211187.83	3211187.83

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

*** This includes stock options granted and vested over several previous years, but exercised during the last financial year.

VIII. Penalties / Punishment / Compounding of offences:

Type	Section of the Companies Act	Brief description	Details of penalties / punishment / compounding	Authority (RD / NCLT / Court)	Appeal made, if any (give details)
			fees imposed		
A. COMPANY					
Penalty					
Punishment			None		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			None		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			None		
Compounding					

Penalty has been levied by RBI aggregating to an amount of ₹ 500.28 lakhs (aggregate amount of ₹ 4.74 lakhs for Year FY 2017-18) for various regulatory issues such as penalty on currency chest, penalty relating imposed for violations of RBI guidelines, directions etc. observed during statutory inspection of the Bank with reference to financial position as on March 31, 2017 paid during FY 2018-19.

Annexure II
1.Composition of the CSR Committee

CSR Committee of the Board

Every company having net worth of rupees five hundred crore or more, or turnover of Rupees One Thousand Crore or more or a net profit of Rupees Five Crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board, consisting of three or more directors, out of which at least one director shall be an independent director. CSR Committee of the Board consists of three independent directors, MD & CEO and Executive Director of the Bank. As on 31 March 2019 the Committee consists of:

- Mr. A. P Hota (Chairman)
- Mr. K Balakrishnan (Director)
- Mr. Shyam Srinivasan (MD & CEO)
- Mr. Ashutosh Khajuria (Executive Director)

2. A brief outline of the company’s CSR policy, including overview of projects or programs undertaken and a reference to the web-link to the CSR Policy and Projects or Programs.

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

Objectives of CSR

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

CSR Initiatives covered by the policy include:

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

The above objectives are broad based, and will be construed in a liberal manner within the framework of the Act.

Core CSR activities for the Financial Year 2018-19

Existing	New Additions
Youth engagement	Women empowerment
Education	Digitization
Promoting Vocational Skills	Support to Swatch Bharat Mission
Healthcare	

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

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

Year	Net Profit(Before Tax)
2016	₹ 719.65 Cr.
2017	₹1306.50 Cr.
2018	₹1343.86 Cr.

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

Average Net Profit calculated for three preceding financial years is ₹1123.34 Cr. Out of this 2% of Average Net Profit for three preceding financial years comes to ₹ 22.47 Cr.

Details of CSR spent during the financial year

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program wise (in lakhs)	Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (in lakhs)	Cumulative expenditure up to the reporting period (in lakhs)	Amount Spent direct or through implementing agency (in lakhs)
1	Education, & Skill Building	Promoting Education, Vocational Skills, Youth Engagement	Pan India	1531.79	1167.19	3809.73	Directly by the Bank . As given in column (6)
2	Scholarships through Federal Bank Hormis Memorial Foundation	Promoting Education	Kerala, Tamilnadu, Maharashtra, Gujarat	202.00	137.07	653.82	Directly by the Bank . As given in column (6)
3	Health Care & Safety	Healthcare, Preventive Healthcare,	Pan India	200.00	67.82	378.74	Directly by the Bank . As given in column (6)
4	Welfare, Poverty Alleviation & Women empowerment	Eradicating hunger, poverty, setting up homes	Pan India	120.00	288.19	154.30	Directly by the Bank . As given in column (6)
5	Environment Sustainability/ Swachh Bharat	Environment Conservation Swachh Bharat	Pan India	122.00	24.4	220.61	Directly by the Bank . As given in column (6)
6	Rural Development	Rural & Social Development, welfare of SC/ ST	Pan India	120.00	9.47	337.24	Directly by the Bank . As given in column (6)
7	Miscellaneous (Overheads)			10.00	10.01	19.96	
	Total			2305.79	1704.15	5574.40	

Corporate Social Responsibility is an area that can help, build value system among employees and make them feel part of social change. With this objective, the Bank had decided to involve staff members as part of our employee social responsibility initiatives. As part of this, welfare projects were successfully completed with the active participation of employees pan India on Founder's Day. Many other projects were successfully completed with the active participation of employees across the country like Digitizing the Nilavarapatti Village, and undertaking many infrastructural developmental activities at the village. To meet the location specific requests emanating from the field, 20% of the total CSR budget would be earmarked. Several major projects that can have long term impact were selected during the year; some of the major initiatives rolled out during the year were Speak for India Season 4 that touched more than 122000 students in Kerala, Karnataka, Maharashtra

tra & Tamilnadu and gave a platform for many students to develop their communication skills and confidence levels. Bank started the Federal Skill Academy at Ernakulam and Coimbatore aimed at upskilling hundreds of youth in alignment with the Skill India Mission of the Government. This Financial Year we have opened two more Skill Academies at Kolhapur & Karnal to extend our Skill Development activities to the states Maharashtra & Haryana. In line with our commitment to conserve environment and natural resources we partnered with Mathrubhumi for the SEED project. Apart from this we also supported several organizations across India who are engaged in Philanthropic/social activities. Our objective remains to associate with projects that help to uplift the downtrodden and the needy sections in the society and to passionately involve in such activities that bring about obvious positive change in the society that will nurture and nourish the future generations and aim at creating significant difference in the overall socio-economic development and environment sustainability. Having spent 75.86% (amount spent ₹17.04 Cr.) this year towards CSR as per section 135 of the Companies Act 2013, your Bank is committed to increase its CSR impact by selecting projects that have long term sustainability.

The Bank has budgeted for an amount of ₹ 23.06 Cr. (Allocated funds ₹ 22.47 Cr.). But could spend only ₹ 17.04 Cr. Even though the Bank had planned for digitization & Village adoption of four villages, we could complete only one village in FY 2018-19 due to the natural

calamities affected Kerala during August 2018 which resulted in shifting our focus to rehabilitate the affected people. We are continuing with Adoption & Digitization of more villages in FY 2019-20. We could not spend allocated amount as Scholarship since most of the students selected were studying at Govt Institutions which has comparatively lower fee structure. In the healthcare sector, our long term project partners postponed their fund requirements in FY 2018-19 due to Kerala Flood and these funds will be released in FY 2019-20. Bank has already sanctioned various CSR projects which are devised to give sustained support. Our objective through corporate social initiatives is to bring out marked difference in the upliftment of the society and the world we live in. Your Bank is passionately involved in such activities that create obvious positive change in the society and will nurture and nourish the future generations.

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

Sd/-	Sd/-
Mr. Shyam Srinivasan (Managing Director & Chief Executive Officer)	Mr A P Hota (Chairman CSR Committee)

Annexure III**Form No. MR-3****SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31.03.2019**

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members,

The Federal Bank Ltd.

Federal Towers, P.B. No. 103

Always-683101

We, SVJS & Associates, Company Secretaries, have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by The Federal Bank Ltd. [CIN: L65191KL1931PLC000368] (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31.03.2019, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by The Federal Bank Ltd. ("the Company") for the financial year ended on 31.03.2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the

Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
 - c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
 - d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
 - e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - f) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - g) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 to the extent applicable.
- (vi) As informed to us, the following other laws are specifically applicable to the Company.
1. The Banking Regulation Act, 1949 and Banking Regulation (Companies) Rules, 1949
 2. Reserve Bank of India Act, 1934
 3. The Banking Ombudsman Scheme, 2006
 4. The Bankers' Books Evidence Act, 1891
 5. The Banking Companies (Period of Preservation of Records) Rules, 1985
 6. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and The Security Interest (Enforcement) Rules, 2002
 7. The Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records) Rules, 2005
 8. The Industrial Disputes (Banking and Insurance Companies) Act, 1949
 9. The Deposit Insurance and Credit Guarantee Corporation Act, 1961 and The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961
 10. The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and
 11. Credit Information Companies (Regulation) Act, 2005
- We have also examined compliance with the applicable clauses of the following:
- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India;
 - (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. There has been delay of two days in filing statement on investor complaints under Regulation 13 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015. The Exchange (BSE) has taken on record the submission made by the listed entity on the delayed filing.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining

further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

We further report that during the audit period there were no instances of:

- i. Public /Right/Preferential issue of shares/debentures/sweat equity;
- ii. Redemption/Buy-back of securities;
- iii. Merger / amalgamation / reconstruction;
- iv. Foreign technical collaborations.

During the period, the following issues have taken place:-

Sl. No.	Method of Issue	Mode of Approval	Date of Approval	Number of shares issued/Amount
1	Issue of Debt Securities	Shareholders' approval by way of special resolution at Annual General Meeting	10.08.2018	Shareholders' approval obtained for borrowing/raising funds in Indian currency by way of issue of debt instruments upto ₹ 8000 Crore.

During the aforesaid period, a resolution was passed under Section 180 (1) (c) of the Companies Act, 2013, at the Annual General Meeting held on 10.08.2018 increasing the borrowing powers to ₹12,000 Crore over and above the paid up capital and free reserves including securities premium.

This report is to be read with Annexure A of even date and the same forms an integral part of this report.

For SVJS & Associates

Company Secretaries

CS Vincent P.D.

Managing Partner

CP No.: 7940, FCS: 3067

Kochi

13.06.2019

Annexure A

ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To
The Members

The Federal Bank Ltd.

Federal Towers, P.B. No. 103
Alwaye-683101

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

1. Maintenance of the secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and processes as were appropriate, to obtain reasonable assurance about the correctness of the contents of the secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March 2019 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SVJS & Associates
Company Secretaries

Kochi
13.06.2019

CS Vincent P.D.
Managing Partner
CP No.: 7940, FCS: 3067

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 Remuneration of each Director to the Median Remuneration of Employees for the Financial Year@	Mr. Shyam Srinivasan, MD & CEO : 18.42 Mr. Ashutosh Khajuria, ED & CFO : 12.12 Mr. Ganesh Sankaran, ED : 12.06
2.	The percentage increase in remuneration of each director(MD/ED), Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Mr. Shyam Srinivasan, MD & CEO: 0.25% Mr. Ashutosh Khajuria, ED & CFO : 5.47% Mr. Ganesh Sankaran, ED : 1.35% Mr. Girish Kumar Ganapathy, CS : 7.50%
3.	The percentage increase* in the median remuneration of employees in The financial year	4.21%
4.	The number of permanent employees on the rolls of company	12227
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average percentage increase made in the Salary of total employees other than the KMP for the financial year is around 4.21%, while the average increase in the remuneration of KMP's are as follows MD & CEO : 0.25% ED & CFO : 5.47% ED : 1.35%
6.	The key parameters for any variable component of remuneration availed by the directors	The variable compensation for Managing Director & CEO and Senior Executives (Non – IBA package) to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the Revenue Point Index / Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay will be paid purely based on performance and is measured through Score Cards for Managing Director & CEO / WTDs. The Score Card provides a mix of financial and Non Financial, Quantitative and Qualitative Metrics. KPAs to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs.
7.	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed.

Note:

1. Have considered the Fixed Pay for the computation of ratios.
2. Fixed Pay includes Basic Salary, Allowances and value of Perquisites computed as per Income Tax rules but excludes Gratuity, PF and Perquisite values on ESOP.

@ - The sitting fees paid to other directors are not considered for this calculation.

Annexure V
Form AOC 1
**PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES AND ASSOCIATES/JOINT VENTURES OF
THE BANK AS ON MARCH 31, 2019**

**PURSUANT TO FIRST PROVISIO 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

1.	Sl. No.	1	2
2.	Name of the subsidiary:	Fedbank Financial Services Limited	Federal Operations and Services Limited
3.	The date since when subsidiary was acquired	17/04/1995	26/10/2018
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA	NA
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA	NA
6.	Share Capital	2,300,425	50,000
7.	Reserves & surplus	2,321,957	(2859)
8.	Total assets	21,285,345	56,968
9.	Total Liabilities	16,662,963	9,827
10.	Investments	125,050	-
11.	Turnover	2,589,181	12,875
12.	Profit before taxation	493,474	(3354)
13.	Provision for taxation	14,2656	(495)
14.	Profit after taxation	350,818	(2859)
15.	Proposed Dividend	NIL	NIL
16.	Extent of shareholding (in%)	82.59	100

Notes:

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

PART "B": ASSOCIATES AND JOINT VENTURES

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

Sl. No.	Name of Associates/Joint Ventures	IDBI Federal Life Insurance Company Limited	Equirus Capital Private Limited
1	Latest audited Balance Sheet	31/03/2019	31/03/2019
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	3,600,000
	Amount of Investment in Associates/Joint Venture (₹ '000)	2,080,000	68,490
	Extent of Holding (in%)	26%	8.74%
4	Description of how there is significant influence	Investment more than 20%	Right of proportionate representation in the Board as well as power to participate in the financial/operational matters like approval of business plan, policies, budgets, managerial remuneration, change in KMP etc
5	Reason why the associate/joint venture is not consolidated	NA	NA
6	Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	2,373,419	37,488
7	Profit / Loss for the year 2018-19 (₹ '000)		
	i. Considered in Consolidation	350,238	5,386
	ii. Not Considered in Consolidation	977,486	35,614

- Names of associates or joint ventures which are yet to commence operations - NIL
- Names of associates or joint ventures which have been liquidated or sold during the year - NIL.

For and on behalf of the Board of Directors

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Dilip G Sadarangani
Chairman
(DIN: 06610897)

Directors:

Nilesh S Vikamsey (DIN: 00031213)

Grace Elizabeth Koshie (DIN: 06765216)

Shubhalakshmi Panse (DIN: 02599310)

C Balagopal (DIN: 00430938)

A P Hota (DIN: 02593219)

K Balakrishnan (DIN: 00034031)

Place: Mumbai
Date : 4 May, 2019

Annexure VI

DIVIDEND DISTRIBUTION POLICY

I. OBJECTIVE:

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

In terms of Regulation 43A of SEBI (LODR) Regulations, it is mandatory for the Bank to frame the Dividend Distribution Policy, as it falls within the top 500 listed entities as on March 31, 2018 in terms of market capitalization. Accordingly, the following 'Dividend Distribution Policy' has been framed, approved and adopted by the Board of Directors of the Bank.

II. POLICY:

1. The Policy will be called as 'Federal Bank Dividend Distribution Policy'.

2. General Principles of the Bank regarding distribution of dividend

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

3. Eligibility criteria for declaration of dividend

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

The bank should have:

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

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

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

4. Quantum of dividend payable:

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

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

5. Board oversight

The interests of all stakeholders and the following aspects shall be taken into account while deciding on the proposals for declaring dividend:

- a) The interim dividend paid, if any;
- b) The Risk Based Supervision findings of Reserve Bank of India with regard to divergence in identification of NPAs, shortfall in provisioning;
- c) The auditors' qualification pertaining to the statement of accounts;
- d) The Basel III capital requirements; and
- e) The Bank's long term growth plans.

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

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

The Board of the Bank may not recommend any dividend in the event of inadequacy of profits or whenever the Bank has incurred losses or

if the eligibility criteria for recommendation of dividend has not been met by the Bank, including any regulatory restriction placed on the Bank on declaration of dividend or if the Board strongly believes the need to conserve capital for growth or for other exigencies.

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

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

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

c) Internal and external factors that shall be considered for declaration of dividend

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

The dividend payout decision of the Bank will also depend on certain external factors such as the state of the economy of the country,

compliance with Companies Act 2013 and its rules, other statutory and regulatory provisions, share holder expectations including individual shareholders, tax regulations including the treatment of deferred tax assets etc. as may be applicable at the time of declaration of the dividend.

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

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

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

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

7. Review of Policy

The Board of Directors of the Bank will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report.

8. Disclosure of Policy

The policy will be available on the Bank's website and will also be disclosed in the Bank's Annual Report.

Annexure

Matrix of Criteria as laid out by RBI for maximum permissible range of Dividend Payout Ratio

(As per RBI Circular No. RBI/2004-05/451; DBOD.NO.BP.BC. 88 /21.02.067/2004-05 dated May 04, 2005)

Category	CRAR	Net NPA Ratio			
		Zero	More than zero but less than 3%	From 3% to less than 5%	From 5% to less than 7%
		Range of Dividend Payout Ratio			
A	11% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	10% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
C	9% or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
D	9% or more in the Current year	Up to 10		Up to 5	Nil

For and on behalf of the Board of Directors

Aluva
Date: 13 June 2019

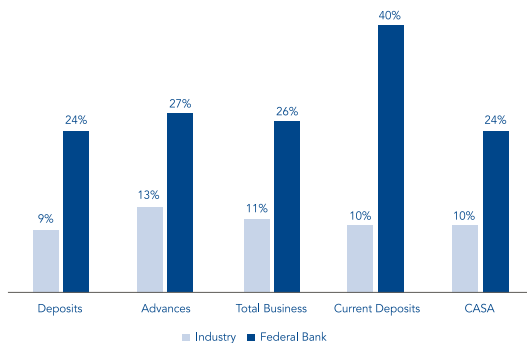
Mr. Dilip Sadarangani (DIN- 06610897)
Chairman of the Board

Presence to prominence

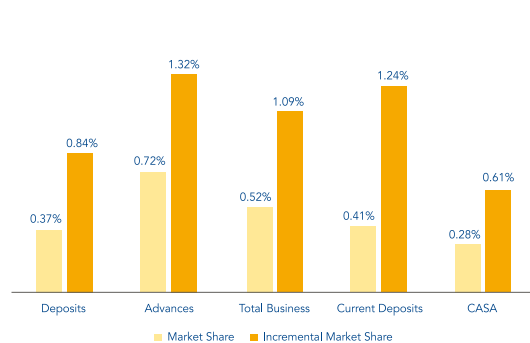


After consolidating its unassailable leadership position in its home turf in Kerala, Federal Bank is now casting its net far and wide. The Bank's persistent endeavours to upgrade its status from 'presence' to 'prominence' in Rest of India (ROI) are bearing fruits. The Bank plans to intensify its 'Rest of India' forays in the coming years. In the financial year 2018-19, the Bank could post impressive gains in various parameters in all business segments in Rest of India region. Across India, the Bank intends to capitalise its strong distribution channels to reach out to more customers.

GROWTH IN ROI (FY 18-19)



MARKET SHARE IN ROI (FY 18-19)



Source : RBI Data



Global Economic Scenario

The global economy started on a strong note in 2018. However, as the year progressed, the growth traction became weak to signal a probable slowdown. The Central Bankers of major economies have been raising interest rates over the last few years to contain potential inflationary pressures. These moves are expected to lower growth, albeit modestly, given the gradual pace of increase in interest rate and the limited transmission of those interest rate increases up the yield curve.

A year ago, there was acceleration of economic activity in almost all regions of the world and the global economy was projected to grow at 3.9 percent in 2018 and 2019. A year later, many things changed; US- China trade tension escalations, tighter credit policies in China, financial tightening along with normalization of monetary policies in larger part of advanced economies and macro-economic stress in Turkey and Argentina resulted in weakened global growth especially in the later part of 2018. IMF expects this weakness to persist in the first half of 2019. The World Economic Outlook expects the growth to decline in 70 percent of the global economy.

There were confluence of factors affecting major economies in the world which resulted in the slowing down of economic growth. China was impacted due to regulatory tightening to rein in shadow banking and growing trade tensions with US. Consumer and business confidence weakened in the Euro area impacting the economy. Germany was unsettled by the introduction of new emission standards, widening of sovereign spreads impacted Italy and the external demand softened in Emerging Asia. In Japan, natural disasters impacted the economy. In the Financial Markets, trade tensions took toll on the business confidence and the sentiments got worsened, with financial conditions tightening in the vulnerable emerging markets in first part of 2018 and then in advanced economies later in the year, weighing on global demand. Conditions have eased in 2019 as the US Federal Reserve signalled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal, but these remain slightly more restrictive than before.

IMF expects the global growth to slow down from 3.6 percent in 2018 to 3.3 percent in 2019, before returning to 3.6 percent in 2020. Growth for 2018 was revised down by 0.1 percentage point relative to the October 2018 World Economic Outlook (WEO), reflecting weakness in the second half of the year, and the forecasts for 2019 and 2020 are now marked down by 0.4 percentage point and 0.1 percentage point respectively. But if any of the major risks materializes, the recoveries expected from stressed economies, economies which are dependent on exports and indebted economies may not occur. Then the policymakers need to relook their stands and it may require more synchronized, country specific policy stimulus supported by accommodative monetary policy.

Indian Scenario

Indian economy has grown at the slowest pace in 2018-19 since the past 5 years. In Q4 FY19, GDP growth dropped to 5.8% against 6.6% in the previous quarter, making it the lowest in the past 20 quarters i.e., since June'14. The annual growth for 2018-19 has also been revised downwards by 20 bps to 6.8%, from the earlier 7% as per the second advance estimate. This was the lowest growth in the past 5 years.

In Q4, growth was dragged by a sharp slowdown in fixed investment followed by private consumption and export growth. On the other hand, higher government consumption and slower import growth provided support. The growth for the year was dragged down by the muted performance in agriculture, mining and quarrying, electricity and gas, trade and hotels and public administration while the growth was supported by uptick in the manufacturing activities.

The GVA growth during the year stood at 6.6%, lower than 6.9% growth a year ago. The slowdown in the GVA growth was led by lower growth in 5 out of 8 sectors compared with that in FY18. Agriculture grew at 2.9% much lower than the 5% growth a year ago due to deficient and uneven monsoon. Mining and quarrying sector's growth was lacklustre at mere 1.3%. The manufacturing activities during the year expanded at 6.9%, higher than 5.9% in the previous year. Construction sector has expanded at higher rate of 8.7% while electricity and gas grew at lower rate of 7% in FY19. Within services, trade and hotels grew at a lower rate (6.9%) and the financial services expanded at higher rate of 7.4% compared to that in the previous year. Pick up in bank credit at 13.2% in FY19 has been translated into higher growth in this segment. Public administration has indicated a lower growth at 8.6% than the 11.9% growth in the previous year. Investments continue to be subdued. The investment rate (measured by the gross fixed capital formation) is estimated to have improved marginally.

Looking ahead at FY20, a stronger mandate for the second successive 5 year term of the current government can ensure continuity in policy and reforms framework, removal of political uncertainty which was coming in the way of investment decisions and impeded foreign investment inflows, increasing expectations of a revival in the domestic economy.

It is expected that the first quarter of FY20 could display some weakness, partly because of high base effect. Economic activities are likely to pick up as the Government is likely to undertake measures to boost the growth. However, lower consumption and investment may continue to constrain the overall economic growth which is expected to see only gradual pick up in the later part of the year.

The second half of FY20 is likely to boost growth with the expectation of normal monsoons, budgetary support and softer interest rates. Private investment growth is expected from the consumption push.

Overall, it is expected that the GDP growth will rise to 7.3% in FY 20.

Indian Banking Industry

The Financial Year 2019 was yet another challenging year for the banking sector as a whole with asset quality concerns looming large and continuing of balance sheet stress. Despite the headwinds, credit growth improved further during 2018-19. Bank credit growth in 2018-19 came in at 13%, higher than the 10% growth of the previous year. The bank deposits grew at 10% during 2018-19 compared with the 6% growth a year ago.

Non Food Credit recorded a 5 year high of 13% in 2018-19, 3% higher than a year ago. The credit growth was broad based across sectors. Agriculture and allied activities saw a credit growth of 8% during 2018-19 compared with the 4% growth a year ago. Industry sector on the other hand saw a credit off-take of 7% against the growth of 0.7% year ago. Bank credit in services grew by 18% against 14% growth in the previous year, driven by higher credit disbursements to NBFCs, shipping, wholesale trade and transport operators. Again double digit growth was continued in Retail Sector, at 16% against 18% growth in the previous year.

FY 19 also saw the deferral of implementation of Indian Accounting Standards for banks. Once implemented, Ind AS will bring a major change in the financial statements of banks. The envisaged changes including Expected Credit Loss (ECL) model and Effective Interest Rate (EIR) mechanism will have substantial impact on the profit and the quality of the Balance Sheet of banks.

Looking ahead at FY 20, competition for deposits is expected to intensify as borrowings for banks remain high, while system deposit growth remains muted. Bank credit is expected to grow at 13-14% in FY 20, which would force a change in the deposit mobilisation plans of banks over the medium term. This could also lead to a divergence in the marginal cost of funds-based lending rates. Meanwhile, increasing volatility in the equity market, moderating flows into other investment avenues and hike in bank deposit rates in recent months could bring some household financial savings back into bank deposits.

There can be a slight slowdown in bank credit by mid-2019 on account of disintermediation. As yields have declined, a pick-up in disintermediation through non-banking channels are expected, particularly through the bond market. Other factors including softening of commodity prices, NBFCs which were depending on banks for their funding needs are expected to look at other non-banking avenues, probable slow rebounding of corporate bank credit led by lower rated issuers may also affect the credit growth. On the other hand, if the trend of credit growth outpacing the deposit growth rate continues for FY 20, banks may not find it easy to ensure transmission of policy rates to the deposit interest rates. In such a scenario, transmission of policy rates to lending rates may impact interest margins of banks.

As India aims to curb cash and push the digital agenda, the country

will witness a surge in the digital banking space. The digital economy may be disruptive for traditional industries thus creating new possibilities for banks to innovate and grow. With the advent of newer Fintechs, E-Commerce, Big Data, Blockchain, Cloud etc, digital is truly revolutionizing every part of the life at an unprecedented speed and scale. This scenario will present both challenges and opportunities for banks. In order to protect their positions, banks need to innovate quickly and engage with customers, especially in payments, savings and investments.

Threats

India's banking sector is sufficiently capitalised and well-regulated. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. However, the performance of the sector is closely knotted with the economic progress of the country and any slowdown in the same will hamper the growth prospects of the sector.

Indian banking industry has already witnessed the roll out of innovative banking models like Payments and Small Finance Banks. Fintechs are providing innovative solutions to the customers with lower costs. Also rising cost of technology and replacement due to faster obsolescence may increase the operating costs for banks. Banks need to innovate quickly to stay in the race. Your bank has always been in the forefront in technology innovation and adoption and will continue to delight the customers with newer offerings.

Banking sector in India is well regulated. Rising regulatory cost/regulatory norms or any changes in the policy of the regulators and other governing bodies may adversely impact the business and profitability of the banks going forward.

Review of Bank's Business Performance

In spite of weak global and domestic indicators, your bank recorded strong business momentum with sustained build-up in the operating rhythm during FY 2018-19. Total Business of the bank crossed ₹ 2.45 Lakh Cr. It has increased by 20.21% to ₹ 245177 Cr for the year ended 31st March 2019.

On liability side, CASA growth was at 16.4% led by strong Current Deposits growth. The core deposit currently forms 97.6% of the total deposits of the bank. Total Deposits of your bank registered a growth of 20.5% to reach ₹ 134954 Cr. CASA of your bank increased from ₹ 37252 Cr to ₹ 43388 Cr. The NR business of the bank witnessed overall growth of 17.9% to reach ₹ 53159 Cr as on 31.03.2019.

On credit side, total credit grew by 19.9% to reach ₹ 110223 Cr with broad based growth. Your bank's retail segment grew by 24.8% during the year followed by corporate credit with a growth of 20.35% and agricultural credit at 21.9%.

Your bank has posted highest ever Operating Profit and Net Profit. Net Profit of your bank increased by 41.5% to reach ₹ 1243.89 Cr. Operating Profit improved by 20.6% to reach ₹ 2763.10 Cr. Total Income for the year grew by 17.03% to ₹ 12770.05 Cr and Other

Income stood at ₹ 1351.02 Cr. Net Interest Margin (NIM) of the bank stood at 3.14%. Your bank could also clock highest ever Net Interest Income, at ₹ 4176.35 Cr, improved by 16.6% Y-o-Y. The Net Worth of the bank increased to ₹ 13273.04 Cr as on 31.03.2019. The Capital Adequacy Ratio (CRAR) of the bank, computed as per Basel III guidelines stands at a comfortable position of 14.14% as on 31.3.2019. Return on Average Assets stood at 0.88% with Q4 exit at 1.02% and Return on Equity of the Bank is now at 9.81% with Q4 exit at 11.86%. Cost Income Ratio of your bank stood at 50.01% for FY 19 against 51.69% of FY18 .

Gross NPA stood at ₹ 3260.68 Cr and Net NPA stood at ₹ 1626.21 Cr as on 31.03.2019. Gross NPA as percentage to Gross Advances was at 2.92% and Net NPA as a percentage to Net Advance was at 1.48%. PCR (Provision Coverage Ratio) including technically written off assets stood at 67.16%.

Your bank continues to dominate Kerala with 15% business share and 25% non-resident deposits share. With regard to share in incremental business (FY19), your bank improved the share of deposits to 25%, Non-Resident deposits to 37% and total business to 19%. In Rest of India, your bank continues to move from Presence to Prominence with share in incremental business (FY19) improving to 0.8% in deposits, 1.3% in advances and 1.2% in Current Deposits.

Business Strategy

The vision of making your bank the 'Most Admired Bank' with predictability of performance is gaining currency. Your bank is chasing with conviction, the initiatives for strengthening its core and pursuing strategic & emerging opportunities. Bank truly imbibes the spirit that consistent value-creation, despite market vagaries is very much possible and it is driving the performance across operating turfs.

This spirit of your bank is guided by its vision "To be the 'Most Admired Bank' which is digitally enabled with a sharp focus on Micro, Medium and Middle market enterprises". For the medium term, your bank will strive to grow predictably with an impetus on innovation.

As technology and digital take centre stage, your bank continues its obsession on customer convenience. Bank will continue to be a front runner in launching many of the new innovations which will have a positive influence in the way we do business. The digital motto of your bank is Digital at the Fore and Human at the Core.

Branch Light, Distribution Heavy is the term bank has coined to denote our distribution model that allows for the healthy co-existence of the branch channel with alternate distribution channels like Relationship Managers, Field Sales Teams, Digital acquisition and Partnerships. The objective is to leverage multiple engines for customer acquisition, while at the same time ensuring that branch time is spent more on sales rather than operations. This will ensure multiple revenue streams for your bank.

Your bank has identified the following pillars that fuel growth and create Sustainable ROA, ROE, RORWA. They are

- Wholesale Banking by bolstering Corporate, Commercial, Treasury and Trade Service
- Retail Banking by building on the prowess in Retail, Business Banking, Agri & Micro Banking leveraging the distribution & digital
- Credit by enhancing Collection/Recovery, Underwriting and Credit Monitoring

All the initiatives of your bank are aligned on the above pillars. In the medium term, bank will continue its efforts to sustain the domination in Home Market and double the share in rest of India. Over the next two to three years, your bank plans to clock 19 %+ of Business CAGR, i.e., around, 1.7x+ increase in business. The expense is expected to moderate during this phase.

With a clear vision, a distribution model for the future which strives for deeper and more profitable customer relationships and operational excellence to streamline the organization, your bank is fully poised to move towards an ever-improving P&L and Balance Sheet.

Opportunities

India, one of the fastest growing major economies in the world that is projected to surpass Japan to feature at the second position in the Asia-Pacific region by 2025 (IHS Markit), is on the cusp of a major transformation that could lead to unprecedented economic growth. With the wide array of product suits and services across portfolios, your bank is fully poised to leverage the delta opportunities available in the market.

Semi urban cities are grabbing eyeballs as the next wave of demand is expected to emanate from these locations. Your bank is leveraging this opportunity by increasingly focusing on the flexible and customised lending solutions, primarily to SMEs/Mid corporates.

We are bringing in renewed focus on Bharat, another treasure trove of opportunities, by strengthening the teams. Implementing financial inclusion with deep engagement across the spectrum, our Rural and Gram Jeevan Branches are expected to play a more significant role in creating more value while fulfilling the mission.

The private sector is scaling down on their new capacity expansion plans, but they have stepped up borrowing for the planned phases. The year marked the seventh successive annual contraction in the private corporate sector's capex plans. However, the envisaged capex from the pipeline projects already undertaken showed an improvement over the previous year's pipeline. This is likely to present growth opportunities for the financial sector players.

With over 1% + share in both deposits and credit, your bank is fully poised to leverage newer opportunities available in the market which will further augment Currency, Capability and Competency of the bank.

Corporate and Institutional Banking

Corporate and Institutional Banking (CIB) division offers comprehensive suite of banking products and services, both locally

and overseas, to Large Corporates and Business Houses, Multinational Entities, Public Sector Undertakings, Mid & Emerging Corporates, Capital Market clients and Financial Institutions. This division offers customized products and services across working capital, term funding, structured finance, cash management, trade finance and forex management backed by comprehensive electronic banking solutions which provides easy day to day operations for our clients.

During FY19, this business scaled up further with a closing asset position of ₹ 47548 Cr as compared to ₹ 39509 Cr at the end of FY18. This represents 20.35% growth during FY19. Our focus will continue to be the preferred banking partner, with well-designed client selection strategy and robust credit underwriting process. During FY19, client engagement under this division has further strengthened, with your bank being preferred for multi-product relationship due to the tailor made and differentiated solutions for all the client's banking requirements.

The distribution continues to be expanded through Relationship Management Structure, which are unleashed at potential locations to finance the entire value chain across business verticals. This approach helped the bank in tapping various retail (e.g. housing loans, personal loans, salary accounts, education loan, auto loans, and retail investment) as well as SME opportunities.

Commercial Banking

Commercial Banking division offers customized products and services across working capital, term funding, structured finance, cash management, trade finance and forex management comprehensive suite of banking products and services to SME Clients. Dedicated relationship managers enable clients to experience best in class service delivery and proactive advisory. Your bank's major attention is on tailor made products and services that suit client requirement, reduce cost and minimise risk. Traditional products in this segment are well augmented by the various technology products of your bank which ensures a seamless banking experience for the customers. During FY19, this business scaled up further with a closing asset position of ₹11547 Cr as compared to ₹10715 Cr at the end of FY18. Our focus in Commercial banking will continue to be the preferred banking partner to its SME clients.

Business Banking

Business Banking, vertical comprising of SME loans up to ₹5 Cr could register a growth of 17% last year. Business Banking portfolio is exclusively driven by our traditional stronghold, the branches. Your bank focuses on further developing the neighbourhood banking and ensures granular growth through Business Banking Department.

Your bank is very robust in the TReDS platform. The bank could cross the milestone of ₹100 Cr turnover during the FY 19. The financial year 2019, also witnessed various measures towards simplification of credit processing and dispensation of SME loans, like automation of bank statement analysis using 'Perfios Insights Bank Statement Analyzer' and digitization of small ticket SME loan files for paperless

processing. The new initiatives have facilitated improvement in TAT of SME loans.

Retail Banking

During FY 19, your bank was instrumental in registering a growth of 16% in CASA with 25% growth in current deposits. The total deposits grew by 21% in which retail deposit constitutes 91% of the total deposit.

Prime focus was to on-board new relationships through a dedicated team of relationship managers, ensuring acquisition of high-value savings accounts and corporate salary accounts including salary accounts of State/ Central Government entities. Your bank also leveraged its commercial / institutional banking clients' employee salary account in a big way.

Your bank could grow the portfolio size to ₹ 1045 Cr in the corporate salary segment. With the added focus on HNI segment, CASA share from HNI Segment Business to Bank's CASA improved to 40.72%.

A high yielding market-competitive savings product named "Bespoke Account" was launched which offers both better rates and liquidity for the client. Bank could also launch a deposit scheme with non-callable feature which offers better returns to the customer in comparison to the normal deposit schemes.

The retail loan book of your bank grew by 25% reaching ₹ 31742 Cr forming 28% of the total advances of your bank. The growth in retail advances have been driven by growth in all retail loan segments led by housing loans. Housing loans continue to be the major component of the retail loan book, with a 48% share. During the year the housing loan portfolio crossed ₹ 15000 Cr, registering a growth of 32%. The personal car loan portfolio grew by 62% crossing ₹ 2300 Cr in book size and the unsecured personal loan grew by 143% to reach ₹ 773 Cr. Sourcing of loans through the banks' sales channels went up over 80% compared to previous fiscal. This was possible through scaling up Feet on Street and improving sourcing efficiency and delivering improved TAT. The growth in unsecured personal loans has been mainly driven through your bank's digital platform "Be Your Own Master (BYOM)". Several pre-approved personal programs have been successfully run through the BYOM platform. 94% of retail personal loans are being opened digitally by your bank. Your bank continued to associate with Fintechs to reach out to New to Credit & New to Bank segments.

Bank could register a growth of 52% in Para Banking Fee Income with the following initiatives/outcomes:

1. New tie-ups entered with known names for General Insurance "HDFC-Ergo, TATA-AIG" to boost General Insurance penetration of the bank.
2. Bank's life insurance joint venture performed exceptionally well with Federal Bank contributing the highest ever fee income so far. IDBI-Federal declared dividend for the first time since inception.
3. Bank processed 51900 applications through ASBA (all-time

high), indicating the level of customer confidence in your bank.

- Bank made a strategic investment in “Equirus Capital (P) Ltd” to provide investment & advisory services to its customers, especially the HNI category. The tie-up has paid rich dividends that even our NRI clientele has started experiencing the power of investment banking at their doorstep (abroad).

Cards and Payment Solutions

In addition to Payment Gateway, your bank is the sole banker to offer integrated POS solutions to Kerala Government. More than 2000 machines have already been deployed in government offices across Kerala and count is going up each day. For offering safe and secure payment environment, your bank has implemented transaction monitoring tool for both online and offline payments. Next generation interactive POS machines will also be offered to the merchants in coming days.

Customers using debit cards for spends on POS and E-Com has increased exponentially. Monthly spends on debit cards have doubled from ₹ 347 Cr to ₹ 690 Cr (per month) which shows healthy transformation to digital channels. Your bank has also introduced surrogate methods to offer co-branded credit cards to eligible customers and the adoption levels of credit cards has seen an increasing trend. Your bank has ventured into digitalising payments like employee benefit disbursements, payroll processing, fleet and fuel management etc through its pre-paid card product “My Wallet” and through tie-ups with various program managers. Through this program your bank has partnered with reputed entities like IRCTC to issue co-branded pre-paid cards/wallets. Your bank has enrolled more than 850 institutions so far under its ‘E-Fee’ and ‘E-Collection’ solutions. Additional options like Lotza and UPI were added in the educational fees collection solution of your bank, ‘E-Fee’.

Non- Resident Banking

During FY 19, NRI business of your bank grew by 18% and the NR CASA portfolio grew by 12%. Total NR deposit of your bank crossed the milestone figures of ₹ 50000 Cr and reached ₹ 53159 Cr as on 31.03.2019.

While the remittances from Indian diaspora increased by about 14% Y-o-Y, your bank’s share of remittances grew by 22%. Your bank has entered into strategic partnership with Ripple Inc, a block chain supported global remittance company, for cross border remittances. This tie up along with the existing arrangements position Federal Bank as the first port of call for all remittances. Also, your bank started engaging with National Payments Corporation of India’s (NPCI) UPI version 2.0 for cross border inward remittances which enables Non Resident Indians to send money using Virtual Payment Address (VPA) of the beneficiary.

Your bank strengthened its position as a significant player in remittance business by continuing the process of adding new remittance partners and bringing multiple innovations in remittances. The overseas Representative Offices, the officers in GCC countries

and the NR virtual desk continue to play a major role in your bank’s NRI customer acquisition. In FY 19, your bank entered into Portfolio Investment Scheme (PIS) tie up with three prominent broking firms for NRIs to invest in Indian equity market.

Your bank will strengthen the Relationship Model further. Given the opportunities and potential of NRI business segment, it will continue as a key growth engine for your bank in the coming financial year also.

NR franchise always presents a plethora of opportunities for the bank. The dominance in the remittance business with more than 110 remittance arrangements and a very strong mix of savers will synergize with the efforts of the bank to further strengthen the franchise.

Agri Banking

Almost 50% of Indian workforce is engaged in agriculture and allied sectors, is contributing to about 17% of GDP. Your bank continues to remain dynamic in rural banking arena and offers a bouquet of agri loan products which suit the needs of the farmers of the country. These products are designed to support the farmer borrowers engaged in agri & allied activities for maximization of their agricultural income by ensuring optimum utilization of their farm assets. Agricultural advances of your bank as on 31.03.2019 stood at ₹ 11440 Cr against the base figure of ₹ 9382 Cr, thus registering a growth of 22% in FY 2019. Your bank has also achieved its mandatory target of 18% of ANBC under agriculture lending.

Bank has a variety of tailor-made schemes to meet emerging market demands and for better credit delivery. Bank has deployed a handful of specialized Relationship Managers and Agricultural Officers to cater to the needs our valued farmer clients at their doorsteps. The commodity financing portfolio of your bank is widening its reach to more localities to promote warehouse financing and thereby offering better prices for the produce and reducing the distress sale. Your bank is committed to continue the growth in this portfolio with improved vigour and increase its contribution in the upward trajectory of banks business in the coming FY 20.

Priority Sector Advances

Your bank also plays a vital role in priority sector lending, meant for the overall development of the economy. Lending to the vital players of the economy such as farmers, micro & small enterprises as part of priority sector lending is the core strength of your bank. Bank adopted various measures with reinforced focus on lending to small & marginal farmers, micro enterprises and weaker sections of the country. Priority Sector advances grew from ₹ 30339.24 Cr as on 31.03.2018 to ₹ 39045.98 Cr as on 31.03.2019. Your bank has also achieved the regulatory targets under advances to weaker section.

Micro and Rural Banking

Business through Business Correspondent (BC) model

Despite vast expansion of formal credit delivery system in the country, dependence of the people at the bottom of pyramid on middle men

or money lenders still continues in many areas. In this background, your bank has developed sustainable livelihood programmes to provide financial and non- financial services through branches and business correspondents. The model developed is to empower financially excluded class of people. It also promotes socio-economic development at the grass root level through community-based approach.

As advised by Reserve Bank of India, your bank has formulated Business Correspondent Policy in 2011, which was renewed later by incorporating up to date amendments by RBI. Based on the policy norms, bank empanelled three Corporate Business Correspondents in selected geographies for building up of different portfolios like SHG/ JLG loans, Micro MSME loans and Gold Loan.

In FY 2018-19, your bank could acquire more than 10,500 new customers with a total business of around ₹ 72 Cr through these Business Correspondents tie ups. Your Bank is giving adequate thrust in various loan schemes like PMMY (Mudra), PMEGP, NULM, NRLM etc., promoted/sponsored by the Government.

Resurgent Kerala Loan Scheme (RKLS)

With an aim to support Government of Kerala in their Mission 'Rebuild Kerala', your Bank has implemented the Resurgent Kerala Loan Scheme (RKLS) to provide immediate financial support to families affected by 2018 flood in Kerala. Under RKLS, Your Bank could open 312 loan accounts with a total sanction limit of ₹ 21.46 Cr.

Digital Initiatives

In October 2018, we had launched the facility of online subscriber enrolment under PMJJBY and PMSBY through our internet banking platform - FedNet. Within five month of its launch, the total enrolments for PMJJBY and PMSBY through FedNet have crossed 1350.

On 28th January 2019, we had implemented the facility of online subscriber enrolment under Atal Pension Yojana through FedNet. Total 358 customers have registered for APY through FedNet as on 31.03.2019.

Your Bank is one of the first movers in implementing Atal Pension Yojana (APY) through online platform viz. APY@eNPS, developed by NSDL and maintaining the third position in APY@e-NPS registration among all banks.

Financial Inclusion

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

Financial Literacy through Rural Branches and Financial Literacy Centres

Your bank believes that business exists in the society and any business requires social sanction for its survival and growth, organizations should have a social commitment. Financial literacy programmes intend to provide basic banking knowledge to people across various corners of the life. The financial literacy classes are organized and conducted by the branches in the rural area. Your bank has currently 153 rural branches that conduct financial literacy campaigns to the general public and school children for providing basic banking knowledge to them.

Federal Ashwas Financial Literacy Centres (FAFLCs) are your bank's initiative to provide free, unbiased, fair and coordinated financial education through financial literacy classes and credit counselling. Ashwas centres have turned out to be effective financial literacy and credit counselling centres in rural and semi urban areas. All the banks will get benefits through FLCs established for imparting financial literacy/creating awareness on various banks' products and educating the targeted segments like- farmers, micro & small entrepreneurs, self-help groups, senior citizens and school children. Around 1490 literacy camps were undertaken by these centres during the financial year 2018-19 which have benefitted more than 80,000 people.

Your bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the general public (mainly to weaker section & lowincome household groups), with OD facility up to ₹ 5000/- to eligible customers, with an objective to ensure access to financial services like savings and deposit accounts, remittance, credit, insurance, pension in an affordable manner. The main attraction of the scheme is zero-balance bank account with RuPay debit card and free insurance cover. Till date your bank has opened more than 5.07 Lakhs accounts with an outstanding balance of ₹ 22603 Lakhs. Average balance in PMJDY accounts as on 31.03.2019 is ₹ 4453/- .

Aadhaar and mobile seeding in PMJDY accounts with your bank is 86% and 96.5% respectively as on 31.03.2019.

Your bank is also actively participating in the PM's social security schemes (Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana) launched by the Government of India. The PMSBY and PMJJBY schemes provide low cost insurance benefits to the general public for the death or disability due to accident and for death due to any reason respectively.

Your bank could help 342 families of our deceased customers who joined the low-cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹ 683 Lakhs.

Integrated Treasury Operations

Your bank's treasury operations involve balance sheet management, liquidity management, maintenance of statutory reserve requirements, trading in money market instruments, bonds and debentures, equity, alternate investment instruments and foreign exchange. Bank has

dedicated and full-fledged dealing desks for segments like foreign exchange, interbank and merchant forex trading, currency options / cross currency swaps (on back to back basis), currency futures, interest rate futures, money market, government securities, bonds and debentures, certificates of deposit, commercial paper, interest rate swaps and equity and is having the treasury and forex dealing room in Mumbai. The sales team of treasury has been strengthened by inducting additional resources during the year. The team is offering various forex and domestic treasury products to the customers and is working intensely to offer derivative products. This segment of business will help your bank in increasing its market presence in specialized areas and in generating more fee based income. Bank is providing web based trading platform and intraday trading facilities to clients in the G-Sec segment. Bank has implemented an enhanced software system to scale up the treasury operations. This ensures total automation of the treasury activities and seamless integration with the core banking system of the bank.

Foreign Exchange Business

Foreign exchange business of your bank comprises mainly of 2 categories, viz. trade related activities and personal remittances. In both categories, your bank handles inward and outward remittances. Conversion of foreign exchange to rupees and vice versa are facilitated by the integrated treasury located at Mumbai. As on 31st March 2019, your bank had two 'A' category branches and eighty eight (88) 'B' category branches/offices for handling foreign exchange business. Entire foreign exchange / trade finance transactions are centralised to extend timely and efficient service to forex clients and improve effectiveness of the branches. Your bank introduced the concept of Trade Hubs in all metro cities and other major centres to bring more efficiency in handling trade transactions. SWIFT operations are also centralized to make it faster and reliable. Presently, all financial messages in SWIFT are generated only through straight through process (STP), whereby contents of such messages flow directly from the accounting system (CBS) to SWIFT platform without manual intervention. In the trade finance segment, export credit facilities are provided both in rupee and foreign currency for pre-shipment and post-shipment activities of the exporters. Credit facilities are extended mainly for export of cashew, sea foods, garments, minerals, coir, spices, other food products, leather, rubber, pharmaceutical products, jewellery etc. Credit facilities, such as letter of credit, stand by letter of credit (SBLC), guarantees etc. are extended to import goods majorly chemicals, timber, raw cashew nuts, paper, electronic items, machinery etc.

With the International Banking Unit (IBU) Branch in GIFT City (Gujarat International Financial Tec City), bank is extending buyer's credit to importers at concessional terms. Your bank conducted regular one-on-one meetings with exporters/ importers at zonal levels to strengthen the relationship, to assess the financial position of the units, support additional credit requirements and to acquire new relationships. Your bank is closely associated with various trade hubs

/ associations including Federation of Indian Exporters Organizations (FIEO), for deepening relationships with exporter communities and offering guidance. Updates on daily forex rates and market movements are sent to clients on a regular basis. Bank has been giving much thrust to the development of forex business and is continuously endeavouring to improve the operating skills of the personnel through meetings, interactions and training programmes. Your bank is also in the forefront in conducting Foreign Exchange Dealers Association of India (FEDAI) training programmes for banking fraternity. This enabled the designated branches to improve their operating efficiency substantially. Bank periodically updates and codifies the RBI/ FEDAI instructions applicable for forex business, in the form of comprehensive guidelines/ circulars for the benefit of its operating staff.

Your bank has published a citizen charter for forex facilities and publishes the exchange rate of various currencies daily in bank's website for the benefit of the public. Bank continues to be a member of the Technical Advisory Committee of FEDAI. Your bank has a foreign exchange cell attached to Treasury Department at Mumbai catering to all the requirements of the clients / branches on foreign exchange and cross border transactions.

Federal Bank – IFSC Banking Unit (IBU)

Your bank has started its IFSC Banking Unit (IBU) in IFSC GIFT City in November 2015. The various products offered and activities handled from Federal Bank IBU are:

- Trade credit – buyers' credit, export credit
- Credit facilities to Wholly Owned Subsidiaries (WOS)/Joint Ventures (JV) of Indian companies registered abroad
- External Commercial Borrowings (ECB)
- Credit facilities to overseas companies
- Non-fund based facilities (SBLC, BG etc.)
- Acceptance of foreign currency deposits
- Treasury operations

Federal Bank IBU enables your bank to raise Foreign Currency Resources from various overseas banks and other financial institutions, multilateral agencies etc. With the opening of IBU, your bank caters both its domestic and international client's foreign currency funding requirements. IBU boost the balance sheet of your bank by participating in various foreign loan syndications and extends finance to eligible overseas entities across different foreign currencies. Federal Bank IBU has executed transactions in various segments like manufacturing, metals, media & entertainment, health care, electrical, food, construction etc.

Digital & Technology

Banking in the country is being disrupted by the introduction of new technologies like Block Chain, Artificial Intelligence, Machine Learning, Robotic Process Automation etc. With the introduction of UPI (Unified Payment Interface) and with the tremendous push for digital by the Government of India, digital payments in the

country has grown manifold and is expected to grow exponentially in the coming years. Your bank has always been in the forefront of using new age technologies to deliver the best of experiences to customers, partners and other stake holders. Bank believes that the new technologies can change the way banking is being done and is always prepared to face the challenge posed by these technologies.

Your bank has been focusing on migration of its existing customer base to digital platforms so as to empower the customers to have 24x7 access to bank accounts and transactions. This has also helped the bank acquire new customers and also focus on cross selling and upselling product and services. Bank's digital platforms are FedMobile, FedNet, Lotza and FedBook for retail customers and FedCorp, Corporate Net banking, Paylite and Fed e-Biz for its corporate and SME customers. Bank has made lot of feature additions and updates of its digital channels and this has helped the bank to boost the customer confidence. As on 31.03.2019, 73.50% of bank's transactions are now handled through its digital platforms. Bank has been using e-KYC for nearly 90% of its customer onboarding which has helped the bank to make customer acquisition instant and faster. This also has helped the bank to reduce cost of operations for customer acquisition while helping the business team to focus more on other income and new businesses. Another advantage of the digital on boarding is that there is high level of adoption of such customers to digital channels.

The Open Banking Ecosystem

An open banking led technology disruption is happening in the banking industry and fintech companies are spearheading this revolution. Your bank is well aware of this change and has equipped itself to align with this momentum. Fintech Companies are gaining traction by looking at innovation in the banking space, which can either streamline processes or systems, align products, improve collections. Customer onboarding, digital lending, payments, predictive analytics, process automation, reconciliation etc are some of the areas we have seen large number of fintech involvement. We have created an API banking platform also known as open banking which facilitates Fintech Companies to do more innovation around problem statements current BFSI is facing in various levels as well as unexplored areas in banking.

Currently our open banking platform is connected to partners who have created solutions for digital lending, payments, collections, cash management, prepaid cards etc. Some of the prominent names are Google Pay, Matchmove, Indialends, Cointab & Lulu Exchange. All the current and upcoming partnerships will be using the API banking platform.

Nearly 100 APIs are hosted on the Federal Bank API banking platform where authorized users can access the APIs, create products, use the sand box and test the product before going live. The advantage is that partners or startups can connect to the plug and play platform and get connected to the bank in a seamless manner.

Embracing new technologies

Your bank has always been in the forefront of innovation and has received lot of accolades for being a front runner as far as efficient use of technology in banking is concerned.

Bank is using RPA, Robotic Process Automation, for managing repetitive processes in operations. Currently 36 processes are run by RPA and more processes would be used in the coming days.

Blockchain as a technology is considered to be a game changer and it is expected to disrupt the technology space soon. Bank believes that blockchain as a technology is going to disrupt banking industry and there are many use cases where it can be used effectively to make offerings more efficient. Bank piloted the use of blockchain technology in cross border remittances and launched its first cross border platform based on blockchain in 2017. In 2019, bank revamped the whole platform in association with R3 by Corda and partnered with Lulu Exchange to make remittances to India using this platform. Bank is now connected to more partners for various use cases.

Bank also partnered with Ripple Labs Inc, an American technology company which develops the ripple payment protocol and exchange network, on March 2019. This would help bank to connect to unexplored corridors. The bank expects to go live on the platform by end of 2019.

Bank has deployed an AI based chat solution for internal users to query transactions and other information related to technology and human resources. This helps employees to save time by chatting with a bot rather than searching in the intranet or going through various communications or websites.

Partnership with National Payment Corporation of India

Bank has continued to stay tuned with the various developments around technology and service offerings by NPCI, such as Unified Payments Interface (UPI) including BHIM (Bharat Interface for Money), Bharat Bill Payment System (BBPS), FASTag- reloadable toll-tag enabling automatic deduction of toll charges. Enrolment in AEPS and BHIM Aadhar pay has been few additions last year.

Bank has upgraded its UPI platform to UPI 2.0 which enables foreign inward remittances through UPI and ASBA for IPO application.

BYOM- Be Your Own Master

Bank launched its digital loan platform in the year 2017 and has been continuously working to improve the offering. The platform has been upgraded to offer instant EMI conversions to customers who made purchases using debit cards. The platform now offers pre-approved loans to businesses in addition to the existing savings customers. The platform is currently connected to Google Pay for processing instant Loans of pre-approved customers of your bank. Bank is planning to further develop the platform to have check out facility for customers in both POS terminals and for E-Com transactions.

Major Launches in 2018-19

Bank has launched many initiatives during the year. Few of them are

- FedAlert: Customers can receive alerts and OTPs through FedAlert App that will work as an alternate channel for delivery of important SMS alerts. This is the first of its kind app for a bank in the country. It is expected to reduce the SMS costs and also helps to ensure 100% delivery of alerts to customers.
- Online account opening platform for NRI customers.
- Ordinary Non-Resident account opening through FedNet.
- Instant account opening for existing customers.
- Launch of updated version of Federal Calendar.
- New version of FedMobile iOS with mobile recharge with plans, limit management for quick pay funds transfer & raise collect request for UPI transactions.
- Mobile banking app added with features including mobile top-up/recharge plans, UPI collect module and enhanced transaction limit
- CPPS- Centralized Positive Pay System launched through Internet

Banking.

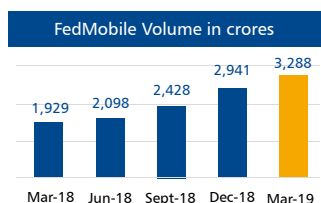
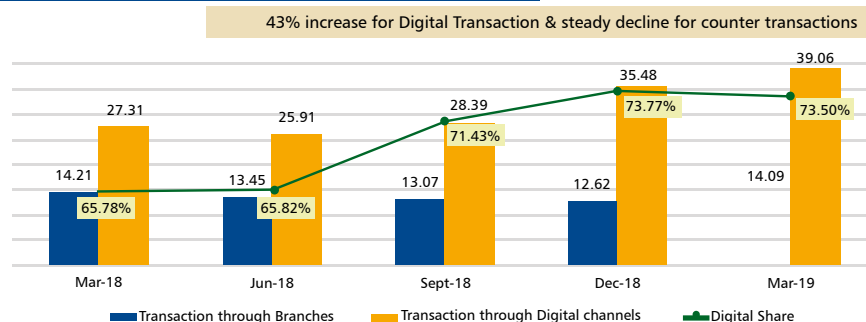
- Sovereign Gold Bond Scheme through FedNet
- Enrolment of Social Security Schemes (PMJJBY and PMSBY) through FedNet

Merchant Acquisition and Digital Adoption

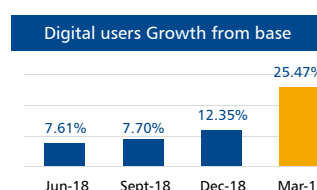
Bank has seen a jump in the number of customers moving on to digital and the key to this has been our digital channels FedMobile and FedNet. Bank also has launched a comprehensive corporate banking digital platform Fed e-Biz which is a one stop shop for all the needs of corporate clients from payments, collections, trade to supply chain. More than 1000+ corporate clients subscribed to this platform.

Bank also made a huge progress in merchant acquisition as bank could onboard 1 lakh plus merchants in Bharat QR, an integrated QR for merchants for accepting payments by scanning the QR code and making the payment. The QR can help merchants to accept money from debit cards, credit cards and UPI.

Digital vs Branch Transaction count with bifurcation on various Digital channels (In lakhs)



- FedMobile monthly volume crossed 3288 crores (70% growth from base)
- Digital share reached 73.50%
- 43% increase in digital transactions
- There is a growth of 25.47% on digital users



Credit Health Management

Credit Administration Department ensures health of credit portfolio through meticulous compliance of pre-and post-disbursal covenants of credit sanctions and error free documentation. The Department arranges for execution of security documents, disbursement of loan facility and ensures creation of charge and perfection of securities. It ensures sufficiency and protection of underlying assets on an ongoing basis. The department constantly endeavours to ensure an excellent turnaround time.

The preservation of asset quality is of paramount importance and your bank employs various tools to closely monitor the credit health of the

portfolio on an ongoing basis. Gathering and analysing information from external and internal sources and initiating corrective actions form the crux of the health management process. The activities are aimed at upkeep of the credit quality through properly defined systems, procedures and practices. The stressed situations are identified well in advance and prescription and implementation of corrective action plans are brought in wherever required. This end to end monitoring of all loans & advances disbursed across the bank ensures credit discipline.

Risk Management

The risk management philosophy of your bank is to take risk by

choice rather than by chance. Your bank is exposed to various risks that are inherent part of any banking business. The major risks are credit risk, market risk including interest rate risk, liquidity risk and operational risk which includes business continuity risks and information & cyber security related risk. Your bank has policies and procedures in place to measure, assess, monitor and manage these risks systematically across all its portfolios. Board of Directors oversees and approves the risk policies and strategies to establish an integrated risk management framework and control system in the bank. Risk Management Committee (RMC) of the board oversees management of various risks implicit in business, systems and processes. Executive level committee ensure effective implementation of risk policies of credit, market and operational risks respectively. Risk management framework is subjected to review and up-gradation on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. Integrated Risk Management Department controlled by a Senior Vice President cum Chief Risk Officer coordinates various risk management functions of your bank. An independent risk governance structure has been put in place, duly ensuring independence of risk measurement, monitoring and control functions. In order to focus on maximization of return on capital, your bank has aligned its business strategies to risk appetite framework. Risk Adjusted Return on Capital (RAROC) framework has been implemented for pricing of loans to evaluate returns vis a vis risks taken. Loss data collection, RCSA (Risk and Control Self-Assessment) and KRIs (Key Risk Indicators) are integral part of bank's operational risk management.

Credit Risk Management

Macro level factors such as slowdown in economic growth, imbalances in the economy, stress in certain industries etc and micro level factors such as poor underwriting standards, weak recovery mechanism etc are few elements that contribute to the credit risk of a bank. Your bank has a centralized credit risk management division independent of its business functions to manage the credit risk. Appropriate credit underwriting standards, risk mitigation processes, post-disbursement monitoring, strong collection and recovery mechanism and timely remedial actions ensure that credit risk is contained within acceptable level. Loan policy of your bank contains broad guidelines documenting the lending philosophy of the bank, articulating management of diversified credit portfolio, and various aspects of credit dispensation and credit administration. Segment wise, borrower category wise and geography wise exposure limits are fixed by your bank to avoid risk concentration. The bank monitors its exposures on a daily basis to ensure that there are no breaches in the exposure ceilings fixed by the Board. A research and analytics wing functions within the Risk Department for conducting portfolio studies, industry/sector analysis and to capture up-to-date market information. Your bank has strong credit appraisal and risk assessment practices in place for identification, measurement, monitoring and control of the credit risk exposures. Your bank uses CRISIL's Risk Assessment Models (RAM) and CRISIL Retail Scoring System (CRESS) scorecards for assessing credit risk under different

exposure segments. Your bank is continuously reviewing and validating the credit rating models/scorecards for its appropriateness and predictiveness. Migration studies and default rate analysis based on the credit risk rating provide input for policy decisions on credit deployment, pricing and monitoring of credit portfolios. Credit risk management in your bank, through its various policies, risk assessing tools and risk mitigating measures ensures robust credit growth with superior asset quality. Currently, credit risk capital is computed using the standardized approach. RBI guidelines on Basel III capital regulations have been implemented and your bank is sufficiently capitalized as per the requirements under Basel III.

Market Risk Management

Your bank has a well-developed framework, comprising of Board approved policies and established practices, for management of market risk. Your bank is using various tools like stress testing, duration, modified duration, VaR, etc to measure and control interest rate risk, liquidity risk and other market related risks. Your bank has established an independent Mid Office, as part of Market Risk Division, which reports directly to the Head of the Risk Department and functions as the risk control unit for its treasury activities. The Mid-Office scrutinizes the treasury deals and transactions from the point of view of market risk and operational risk management. Detailed policies are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking book, trading book and off balance sheet exposures. Currently, market risk capital is computed under the Standardized Duration Approach. Value at Risk (VaR) is a tool for monitoring risk in your bank's trading portfolio. The VaR and Stressed VaR for market risk are monitored on a daily basis. Asset Liability Management of the bank in respect of all its assets and liabilities is carried out on a daily basis contain risks arising out of asset liability mismatches.

Liquidity Risk Management & Interest Rate Risk Management

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

rate risk limits.

Operational Risk Management

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

Compliance with Basel framework

At present your bank is using Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standardized Duration Approach in respect of market risk for computation of capital charge under Basel guidelines. Bank is gearing up with data build up and system requirements for migrating to advanced approaches. Capital Adequacy Ratio of your bank as on 31/03/2019 under Basel III norms stood at 14.14%. Your bank's common equity capital level of 13.38% offers good cushion for further expansion and growth in asset portfolio and compliance with the requirements of Basel III norms. Capital adequacy ratio at consolidated bank level stood at 14.43%. RBI guidelines on Basel III demands building of capital and liquidity buffers in phases and seeks to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Your bank has complied with the guidelines for regulatory capital under Basel III norms and is fully prepared for moving on to complete Basel III compliance as per the implementation schedule prescribed by RBI. Your bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel III norms. The LCR of your bank as on 31/03/2019 stood at 163.31%.

Capital Management Framework

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

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

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

Business Continuity Management

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

Information Security & Cyber Security

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

Human Resources

The year 2018-19 has been significant in the HR transformation journey of your bank. Apart from continuing the existing best practices, the HR Team introduced several new initiatives that made a huge difference on the ground. The HR strategy for the FY 2018-19 of your bank was based on the five major Strategic HR Themes – HR Transformation, Reskilling and Performance Improvement Programs, Strengthening Talent Development and Training, Employee Welfare and on *Nayi Soch*. The total human capital of the bank is 12227 for the financial year under consideration. The average age of the employees of your bank is 37 years. The current male female ratio of the bank is 60:40.

Your HR has redesigned its manpower planning function by

meaningful discussions with business verticals on the requirement of adequate manpower as per the business strategy and the business target from a function based on factual figures of deliverables in each branch/office. The manpower planning and deployment function has been further decentralized to Zones and Network to strategically align with business plans and requirements. Your bank gives every employee the best of his experience as a bank and every employee feel proud to be part of Federal Bank where each one strives to deliver the best – to the best of their ability, to the best of their skills – to shape up the bank as the most admired one.

HR Vision

To remain relevant among the competitors, the business architecture of your bank was re-casted based on the customer exposure. The concept of Relationship channel was implemented to give added thrust to the distribution channels to make it more robust and making the branches more light. Your bank also charts and implements various engagement programs which cement together families and communities of different profiles within the institution.

Employee Engagement

Your bank ensures in having the right person at the right position and giving them a realistic job preview. A strong induction and orientation program, rigorous training and development, technical to soft skills to leadership development program, regular technical /skill updates, certification programs to drive people towards performance excellence. The communication style of your bank has been redesigned during the years to suit and manage the changing multigenerational work force, society and cultural sensitivities. Communication channels have been designed and implemented to ensure that the people issues at the bottom level are addressed.

Employee Empowerment

Your bank has got mentoring process through which a senior employee helps the new recruit to recognize and tap their potentials and ensures a smooth cross over into the system and also prepares them for a challenging and bright future with the organization. Considering the huge entry of the young workforce into your Bank, the process has been revamped with the selection of mentors who are better capable to bridge the generational gap, have more open communication and better mentee - mentor relationship.

In order to make smart hiring decisions, stream-line the recruitment process and to hire the best talent that fits the competency framework requirement, your bank introduced a hiring expert program for the interview panel members. The objective of the program was to upgrade the interviewing skills of panellists to assess the fitment level of a job seeker on the behavioural competencies required based on competency framework, organizational culture and the team dynamics and work environment of your bank.

HR Administration & Welfare

Your bank has always been in the forefront in reaching out to the employees with the best of the facilities and benefits. Bank has

the best of engagement programs and remuneration package and other support facilities like loans with concessional interest rates for specific purposes. Bank takes every effort to make each employee feel the ownership and responsibility towards the organisation. The robustness of the employee remuneration structure and career prospects is reflected in lower attrition rates.

Employees having a minimum specific service in the organisation are entitled for loans at concessional interest rates for purchase of house/ car/two wheelers/furniture/ Personal/ Consumer/ Festival Advance, etc. Reimbursement of expenses incurred for hospitalisation/ health check-ups are made eligible for the employees and their dependents. Considering the genuine difficulties the family may face to settle the liability outstanding in the event of an unfortunate death of an employee, the insurance coverage under various group schemes has been enhanced in your bank recently. During floods and natural calamities, your bank had initiated and implemented various flood relief measures including interest free flood relief loan. For the worst flood affected employees in Aluva/Ernakulam, a team for restoration and rehabilitation was formed for the repair of flood-damaged houses/apartments of the affected employees which also included cleaning, sanitization, restoration of basic plumbing, electrical and other essential works of the damaged houses / apartments so as to make it habitable. 24X7 online medical support was made available from 22nd August 2018 for 15 days through Dr. SOS for federals and family including retired employees.

Your bank has an Employee Grievance Redressal Forum which is headed by the Executive Director of the organisation. Internal Complaint's Committee is constituted to address the issues related to Sexual Harassment for Women at the workplace.

Employee and Industrial Relations

Your bank had a cordial industrial relations scenario during the last year. The progressive discipline ensures a fair system of rewards and reformative discipline that takes care of the awareness and compliance culture among the workforce. Staff accountability process of your bank is very realistic and justifiable.

Talent Management and Performance Management System

The recent past saw absorption of internal and external talent pool to strengthen the relationship model and new verticals, in credit, treasury, etc. Fast track career path have been offered to high performers with high potential. Separate sales vertical has been formed for CV/ CE christened as Mobility Solutions Team to meet the market competition.

Performance Management System in your bank has a focused, fact based and comprehensive procedure with the involvement of panel of higher level executives on performance, potential and development needs of individual employees. Performance Review Management Committees evaluate the performance and competency ratings, major contributions, suitability of the employee for higher responsibility in the same level or higher impact level, strengths and

opportunities for improvement and provides the development needs and feedback to the employee.

Resource Reskilling

Your bank has been focusing on Talent Reskilling Strategy through internal grooming and external absorption in alignment with the business transformation. The reskilling activities at branches considering the process and business transformation which we have undertaken at branches has helped us to enhance the business per employee in branches. The concept of Branch Light-Distribution Heavy, Relationship Model and New Business Verticals refer to the thrust given to HR strategy in your bank. Bank has been focusing on Talent Reskilling Strategy through internal grooming and external absorption in alignment with the business transformation. Your bank is achieving these objectives through digitalization, centralization of activities and learning programs focusing on customer service, sales and relationship banking.

Employee Stock Option Scheme

Your bank has redesigned the Employee Stock Option Scheme, with a view to reward the employees of the bank and as a measure to retain them and attract new talent pool to the bank. The stock options granted in the year 2018 under ESOS 2017 have supplemented in augmenting the performance of the employees and supporting the business teams in achieving the business plan of your bank.

Talent Development & Training

In order to decentralize the class room training, cluster trainings are being conducted pan India with the help of identified internal cluster trainers. Your bank has carried out a training programme by the name ASPIRE with an objective to induce and strengthen employees' confidence, self-belief, motivation and ability for carrying out their roles, improve effectiveness in communication and ability to create synergy at the workplace and deliver their best to the bank and the customers. Lumineux is your bank's flagship coaching programme aimed at having an informed and objective look at future growth aspirations of high potential employees and to aid them in putting together and implement a targeted development plan for their career aspirations. ZEST is another training programme that helps in giving performance support for business outcomes in your bank through classroom and online sessions. Identified branches would be helped on the business front by giving them support in branch management, business acquisition, leadership and team management.

Training Activity Highlights 2018-19

- Training were given to 9367 employees during FY 2018-19 in 516 programmes, which includes 307 employees who were sent to external institutes for various trainings.
- Atithi Devo Bhava – Season 2: 123 programmes were conducted in different locations pan India and 2712 Officers attended the programme.
- Cluster training on “General Banking & Credit” - 60 Programmes were conducted in different locations pan India and 926 officers

attended the programme.

The Digital Mode of HR

Bank has launched an engagement program hosted in Yammer for probationary officers who joined the bank this FY. Program has a twofold aim; one to enhance knowledge sharing & learning and to build one's business acumen. Yammer has been made instrumental in the upward and downward communications in the organisation in a regular fashion.

Inspection and Audit

Inspection and Audit independently evaluates the adequacy, completeness, operational effectiveness and efficiency of all internal controls, risk management/governance systems and processes of your bank. The Audit Committee of the Board provides direction to and reviews the adequacy of internal audit function including its reporting structure, staffing, coverage and frequency of audits. The Head of Inspection & Audit Department is designated as the “Internal Auditor” of the bank and reports directly to the Audit Committee of the board, with administrative reporting to the Executive Director & CFO. An executive level committee named the “Inspection Review Committee of Executives” headed by the Executive Director & CFO oversees the audit and inspection functions and reviews the audit procedures & methodologies, effectiveness of audit systems, progress in completion of audits, risk rating of branches and significant audit findings. The Audit & Inspection Policy, Information System Audit Policy and the Internal Audit Procedure & Guidance Manual, which serve as the basic guidance documents for internal audit function, were subjected to annual review during the year. The review covered appropriate modifications and refinements based on the observations made by Reserve Bank of India in the Risk Based Supervision, other regulatory guidelines, changes in internal rules and guidelines, directions of the Audit Committee of the Board and the Board of Directors. The review and modifications ensured that audit systems and procedures are contemporary and continued to be an effective tool for monitoring control and compliance in your bank.

Internal financial Controls (IFC) framework – Your bank has formulated Internal Financial Controls (IFC) framework, a framework of policies and procedures adopted by the bank to ensure orderly and efficient conduct of its business, as per the requirements of Companies Act, 2013. IFC framework involves the identification of key business processes, risks involved and the controls to mitigate the risk and documentation of controls - Risk and Control Matrix (RCMs). IFC framework further envisages the evaluation of design and operating effectiveness of the control environment periodically. Inspection & Audit is responsible for self-assessment of Bank's internal financial controls by testing and validating the effectiveness of controls on an on-going basis.

All activities (including outsourced activities) and all entities (including subsidiary companies) of your bank fall within the ambit of internal audit. The major audits undertaken by your bank during the financial

year are:

- **Risk Based Internal Audit** - Your bank has leveraged on Risk Based Internal Audit (RBIA) as a tool to assess the risks in its processes, operations and effectiveness of related controls. Risk Based Internal Audit conducted at branches focuses on prioritizing the audits and audit resources based on the level of inherent business risks and control risks. 883 Risk Based Internal Audits were conducted during the year.
- **Information System Audit** - Information System Audit collects and evaluates evidence to determine whether the information system safeguards assets, maintains data integrity and availability, achieves organisational goals effectively and consumes resources efficiently. It focuses on the risks that are relevant to information assets and assesses the adequacy of controls implemented for mitigating the risks. All critical IT infrastructures in your bank are subjected to Information System Audit by information systems professionals from reputed CERT-IN empanelled external audit firms and Certified Information System Auditors (CISA) of your bank. Critical Information Systems are subjected to Vulnerability Assessment & Penetration Testing (VAPT) every quarter. In addition to this, Information System Audit covering physical security of IT systems, core banking system operations, business continuity procedures and cyber security is conducted at branches/ offices. During the year 2018-19, information system audit was conducted in 1382 branches/ offices.
- **Management Audit** - Management Audit in your bank essentially focuses on identifying the adequacy and effectiveness of processes adopted for decision making in various Head Office Departments of the bank, Zonal Offices, Large Corporate Hubs, National and Regional Credit Hubs, Loan Collection & Recovery Divisions, Currency Chests, Regional Cheque Processing Centres, Bank's Subsidiary Companies etc. The feedback from management audit is relied upon by the auditee units to improve the processes, procedures and systems in place in such offices. During the year 2018-19, Management Audit was conducted in 110 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. A system of auditing branches offsite through Document Management System is already in place. Your bank is leveraging on 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. The Concurrent Audit is also used as a tool to prevent frauds in your bank. During the year under review, concurrent audit was in place in 279 branches and 38 offices, covering 64.24% of total advances and 57.02% of total deposits of your bank. The offices covered under concurrent audit include Treasury Department, Operations Department, Loan Collection and Recovery Department,

Credit Administration Department, Depository Participant, International Financial Service Center Banking Unit, National Credit Hub, Large Corporate Hub, Regional Credit Hubs, Centralized Retail Credit Hubs, Exceptionally Large and Very Large Branches, Forex B Category Branches and Branches where RBIA risk rating is assessed as "High". 260 Chartered Accountants, 48 retired bank officials and 12 serving officers were engaged for concurrent audit during the year. Inspection & Audit Department is manned by appropriately qualified personnel and has a staff strength of 96 officers (as on 31.03.2019) with expertise and exposure in all activities of the bank such as branch operations, credit sanction, credit monitoring, clearing operations, information technology, risk management and treasury operations. During the financial year 2018-19, 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 are as follows:

Type of Inspection/Audit	Number of Audits conducted
Risk Based Internal Audit	883
Information System Audit	1382
Management Audit	110
Revenue Audit	1231
Gold Loan Audit	1461
Credit Audit	1047
Legal Audit	723
Bi-monthly audits at Currency Chests	42
Audits of outsourced agencies/ managed services	108

The compliance position of audit comments has improved during the year 2018-19. A significant reduction of 24% is observed on year-over-year basis in the position of audit comments outstanding for rectification.

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, various online channels and those related to money laundering are monitored by the Transaction Monitoring Team. Special tools for monitoring cyber frauds have been implemented in view of the increased technology led vulnerability in the market. Transaction Monitoring Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. The close association with the Cyberdome of Kerala Police have been instrumental in preventing many fraudulent transactions and making recoveries in certain cases. AML Cell functioning under the department is monitoring transactions from money laundering and CFT angles. Monitoring of PoS acquiring transactions is also under the purview of the department to have a holistic control over the transaction monitoring activities of the bank. The department verifies KYC modifications carried out by the branches to uphold high level of compliance. FIU India has complemented the quality reporting of the bank based on the feedback they received from Law Enforcement

Agencies.

Legal Compliance

In today's highly globalised, digitalised and regulated economy, legal risk management is vital to the success of a banking organisation. Your bank has a strong compliance and legal risk management culture as well as processes designed to detect and prevent legal and regulatory compliance failure. Legal department of your bank formulates processes and controls that can effectively manage and mitigate the legal risks emanating from day to day business transactions of the bank. Your bank has a well laid down system to ensure defect free documentation so as to minimize the menace of legal risk associated with operational risk. Legal Hubs, well versed in local laws, are functioning at every zone of the bank to render legal support to the branches, the underwriting teams and credit administration teams. New products, processes and schemes introduced by your bank invariably undergo legal vetting by the department for ensuring legal compliance and proper analysis of legal risks involved. Legal Department is rendering professional and expert advice on various legal issues associated with your bank. With the strong objective of making your bank a zero customer-complaint bank, strenuous efforts are being made to reduce the number of suits/complaints filed against the bank before different courts/consumer forums. The fortnightly publication of "Legal Decisions Affecting Banks" circulated by the department based on verdicts rendered by Supreme Court/various High Courts/ Tribunals and various educational circulars issued by the department keep the functionaries well informed on legal challenges/issues and steps to be taken to avert compliance failures. Legal department, a repository of statutes, brings to the notice of offices/branches relevant amendments/modifications made to statutes from time to time. Standard Loan Agreements are modified/simplified from time to time to suit the changing environment. The department has formulated a framework for legal compliance of local laws compiling the Land and Stamp Laws, related customs and practices etc., in vogue in different states for guidance of branches/offices, especially for the use of those who are posted to a branch outside their home state. The department has been extending faculty assistance to Federal Knowledge and Development Centre on legal topics. With a view of imparting awareness on latest developments/amendments in law and to strengthen the knowledge base of the Legal Officers of the bank, the department is conducting Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics.

Regulatory Compliance

Compliance department of your bank is staying abreast of changing regulatory requirements, expectations and industry practices. The department is ensuring the best practice of compliance across various levels of your bank. The Compliance Policy formulated by the bank empowers the compliance function as an adequately enabled, strengthened and independent unit. The policy helps to ensure the

effective monitoring and co-ordination of the compliance functions in the bank. The policy is reviewed periodically and suitable changes are made to fall in line with the guidelines issued by the regulators from time to time. The Compliance Manual which contains the compliance functions of each and every unit in your bank serves as a guidance material for branches/ offices. It is comprehensively updated to stay contemporary. Your bank has a well laid-down procedure and online mechanism to monitor the compliance functions. A network of compliance team is available for overseeing the compliance functions at various levels. Compliance monitoring officers have been nominated in all units to monitor the compliance functions and to develop a robust compliance culture in the bank. Your bank is focusing on employee education through circulars, frequent contact session, e-learning, online quizzes etc, to sensitize them of the need for a strong compliance culture and also striving to develop a robust/dynamic compliance culture in the bank. For all matters related to compliance, the department is functioning as a focal point for regulators like RBI, SEBI, IRDA, etc.

Marketing

The marketing activity of your bank in the year 2018-19 was marked by a few nonpareil branding escapades. Though the bank deliberately kept aloof from a high decibel marketing campaign, a number of freewheeling activities punctuated the marketing calendar of the year most meaningfully. In an event which is probably for the history books, your bank organized a motorcycle expedition from Kochi to New Delhi exclusively for the lady employees. Right from the start, the expedition drew attention of the public and media throughout the country. In continuation to what Marketing Department has been trying to announce, this campaign again was a proclamation that your bank is a progressive organization which breaks free from conventions. The year also witnessed several product and region specific advertisement campaigns, all of which had something fresh and innovative. The bank made significant advances on the digital marketing front including search engine optimisation, entered into campaigns in ecommerce platforms and released promotional and educational videos, just to mention some of them. Targeting the non-resident Keralites traveling on vacation to homeland, your bank commissioned a campaign welcoming them home in a warm style. Your bank continued to produce and promote testimonial videos of the vintage customers of the bank across the country, who are doing well in their spheres of business and activity. The bank concluded the year in style by running two simultaneous campaigns – one promoting the deposit mobilization scheme of the bank namely Remit & Retain which had the Middle East also as its target geography and another on tax saving schemes offered by the bank, communicated differently through a stand-up comedy act by a well known artist.

Service Quality

Increased competition, highly educated customers and increase in standard of living has forced banks to review their customer service

strategy. With all banks providing uniform products and services, quality is one aspect that is going to be the decisive factor for the bank as well as the customer. Your bank initiated a Quality movement from 2012 with the following objectives:

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

A process team has been deployed to create an in-house capability to improve all customer critical processes on the go. The team is also equipped with sound measures to evaluate various customer touch points with respect to quality and improve them dynamically. During the year over 170 process improvements, large and small have been implemented to enable customer service delivery more easy and effective. This enhanced the coverage of self-service facility for customers through various channels like bank's website, Internet Banking and Mobile Banking (Eg: facility for marking Form 15G/15H, PAN, aadhaar updation, KYC marking for low risk customers etc.) A service desk with ticketing system for branches has been introduced to speed up processing of customer requests and to answer queries with predefined TAT.

Considering the surge in unauthorised electronic banking transactions, your bank has implemented RBI guidelines on limiting customer's liability in unauthorised electronic banking transactions. With this the customers' liability is minimal and bank has provided more channels to report unauthorized electronic banking transactions. Now customers can report unauthorised electronic banking transactions through Branch, Call Centre, Email, Website and SMS.

Customer Grievance

a	No. of complaints pending at the beginning of the year	376
b	No. of complaints received during the year	75208
c	No. of complaints redressed during the year	74230
d	No. of complaints pending at the end of the year.	1354

Awards passed by the Banking Ombudsman

a	No. of unimplemented awards at the beginning of the year	1
b	No. of Awards passed by the Banking Ombudsman during the year	1
c	No. of Awards implemented during the year	Nil
d	No. of unimplemented Awards at the end of the year.	2@

@ One Award pending from 2012. Appeal rejected by Appellate Authority, case filed in high court and stay obtained.

@ One Award pending in 2018. Appeal filed by Bank is still pending at Appellate authority

1354 complaints outstanding were received during last two weeks of the FY. Out of the complaints 2.9% are process related 0.5 % are loan related, 95% are ATM/CDM/POS related, 0.6% are deposit related, 0.3% related to ombudsman complaints and 0.7% related to various other areas. Bank is having a process of root cause analysis of the complaints leading to fine tuning of process and bringing in corrections wherever necessary.

Customer Delight

Your bank is always keen on customer convenience and delight. Your bank, with the purpose of enhancing customer experience in branches, provided fine interiors that are on par with all good banks in the country and standardized furnishing with spacious elegant customer lobbies & centralized air-conditioning. The security aspect has been given utmost importance with modern equipment like close circuit TV, motion sensors, infra-red cameras and fire alarm systems. Your bank has started online real time remote security and surveillance of ATM and branches. The bank is progressively equipping its branches with fake note detectors, note sorting machines and currency authenticating machines in compliance with regulatory guidelines. Your bank has installed 269 Cash Recyclers in ATM centres which will enable customers to credit their account 24 X 7. Your bank has installed solar power plant at Varapuzha and Kochi branches as part of green planet initiatives.

Strategic Planning

Van guarding the triggers for sustainable & balanced growth, your bank's Corporate Planning Department coordinates diverse functions including planning and budgeting, performance management and measurement, strategic cost management, business analytics and management information systems. Your bank follows 'Branch Light Distribution Heavy' approach wherein a healthy co-existence of the branch channel consisting of 1251 Branches, 1669 ATMs and 269 Cash Recyclers, with alternate distribution channels like relationship managers, field sales teams, digital acquisition and partnerships is ensured, thereby leveraging multiple engines for customer acquisition and engagement, embracing its goals with focus, quality, granularity, regularity and sustainability. The department, through its various initiatives, brings in synergy between the distribution channels to deliver the best and multiply the benefits.

MIS wing, a multi-functionary under Corporate Planning Department, coordinates comprehensive reporting and automation, keeping 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 organize themselves to the set goals. The automated reports/ insights to individual business units, by making use of cutting-edge business intelligence tools, enable the users slice and dice data, helping them to derive meaningful insights and empowering them to take informed business decisions. The Regulatory Reporting and Data Quality Cell, which functions under MIS wing, is a specialised team that deals with regulatory reporting

of your Bank, ensures integrated and prompt reporting to the regulators.

To harness the potential of huge data resource lying at hand, your bank has been consistently developing the analytical capabilities under the watch of a Core Analytics Team. Using the competitive tools available to capitalize on the direct customer and transactional data as well as latent data like interaction etc., the team is aligned with our principal objective to enhance the customer experience by ensuring effective customer centricity for strengthened relationship thereby infusing customer delight and maximizing profitability. The analytical deliverable in the form of relevant and quality insights to business verticals, extracted not only from the internal data but also leveraging the external data sources to ensure that the right product is offered to the right customer at the right time through the right channel, is the focus for optimally capitalising new opportunities and ensuring the customer wallet share always points north. Fuelling further the administration of timely and relevant output of analytical processes facilitation for every unit of the bank, with specific insights for perusal of top management to augment a proper informed decision-making process, the division is gearing up with frameworks like Data Lake embedding AI/ML capabilities, keeping abreast with the latest trends in the market in its true spirit.

It is said that the secret to unlocking growth is to make deliberate choices not only about what to cut, but also about where to invest. Balancing the growing cost commensurate to the business needs is a crucial challenge and the department, effectively advocates strategies for optimisation of cost, without compromising its robust investment plans, thus bringing out best modalities in cost reduction for stability in the long run.

Corporate Social Responsibility

Major CSR Projects undertaken during FY 2018 -19

The corporate social responsibility activities of the bank touches a wider footprint through areas like health, education, women empowerment, environment sustainability and other activities permitted by the Schedule VII of the Companies Act, 2013. Federal Bank Hormis Memorial Foundation was set up by the Bank in 1996 in the fond memory of our founder Shri. K P Hormis. The foundation and its activities were inaugurated by the then Finance Minister Shri. P Chidambaram at Ernakulam on 18.10.1996. CSR projects are executed under the Hormis Memorial Foundation and the foundation is acting as a special vehicle for the implementation of CSR activities of the Bank.

Kerala Flood Relief-Donation to Chief Ministers Distress Relief Fund

The State of Kerala witnessed one of the most devastating natural calamities during the month of August 2018. As a responsible organization, our bank took various relief measures across the state with the involvement of our zonal offices.

We are giving below the rehabilitation activities undertaken by your

bank to support the affected society

- Support to various zones, branches for relief measures in their respective locality
- Support for rescue operations, food to volunteers, counseling sessions, Medical Camp
- Revival of Aluva Town-Cleaning of Choornikkara & Kadungalloor Panchayaths
- Support to Chendamangalam Handloom Weavers Society
- Construction of houses to three families whose houses were damaged in the floods
- Support to flood affected educational institutions
- Launched Fedconnect App to receive donations from the public and to distribute the funds to the eligible people affected by the calamity.

We have donated an amount of ₹ 4.00 Cr to Chief Ministers Relief Fund for supporting flood victims which includes contributions from staff and CSR funds of the Bank.

Federal Bank Hormis Memorial Foundation Scholarships:

The foundation is providing scholarships to the needy students for pursuing professional courses from the year 2005-06. During the year 2018-19 the trust offered assistance to 100 meritorious students, 20 students from each streams – Medicine, Engineering, BSc (Agri), BSc. (Nursing) & MBA. A total of ₹ 2.01 Cr was spent towards scholarships for the FY 2018-19.

Digitization & Adoption of Nilavarapetty Village, Salem

Our bank embarked on a mission of digitization of Nilavarapetty, a village in Tamilnadu under Amma E Village project of Tamilnadu Government. As most of the villagers were not having identity cards, the team had set up an aadhar enrolment centre attached to the bank's branch at Nilavarapetty and facilitated the generation of aadhar cards to 1796 villagers and most of them opened account with the branch.

Digital banking awareness programs were conducted and people became familiar with various measures for the benefit of villagers including,

- Free WiFi hotspot
- Solar LED Light Installation
- Solar Water heater to Anbullam, home for AIDS infected children
- Water ATM for providing RO water@ ₹ 1.00
- Donation of smart classroom to Govt HS, Nilavarapetty

The program was concluded on 8th October 2018 with a public function at Nilavarapetty.

Bring Back Smiles – CSR initiative in connection with Founders Day 2018

The Founders Day 2018 was made more meaningful by the employees by conducting CSR activities at all branches. A special

program named "Bring Back Those Smiles" was launched as part of the Founder's Day 2018.

As part of our Founders Day of the year 2018, all branches were permitted to spend ₹ 5,000/- towards any simple acts of charity that would delight the needy. More than 411 Branches actively participated in the programme. We have spent an amount of ₹ 20.79 Lakh during FY 2018-19 towards Bring Back Smile Programme.

Gaja Cyclone Relief

Your Bank extended support for providing clothing, solar lamps, tarpaulin sheets, toilet articles to victims belonging to affected areas of Thanjavur, Nagapattinam and Thiruvallur Districts of Tamilnadu.

Comprehensive Center for Cognitive Rehabilitation of Children at SCTIMST

Your bank joined hands with Sree Chithira Thirunal Institute for Medical Science & Technology for setting up a Comprehensive Center for Cognitive Rehabilitation of Children with Neuro disorders. The center aims to provide high quality state of the art and continuing care for children with neuro development disorders and also integration of such children into the mainstream education system and providing adequate support to the child and family. The first Phase of the project is completed which includes one-to-one therapy rooms, soft play area for occupational therapy and a paediatric gym.

Federal Skill Academies

As part of the corporate social responsibility initiatives, bank had started the Federal Skill Academy at Kochi on Founder's Day - 2015 to impart quality technical education to merit oriented candidates coming from economically underprivileged background. For FY 2018-19, 9 batches were started and 259 students were benefitted. We also give admission to dropouts from schools/colleges who are struggling to return to the mainstream. The center is offering training on air-conditioning which is backed by IAPMO certification (International Association of Plumbing and Mechanical Officials) which is recognized worldwide. Training is also given on skills such as welding and CNC machine operator. Placement assistance was also given to the candidates in organizations like Bluestar, Bosch, BPCL etc.

Observing the success of Kochi Skill Academy and the need for such facility for the students from Tamilnadu, second skill academy was started at Coimbatore during the FY 2016-17. For the FY 2018-19, 20 batches were started and 451 students were given skill training and employment. The center is offering CNC machine operator course in collaboration with COINDIA (Coimbatore Industries Association). Other courses offered are Welding, Accounts Tally, Automotive Technician course, Two Wheeler Service Technician and Solar Technician courses. The successful candidates got placements at leading organizations like Mahindra Industries, Suguna Pumps, Sharang Industries etc. Accounts & Tally Course is being conducted exclusively for women candidates. Our third centre was opened at

Kolhapur in November 2018. As on 31.03.2019, courses offered at the centre are CNC Machine Operator, Accounts Tally & BPO Non voice. For the FY2018-19, four batches were started and 81 students were given skill training. Fourth Centre at Karnal, Haryana was opened in February 2019. 22 students are undergoing training for Power Press Operator Programme.

Federal Bank Speak for India – Youth engagement initiative

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. This financial year, we covered four states– Kerala, Karnataka, Maharashtra & Tamilnadu under this mass youth engagement program and were attended by more than one lakh eighty seven thousand students from four states. The contest provided a platform for the college students, right from the block level upwards, to showcase their reasoning talents that take them forward in the path of self-development.

Shri.Devendra Fadnavis, Honourable Chief Minister of Maharashtra announced the winner in the grand finale conducted at Mumbai and presented the awards to Smt Meghana Abhyankar who emerged as winner from a stiff completion of 42,000 students from the state of Maharashtra. The grand Finale of Speak for India - Karnataka was held at Bangalore which was attended by Sri Upendra, popular Kannada actor. Sri Sudeep Kumar, Yuvaraja's College, Mysore emerged as winner from 50,000 competitors. The Grand Finale of "The Federal Bank – Speak for India: Kerala Edition 2018-19" was held on 7th February 2019 at Kottayam, Kerala. Smt. Angela Rose Augustine from Govt Medical College, Thiruvananthapuram emerged as Winner from 60,000 participants. The success stories in the above three states have motivated us to launch the event in Tamilnadu this year. Approximately 35,000 students from more than 850 colleges across the state participated in the debate challenge. The Grand Finale of "The Federal Bank- Speak for India: Tamilnadu Edition-2018-19" was held on 27th February 2019 in Chennai. Sri Kamal Hasan was the chief guest of the function. Sri V Veera Balaji, from PSG College of Arts & Science, Coimbatore emerged as the winner.

Promoting Women Empowerment Project "SwayamSakthi"

We are supporting Drshtikona Consultancy and Program Management Services Pvt Ltd partnering with Himalayan Social Institute for the above project. The Project envisages to enable a girl child who has not completed their education by providing 'Bridge Education'. Regular classes will be conducted to provide knowledge and thereby ensuring enrolment of girls in age appropriate grade in regular schools. The project is targeting age groups 11-14 years belonging to weaker sections/BPL families who have discontinued their education or have never attended school due to various socio-economic problems they have faced. 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. This is a one year programme and is being implemented at

Madawala, Panchkula District of Haryana.

SEED – Student Empowerment for Environment Development

To build awareness amongst student fraternity to conserve the earth's natural resources, Federal Bank joined with Mathrubhumi in the SEED Programme since 2012. SEED (Student Empowerment for Environmental Development) is an initiative aimed at spreading the message of ecological conservation. Schools carry out simple but effective steps in environment protection like planting & protection of saplings, agricultural activities, bio-diversity conservation, energy conservation, conservation of water bodies, cleanliness & protection of public health, reduce, reuse and recycle plastic waste and intervention in local area environmental issues through SEED Police. Bank is supporting this noble cause for the past seven years.

Promoting Swatch Bharat

Your Bank extended support to M/s Kasturba Social Welfare Centre for construction of toilets to poor families.

Preventive Health Care

- Promoting Preventive Health-ICU Ambulance, vehicles, Medical Camp
- ₹10.00 L- Support to Fathima Matha Mission Hospital, Kalpetta for purchasing an ICU Ambulance
- ₹ 2.25 L-Support to M/s Swaruma Charitable Society for purchasing a vehicle to be used for palliative care purposes
- ₹ 4.55 L-Support to Dilasa Bhavan, Miraj for purchasing a vehicle for their home for HIV affected children
- ₹ 2.00 L-Financial Support provided for Soukhyam Medical Camp, an initiative of Sri Hybi Eden, MLA
- Support given to M/s Beypore Mandalam Mission Charitable Trust, Cheruvannur for purchasing two Haemodialysis Machines for Dialysis Centre at Nallalam.
- We have provided support to Kusumagiri Mental Health Centre, Kakkanad for purchasing DG set for their centre for autistic children

Environment Sustainability

We have supported the following centres for installation of Solar power Systems:

- Support to Warriar Foundation for their Balamandiram at Anaketty, Palakkad
- Support to Dina Sevana Sabha, Pattuvam for their home for the destitute
- Diocese of Faridabad for their home for disabled children, Sanjoepuram Childrens Village

Ind AS Implementation

The Ministry of Corporate Affairs (MCA), Government of India has

notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a Press Release was issued by the MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) for banks. As per earlier instructions, banks in India were required to comply with the Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. On April 05, 2018, the RBI had announced deferment of implementation date by one year with Ind AS being applicable to banks for accounting periods beginning April 01, 2019 onwards. Further the RBI through press release RBI/2018-2019/146 DBR.BP.BC.No.29/21.07.001/2018-19 March 22, 2019 updated all scheduled commercial banks that legislative amendments recommended by the RBI are under consideration of the Government of India. Accordingly, RBI had decided to defer the implementation of Ind AS till further notice.

With respect to the various instructions from Ministry of Corporate Affairs and Reserve bank of India (RBI), the actions taken by the Bank are summarized as follows:

- A steering committee was formed by MD & CEO with ED & CFO as its Chairman with members from all cross-functional departments. There are various working groups formed among the concerned departments, which in turn reports to the steering committee fortnightly and discuss the progress made.
- The impact of the financial reporting systems and processes has been carried out by bank's internal team along with the external consultants in detail.
- The bank has procured IT solutions to automate the computation of Expected Credit Losses (ECL), Effective Interest Rate, Fair valuation and other accounting changes required in Ind AS. The Bank is also in the process of implementing necessary changes in the existing IT architecture and other processes to enable smooth transition to Ind AS.
- A quarterly progress report on the status of Ind AS implementation in the Bank is presented to the Audit Committee of the Board.
- As directed by the RBI, The Bank is submitting quarterly Proforma Ind AS financial statements to the RBI within the stipulated timeline.
- The training of employees is provided on a phased manner.

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

Digital at the fore, Human at the core.



In a 'cash-light' India, digital banking is rapidly evolving, providing smarter, faster and better banking solutions to customers. Federal Bank too is on the forefront of this digital revolution, ceaselessly innovating and introducing newer digital offerings. To leverage the fascinating possibilities of Block Chain Technology, the Bank has entered into a partnership with Ripple Inc. The last year saw the Bank diving deeper into the digital domain and coming up with more innovative products including Fed e Biz - the complete 360° omni channel transaction banking platform for corporates and Fed Alerts - the Alert App which ensures secured, reliable and assured delivery of transaction/banking alerts.



Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The three pillars of corporate governance are transparency, accountability, and security. All three are critical in successfully running a company and forming solid professional relationships among its stakeholders which include board directors, managers, employees, and most importantly, shareholders.

The Code of Corporate governance is essentially a set of standards, systems, and procedures aimed at effective, honest, transparent, and responsible management of a company within the applicable statutory and regulatory structures. This Code represents a set of desirable, if not necessarily ideal, corporate-governance practices to be adopted by the Bank. The Code takes into account the relevant statutory and current stock-exchange listing / SEBI requirements and Reserve Bank of India (RBI) directives and other guidelines under the Companies Act 2013. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress is in its substance and spirit rather than on its form.

Corporate Objective of the Bank

Good corporate governance practices help support and strengthen corporate actions aimed at achieving the corporate objective. The Bank's principal corporate objective, like that of any corporate business entity, is to perpetuate its business while protecting and enhancing, over the long term, the value of the investments of its shareholders in the Bank.

The Code of Corporate Governance of the Bank was last amended in the Board Meeting held on 26 February 2019, keeping in line with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. A copy of the Code is available on request for the members of the Bank, and relevant portions are available on the website of the Bank.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 2013, SEBI (Listing

Obligations and Disclosure Requirements) Regulations, 2015 and the Code of Corporate Governance adopted by the Bank. The Board comprises of 9 Directors as on 31 March 2019, with rich experience and specialized knowledge in various areas of relevance to the Bank, including Banking, Management, Risk Management, Accountancy, Economics, MSME, Finance, SSI, Agriculture and Rural Economy, Treasury, Investments, Governance, Compliance, Strategic Planning and Information Technology and Payment and Settlement Systems. During the year Mr. Harish Engineer ceased to be the Director on the Board of the Bank w.e.f. 01 October 2018, on completion of 70 years of age.

Mr. Deepak Maheshwari was appointed as an Additional Independent Director on the Board of the Bank, w.e.f. 22 June 2018 and he resigned from the Board w.e.f. 01 January 2019 as he took up a senior executive position in a leading financial organization.

Mr. K Balakrishnan was appointed as an Additional Independent Director on the Board of the Bank w.e.f. 25 September 2018. Mr Siddhartha Sengupta and Mr Manoj Fadnis were appointed as Additional Non Executive Independent Directors w.e.f. 13 June 2019.

Mr. Ganesh Sankaran, Executive Director of the Bank resigned from the Board of the Bank w.e.f. 15 February 2019.

The Board places its appreciation for the valuable contributions made by Mr. Harish Engineer, Mr. Deepak Maheshwari and Mr. Ganesh Sankaran for the overall development of the Bank.

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

Mr. Dilip Sadarangani was appointed as Chairman of the Board of the Bank w.e.f. 25 January 2019 for which RBI approval was obtained vide letter No. DBR Appt .No.6191/08.38.001/2018-19 dated 25 January 2019.

No relationship exists between the Directors of the Bank.

Nine Board Meetings were held during the Financial Year ended 31 March 2019. The dates of the Board Meetings were 09 May 2018, 22 June 2018, 17 July 2018, 25 September 2018, 16 October 2018, 16 November 2018, 17 January 2019, 26 February 2019 and 14 March 2019.

Attendance Details for Board meetings of the Directors as on 31 March 2019 and shareholding details of Directors is given below.

Name of Director	Designation	No of Board Meetings attended/held during the year 2018-19	Attendance at Last AGM held on 10th August 2018	Shareholding of Directors as on 31 March 2019
Mr. Dilip Sadarangani ¹	Part time Non-Executive Chairman and Independent Director	9/9	Present	----
Mr. Nilesh Vikamsey	Non Executive-Independent Director	9/9	Present	----
Mr. Harish Engineer ²	Non Executive-Independent Director	2/9	Present	----
Ms. Grace Koshie	Non Executive-Independent Director	9/9	Present	----
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	9/9	Absent	----
Mr. C Balagopal	Non Executive-Independent Director	8/9	Present	----
Mr. A P Hota	Non Executive-Independent Director	9/9	Absent	----
Mr. Deepak Maheshwari ³	Non Executive-Independent Director	5/9	Present	
Mr. K Balakrishnan ⁴	Non Executive-Independent Director	6/9	NA	38000
Mr. Shyam Srinivasan	MD & CEO	9/9	Present	82,08,595
Mr. Ashutosh Khajuria	Executive Director	9/9	Present	3,22,000
Mr. Ganesh Sankaran ⁵	Executive Director	7/9	Present	----

1 Mr. Dilip Sadarangani was appointed as Chairman of the Board of the Bank w.e.f. 25 January 2019 for which RBI approval was obtained vide letter No. DBR Appt .No.6191/08.38.001/2018-19 dated 25 January 2019

2 Mr. Harish Engineer ceased to be a Director of the Bank w.e.f. 01 October 2018

3 Mr. Deepak Maheshwari was appointed as an Additional Independent Director on the Board of the Bank, w.e.f. 22 June 2018 and resigned from the Board w.e.f. 01 January 2019.

4 Mr. K Balakrishnan was appointed as an Additional Independent Director on the Board of the Bank, w.e.f. 25 September 2018

5 Mr. Ganesh Sankaran resigned from the Board w.e.f. 15 February 2019

Note:

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

Directorship of Bank's Directors in other Companies as on 31 March 2019 are as follows:

Name of the Director	Directorship on the Board of other companies ¹	Number of Committee memberships (Chairmanship) in other Companies ²	Directorship in other listed entities(Category of directorship in other listed entities)
Mr. Dilip Sadarangani	1	1	Nil
Mr. Nilesh Vikamsey	9	9 (2)	1. IIFL Holdings Limited (Non-Executive Independent Director) 2. SBI Life Insurance Company Limited (Non-Executive Independent Director) 3. Navneet Education Limited(Non-Executive Independent Director) 4. Thomas Cook (India) Limited(Non-Executive Independent Director) 5. PNB Housing Finance Limited(Non-Executive Independent Director)
Ms. Grace Koshie	2	2	1. Firstsource Solutions Ltd (Non-Executive Independent Director) 2. CESC Ventures Ltd (Non-Executive Independent Director)
Ms Shubhalakshmi Panse	7	6 (1)	1. Atul Limited (Non-Executive Independent Director) 2. Sudarshan Chemical Industries Ltd (Non-Executive Independent Director) 3. PNB Housing Finance Limited (Non-Executive Independent Director) 4. IL & FS Investment Managers Limited (Non-Executive Independent Director) 5. TI Financial Holdings Limited (Non-Executive Independent Director)
Mr. C Balagopal	1	Nil	Nil
Mr. A P Hota	4	2	1.Indiabulls Ventures Limited (Non-Executive Independent Director)
Mr. K Balakrishnan	1	Nil	1.The India Cements Limited (Non-Executive Independent Director)
Mr. Shyam Srinivasan	2	Nil	Nil
Mr. Ashutosh Khajuria	1	Nil	Nil

Note:

- For the purpose of considering the limit of the Directorships and limits of Committees on which the directors are members / Chairmanships, all public limited companies, whether listed or not, are included. Private Limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 are excluded. Further, Chairmanships/ Memberships of only the Audit Committee and the Stakeholders' Relationship Committee have been considered.
- Includes memberships of Audit Committee and Stakeholders Relationship Committee of all Indian Public Limited Companies; figures in brackets indicate number of Committee Chairmanships as per Regulation 26 of the Listing Regulations. The number of Committee membership have been counted after excluding the Chairmanships of Committees in other companies.

List of Core Skills/ Experience/Competencies Identified by the Board

The Board of Directors have identified the following Core Skills/ Practical Experience/ Special Knowledge/ Competencies as required in the context of banking business for it to function effectively. The core skills have been identified as per the relevant provisions of the Banking Regulation Act, 1949 and relevant circulars issued by RBI from time to time:

- Accountancy;
- Agriculture and Rural Economy;
- Banking;
- Economics;
- Finance;
- Small-Scale Industry;
- Information Technology;
- Payment & Settlement Systems;
- Risk Management;
- Business Management

Board Procedure

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

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

Remuneration to Directors

Mr. Shyam Srinivasan, MD & CEO, was paid ₹13,472,941.00

(gross) and Mr. Ashutosh Khajuria, Executive Director, was paid ₹ 8,866,622.96 (gross) in accordance with the terms and conditions approved by Reserve Bank of India.

- The Non-Executive Independent Directors, except Chairman of the Board, are paid only sitting fees for attending every meeting of the Board/ Committees of the Board within the limits as prescribed under the Companies Act, 2013. For Chairman besides honorarium he / she is paid sitting fees for attending every meeting of the Board / Committees of the Board.
- No pecuniary relationship/transaction exists for Independent Directors/Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings/ monthly remuneration during the year as per law. The Independent Directors of the Bank also had no pecuniary relationship with the Bank, its subsidiary or associate companies or their promoters or directors during the two immediately preceding financial years.
- The criteria of making payments to Independent Directors/ Non-executive Directors of the Bank are contained in the Comprehensive Compensation Policy for Non-Executive Directors which is disclosed on the Bank's website, the web link to which is : <http://www.federalbank.co.in/shareholder-information>

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

Sl. No	Name of Directors	Sitting fee paid to Non-Executive - Independent Directors for FY 2018-19
1.	Mr. Dilip Sadarangani#	₹1,993,871
2.	Mr.Nilesh Vikamsey	₹1,820,000
3.	Mr. Harish Engineer	₹525,000
4.	Ms. Grace Koshie	₹2,090,000
5.	Ms. Shubhalakshmi Panse	₹2,180,000
6.	Mr. C Balagopal	₹1,100,000
7.	Mr. A P Hota	₹1,685,000
8.	Mr. Deepak Maheshwari	₹625,000
9.	Mr. K Balakrishnan	₹690,000
	Total	₹12,708,871

Includes an amount of ₹ 333871 paid as remuneration with the approval of Board and RBI during the year to Mr. Dilip Sadarangani, who is the Chairman of the Board of the Bank w.e.f 25.01.2019.

The details of remuneration paid to Mr. Shyam Srinivasan, MD & CEO, Mr Ashutosh Khajuria and Mr. Ganesh Sankaran, Executive Directors during FY 2018-19 are as under:

Particulars	Mr. Shyam Srinivasan MD & CEO (₹)	Mr. Ashutosh Khajuria ED & CFO (₹)	Mr. Ganesh Sankaran# Executive Director (₹)
Basic Pay	12,000,000.00	2,200,008.00	1,879,935.72
Allowances & Perquisites ¹	1,472,941.00	6,666,614.96	6,943,037.00
Stock Option (Perquisites) ^{***}	145754251.25	19624700.00	Nil
Severance fees	Nil	Nil	Nil
Performance Linked Incentive	Nil	Nil	Nil
Total**	13,472,941.00	8,866,622.96	8822972.72

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

*** This includes stock options granted and vested in previous years, and exercised during the last financial year

#Mr. Ganesh Sankaran erstwhile Executive Director resigned from the Board of the Bank w.e.f 15 February 2019.

Note:

- In addition to above contribution to Provident Fund of ₹ 12,00,000.00 made in respect of Mr. Shyam Srinivasan, MD & CEO, ₹ 2,20,001.00 was made in respect of Mr. Ashutosh Khajuria, Executive Director & CFO and ₹ 1,87,994.00 to Mr. Ganesh Sankaran, erstwhile Executive Director during FY 2018-19
- The options relating to ESOS 2010 Scheme were availed by MD & CEO and ED before it lapsed, in accordance with terms of the scheme. External financing was availed by them for exercising the ESOS options. Perquisite tax has been paid by MD & CEO, Mr. Shyam Srinivasan and Executive Director Mr. Ashutosh Khajuria, on an amount of ₹14,57,54,251.25 and ₹ 1,96,24,700.00 respectively relating to perquisite for ESOS.
- The Independent directors are not eligible for any stock options

Appointment of Independent Directors, Criteria of Independence and Tenure of Independent Directors

At the time of appointment of Independent Directors a formal letter is being issued by the Bank to the appointee Director specifying the terms and conditions of his/her appointment. The terms and conditions of appointment of Independent Directors of the Bank are disclosed on the website of the Bank and the web link to it is given below:

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

All the Independent Directors of the Bank satisfy the criteria of Independence as contained in the Banking Regulation Act, 1949, RBI Regulations, Companies Act, 2013 and as per the Listing Regulations. The present tenure of Independent Directors of the Bank is subject to Regulation 10 A of the Banking Regulation Act, 1949 and also subject to the tenure fixed for appointment of all the Independent Directors of the Bank by the shareholders/Board.

Resignation of Independent Director

Mr. Deepak Maheshwari resigned from the Board of the Bank w.e.f. 01 January 2019.

Mr. Deepak Maheshwari has in his resignation letter submitted to the Board indicating the reasons for resignation as taking up a senior executive position in a leading financial organization and the Board has taken note of the same and there are no other material reasons other than those provided.

Separate meeting of Independent Directors

A separate meeting of the Independent Directors of the Bank was held on 26 February 2019 for consideration of performance evaluation for FY 2018-19.

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

- To review the performance of the management during the year.
- To evaluate/review of the performance of non-independent directors of the Bank, the Board/ Committees of Board
- To review of the performance of the Chairman of the Bank
- To assess the quality, quantity and timeliness of flow of information between the Bank's management and the Board, that is necessary for the Board to effectively and reasonably perform their duties.

Attendance Details for FY 18-19 are given below.

Name of the members	Category	No of meetings attended/ held
Mr. Dilip Sadarangani	Non Executive-Independent Director	1/1
Mr. Nilesh Vikamsey	Non Executive-Independent Director	1/1
Ms. Grace Koshie	Non Executive-Independent Director	1/1
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	1/1
Mr. C Balagopal	Non Executive-Independent Director	1/1
Mr. A P Hota	Non Executive-Independent Director	1/1
Mr. K Balakrishnan	Non Executive-Independent Director	1/1

All the Independent Directors attended the meeting.

Familiarization Programme and Induction Programme for new Director

At the time of appointing a Director, a formal letter of appointment is given to him/her, which inter alia explains the role, function, duties and responsibilities expected of him/her as a Director of the Bank. The Bank conducts an introductory familiarization program/ presentation, when a new Independent Director comes on the Board of the Bank. The Managing Director & CEO along with members of senior management team also has a personal discussion/presentation with the newly appointed Director.

The Bank familiarizes the Independent Directors with their roles, rights and responsibilities in the Bank at the time of appointment and also on a continual basis. The Bank also familiarizes the Independent Directors with the nature of the industry in which the Bank operates, business models and other important matters relating to Bank's business. Some of the major familiarization programs attended by all or some of the Directors of the Bank during FY 2018-19 includes:

- Presentation on ICAAP
- Presentation of Risk Dash Board
- Training Program for Non-Executive Directors on the Boards of Banks conducted by CAFRAL
- Presentation on Annual Review of Bank's Overseas Operation for FY 2017-18

- v) Presentation on Fedbank Financial Services Limited, the Bank's subsidiary
- vi) Presentation on updation of HR Plans of the Bank
- vii) Presentation on highlights on digital products and progress made by the Bank in digital banking

The details of the familiarization programme/training given to Directors of the Bank for FY 2018-19 are disclosed in the Bank's website and the weblink thereto is:

<https://www.federalbank.co.in/shareholder-information>

The roles, rights and responsibilities of Independent Directors are disclosed in the Bank's website and a web link thereto is:

<http://www.federalbank.co.in/documents/10180/45777/Corporate+Governance.pdf/e5b848c8-8bc4-480e-a7dd-33db81258edb>

Performance evaluation criteria for Independent Directors of the Bank

The performance evaluation criteria for Independent Directors include:

- i) Attendance at the Board and Committee meetings
- ii) Study of agenda papers in depth prior to meeting and active participation at the meeting
- iii) Contributes to discussions on strategy as opposed to focus only on agenda
- iv) Participate constructively and actively in the Committees of the Board in which they are chairpersons or Members
- v) Exercises his/her skills and diligence with due and reasonable care and brings an independent judgement to the Board
- vi) The Director remains abreast of developments affecting the company and external environment in which it operates independent of his being appraised at meetings,
- vii) Knowledge and Competency:
 - How the person fares across different competencies as identified for effective functioning of the entity and the Board
 - Whether the person has enough understanding and knowledge of the entity and the sector in which it operates.

The outcome of the evaluation of the Independent Directors of the Bank are detailed in Directors' Report. In the opinion of the Board Independent Director fulfill the condition of independence as specified in SEBI (LODR) and as per Companies Act, 2013 and are independent of the management.

Performance evaluation criteria of Non Independent Directors are detailed in the Director's report portion.

Board Committees and its terms of Reference

Audit Committee

The Audit Committee consists of four non-executive Independent Directors chaired by Ms. Grace Koshie, a Non-Executive Independent Director. The other members of the Committee as on 31 March 2019 are Mr. Nilesh Vikamsey, Ms. Shubhalakshmi Panse and Mr. A P Hota who are Non-Executive Independent Directors. The Committee was re-constituted twice in the financial year 2018-19 on 16 October 2018 and 14 March 2019.

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

The terms of reference of the Audit Committee and incorporated in the Bank's Code of Corporate Governance, are in accordance with the listing regulations, Companies Act, 2013 and RBI guidelines.

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

1. Review the company's financial and risk-management policies, and, where necessary, recommend changes for the Board's approval.
2. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
3. Review periodically the adequacy of internal control systems (including the asset-liability management and risk-assessment and management systems) with the management and external and internal auditors, assure itself that the systems are being effectively observed and monitored, and, where necessary, approve changes or recommend changes for the Board's approval.
4. Review the adequacy of the internal audit function, including-
 - a) monitoring and reviewing the effectiveness of the Internal audit function;
 - b) the structure of the internal audit department, staffing, and the suitability and seniority of the official heading it, reporting structure coverage, and the frequency of internal audit, and, where necessary, approve changes;
 - c) approving internal audit plan, scope and budget;
 - d) reviewing and discussing internal audit reports;
 - e) ensuring internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee;
 - f) assessing the performance of the head of the internal audit function; and
 - g) approving / recommending to the Board for its approval, the appointment, re-appointment or removal of the head of the internal audit function and the key internal auditors;
5. Discussion with internal auditors of any significant findings and follow up there on.
6. Discussion with the Head of Internal Audit in a private session, in the absence of the management, on issues of interest.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
8. Review and have oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible, and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be.
9. Recommend to the full Board for shareholders' approval, the appointment, reappointment, removal, or replacement and terms of appointment of auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of

- the auditors in carrying out the audit.
10. Approve the terms of engagement of the services of the external/statutory auditors for rendering any other professional services to the Bank and the fee therefore.
 11. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, and ensure coordination where more than one audit firm is employed.
 12. Reviewing and examine with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - i) any changes in accounting policies and practices 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
 13. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
 14. Review with the external auditors, without the presence of the executive directors and Bank officials, and summarize their conclusion (in writing) at a full Board in the presence of the external auditors and without the presence of the management (Executive Directors, Bank Officials etc.)
 - i) The auditors' report on the annual, half-yearly, and quarterly financial statements
 - ii) Their assessment of the internal control and reporting systems and procedures, the quality of the accounting principles applied and significant judgments affecting the statements, and the Bank's compliance with statutory and regulatory requirements
 - iii) The auditors' long-form audit report and management letter and the management's response, and
 - iv) Any concerns of the auditors with respect to the said systems and procedures, the financial statements, any aspect of compliance, or any other matter arising from or related to the audit
 15. Discuss with the management the auditors' report and assessment, their qualifications and concerns, if any, and the management's response to the auditors' management letter and long-form audit report.
 16. Review with the management, and if necessary with the external auditors, any inspection or other report of RBI on the Bank or other communication from RBI on the audit, internal controls, financial reporting, or other aspects of the Bank falling within the remit of the Committee, and the management's response thereto;
 17. To review and oversight the functioning of the Whistle Blower mechanism.
 18. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
 19. Approval or any subsequent modification of transactions of the Bank with related parties.
 20. Valuation of undertakings or assets of the Bank, wherever it is necessary.
 21. Evaluation of internal financial controls and risk management systems.
 22. Monitoring the end use of funds raised through public offers and related matters.
 23. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.
 24. Scrutiny of inter-corporate loans and investments, if any.
 25. To consider and approve/grant omnibus approval for certain Related Party Transactions.
 26. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.
 27. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 28. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 29. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or

rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

30. Review arrangements by which staff of the Bank may confidentially raise concerns about possible improprieties in matters of financial reporting.
31. Reviewing the utilization of loans and/ or advances from/ investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
32. Periodic reviews on borrower entities in which directors of any willful defaulter companies are present
33. The Audit Committee of the Board shall:
 - i) ensure that senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner;
 - ii) address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors, and
 - iii) ensure that deficiencies identified by supervisory authorities related to the internal audit function are remedied within an appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.
34. Review of Internal Financial Control (IFC) process including Risk Control and Self- Assessment (RCSA)*

*This term has been added as per RBI requirement after 31 March 2019.

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) Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- iii) Management letters / letters of internal control weaknesses issued by the statutory auditors;
- iv) Internal audit reports relating to internal control weaknesses; and
- v) The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
- vi) Statement of deviations:
 - a) quarterly statement of deviation(s) in the use of proceeds of public / rights / preferential issue from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable; (if any)
 - b) quarterly statement indicating category-wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilization of funds in the offer document for public / rights / preferential issue or explanatory statement of to the notice for the general meeting, as applicable and the actual utilization of funds;
 - c) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of issue of securities of any nature. (if any)
 - d) annual statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice in terms of issue of securities of any nature. (if any)
- vii) Review the financial statements of unlisted subsidiary, in particular, the investments made by the subsidiary.

Other matters

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

The Audit Committee met 11 (eleven) times during the year on 10 April 2018, 18 April 2018, 09 May 2018, 17 July 2018, 14 August 2018, 25 September 2018, 16 October 2018, 03 November 2018, 12 December 2018, 17 January 2019 and 19 February 2019.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2018-19
Ms. Grace Koshie	Non Executive-Independent Director	11/11
Mr. Nilesh Vikamsey	Non Executive-Independent Director	11/11
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	11/11
Mr. A P Hota	Non Executive-Independent Director	10/11
Mr. Ganesh Sankaran ¹	Executive Director	2/11

¹Mr. Ganesh Sankaran joined as a member of the Committee w.e.f 16 October 2018 as per the reconstitution of the Committee approved by the Board and he resigned from the Board of the Bank w.e.f. 15 February 2019.

Nomination, Remuneration, Ethics and Compensation Committee

The Committee is chaired by Mr Nilesh Vikamsey and consists of Mr Dilip Sadarangani and Ms Grace Koshie as members. The Committee was re-constituted once in the financial year 2018-19 on 16 October 2018. All the members of the Committee are Non Executive Independent Directors.

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

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

1. Recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors;
2. Reviewing, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or the MD & CEO or other Directors, shareholders or others;
3. Recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board.
4. Carrying out evaluation of every director's performance.
5. Deciding on the matter of whether to extend or continue the term of appointment of the independent director, based on 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;
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

16. Supervisory and annual review of the Compensation Policy

The Bank is having a compensation policy formulated in accordance with the RBI guidelines and Companies Act, 2013 which has been approved by the Board.

The Committee met 6 (Six) times during the year on 18 May 2018, 28 June 2018, 01 October 2018, 20 December 2018, 23 January 2019 and 22 March 2019.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. Nilesh Vikamsey ¹	Non Executive-Independent Director	6/6
Mr. Dilip Sadarangani	Non Executive-Independent Director	6/6
Ms. Grace Koshie	Non Executive-Independent Director	6/6

¹Mr. Nilesh Vikamsey became the Chairman of the Committee on 16 October 2018 as per the reconstitution of the Committee approved by the Board

Investor Grievance, Share Transfer, and Stakeholder Relationship Committee

The Committee is chaired by Mr. Dilip Sadarangani, Independent Director and consists of Mr. C Balagopal, Independent Director, Mr. Shyam Srinivasan, MD & CEO of the Bank & Mr. Ashutosh Khajuria, Executive Director as members. There was no change in the constitution of the Committee during FY 2018-19.

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

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

1. Review, where necessary, complaints received from shareholders or others regarding transfer/transmission of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints;
2. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
3. Approve or reject applications for transfer/transmission of shares referred to the Committee by the Bank's Registrar and Share Transfer Agent in terms of such criteria as may be determined by the Committee and conveyed to the Agent.
4. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Bank, issue of duplicate share certificates;
5. Review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent.
6. Recommend measures for overall improvement in the quality of investor services;
7. Review of measures taken for effective exercise of voting rights by shareholders.
8. Review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholders of the company.

The Committee met 10 (Ten) times during the year and reviewed and redressed the complaints received from shareholders. The Committee met on 05 May 2018, 20 June 2018, 27 July 2018, 09 August 2018, 12 September 2018, 31 October 2018, 13 December 2018, 19 January 2019, 15 February 2019 and 14 March 2019.

The Bank attended to the complaints promptly and to the satisfaction of the shareholders. All the share transfer applications received up to 31 March 2019 have been processed.

Complaint pending for redressal at the beginning of the year	Total complaints received during the year	Number of complaints redressed	Number of complaints pending for redressal
0	10	10	NIL

As on 31 March, 2019, apart from the complaints, around 1279 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. These requests/information have also been responded to and 23 requests were pending as on 31 March, 2019.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. Dilip Sadarangani	Non Executive-Independent Director	10/10
Mr. C Balagopal	Non Executive-Independent Director	10/10
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	10/10
Mr. Ashutosh Khajuria	Executive Director	10/10

Credit, Investment and Raising Capital Committee

The Committee is chaired by Mr. K Balakrishnan (Independent Director) and consists of Mr. Dilip Sadarangani, (Independent Director), Mr. Nilesh Vikamsey (Independent Director) and Mr. Shyam Srinivasan, MD & CEO of the Bank as members. The Committee was re constituted thrice in the financial year 2018-19 on 17 July 2018, 16 October 2018, and 14 March 2019.

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

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

1. Consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients & proposals for Investments of the Bank within such authority as delegated to it by the Board from time to time.
2. Monitor the credit and investment exposures of the Bank, review the adequacy of the credit and investment risk management processes and policies, internal control systems and compliance of statutory, regulatory and other applicable norms.
3. Periodically review the large corporate loans and 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.
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

The Credit, Investment and Raising Capital Committee met 6 (Six) times during the year and the dates of meetings were on 25 April 2018, 06 June 2018, 09 August 2018, 15 September 2018, 27 December 2018 and 13 February 2019.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. K Balakrishnan ³	Non Executive-Independent Director	2/6
Mr. Dilip Sadarangani	Non Executive-Independent Director	6/6
Mr. Nilesh Vikamsey ⁵	Non Executive-Independent Director	0/6
Mr. Harish Engineer ¹	Non Executive-Independent Director	4/6
Mr. Deepak Maheshwari ²	Non Executive-Independent Director	3/6
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	5/6
Mr. Ganesh Sankaran ⁴	Executive Director	5/6

- 1 Mr. Harish Engineer retired as Director from the Board w.e.f. 01 October 2018
- 2 Mr. Deepak Maheshwari joined as a member of the Committee w.e.f. 17 July 2018 as per the reconstitution of the Committee approved by the Board and he resigned from the Board of the Bank w.e.f. 01 January 2019.
- 3 Mr. K Balakrishnan joined as a member of the Committee w.e.f. 16 October 2018 as per the reconstitution of the Committee approved by the Board. He became the Chairman of the Committee w.e.f. 14 March 2019.
- 4 Mr. Ganesh Sankaran resigned from the Board of the Bank w.e.f. 15 February 2019
- 5 Mr. Nilesh Vikamsey joined as a member of the Committee w.e.f. 14 March 2019 as per the reconstitution of the Committee approved by the Board and there was no meeting during FY 18-19 after the reconstitution.

Risk Management Committee

The Committee is chaired by Ms. Shubhalakshmi Panse (Independent Director) and consists of Ms. Grace Koshie, Mr. C Balagopal (Independent Directors), Mr. Shyam Srinivasan, Managing Director & CEO and Mr. Ashutosh Khajuria, Executive Director as members. The Committee was re-constituted once in the financial year 2018-19 on 17 July 2018.

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

Terms of Reference/ Roles and Responsibilities of the Committee are: Risk Management Committee shall approve/ 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) Oversee functions of Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC also known as Asset Liability Management Committee - ALCO), Operational Risk Management Committee (ORMC) and Information Security Committee (ISC).
- c) Set policies and guidelines for measurement, management and reporting of credit risk, market risk and operational risk.
- d) Set risk mitigation and stop-loss parameters in respect of all the three risks.
- e) Ensure management processes (including people, systems, operations, limits and controls) for implementing risk management systems.
- f) Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank
- g) Review of the Internal Capital Adequacy Assessment Process.
- h) 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.
- i) 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.
- j) Decide/approve adoption of technology/appropriate and adequate MIS system needed for risk management.
- k) Reinforce the culture and awareness of risk management throughout the organization that would attach high priority on effective risk management and adherence to sound internal controls.
- l) Ensure adequate coverage of internal audit to satisfy effective implementation of policies and procedures
- m) Review of functions related to management of Cyber security risk, outsourcing risk and Pension obligation risk.#
- n) Review of procedure for product approval.*
- o) Review of Stress Testing methodology and Stress Scenarios*.
- 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.

*This term has been added as per RBI requirement after 31 March 2019.

Modification made to the term mentioned in point m after 31 March 2019

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 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 studies of large value exposures to assess quality and concentration of credit exposures.
- h) Reviewing norms/ceilings for maturity profile and mix of the incremental assets and liabilities
- i) Fixing of tolerance levels for Liquidity risk monitoring, interest rate sensitivity/EaR, trigger points for realignment of assets/liabilities
- j) Review the functions of the CRMC, ALCO, ORMC and ISC from time to time
- k) Reviewing policy for interest 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) Recommending to the Board to approve reviews on assessment, monitoring and controlling of non-quantifiable risks like strategic risk, reputation risk etc.

The Risk Management Committee met 5 (Five) times during the year and the dates of the meetings were 10 April 2018, 06 June 2018, 24 September 2018, 12 December 2018 and 19 February 2019

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	5/5
Ms. Grace Koshie	Non Executive-Independent Director	5/5
Mr. C Balagopal	Non Executive-Independent Director	3/5
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	5/5
Mr. Ganesh Sankaran ¹	Executive Director	2/5
Mr. Ashutosh Khajuria ²	Executive Director	3/5

¹ & ² Mr. Ganesh Sankaran ceased to be a member of the Committee and Mr. Ashutosh Khajuria joined as a member of the Committee w.e.f. 17 July 2018 as per the reconstitution of the Committee approved by the Board.

Customer Service, Marketing Strategy & Digital Banking Committee

The Committee is chaired by Mr. C Balagopal (Independent Director) and consists of Mr. A P Hota (Independent Director) and Mr. Shyam Srinivasan, MD & CEO of the Bank as members.

The Committee was re-constituted twice in the financial year 2018-19 on 16 October 2018 and 14 March 2019.

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

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

In respect of Customer Service, the key roles & responsibilities of the Committee are provided below:

- 1 Approving the various policies that relate to customer service; examples thereof include and are not limited to- :
 - a. Comprehensive Deposit Policy
 - b. Treatment of death of a depositor for operations in the account
 - c. Grievance Handling process
 - d. Collection of cheques
2. Reviewing metrics and indicators that provide information on the state of customer service in the Bank; providing direction to the management of the Bank on actions to be taken to improve the metrics
3. Reviewing the actions taken/ being taken by the Bank to standardize the delivery of customer experience across all branches
4. Reviewing results of the surveys conducted that provide quantitative and qualitative information on the state of customer experience
5. Providing inputs on the products introduced by the Bank with a view to ensure suitability and appropriateness
6. Monitoring the implementation of the Banking Ombudsman Scheme with particular reference to:
 - a. Reviewing all the awards against the Bank with a focus on identifying issues of systemic deficiencies and the Bank's plan to address these deficiencies
 - b. Reviewing all awards that remain unimplemented after 3 months from the date of the award with the reasons thereof; to report to the Board such delays in implementation without valid reasons and for initiating remedial action
7. Review, on an overall basis, the customer service aspects in the Bank on the basis of the detailed memorandum submitted in this regard and report to the Board of Directors thereafter; this is done once every six months and based on the review, the Committee will direct the Bank to initiate prompt corrective action wherever service quality / skills gaps have been noticed

8. Monitoring the activities of the Standing Committee on Customer Service (executive level committee) on a quarterly basis.
9. Review of minutes of product and process approval committee.*
10. Biennial audit of depositor services. *
11. Review of relevant instructions issued by other regulators. *
12. Review of cases reported under Limited Liability in unauthorized electronic banking transactions policy. *

*This term has been added as per RBI requirement after 31 March 2019.

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.

The Committee met 2 (Two) times during the year and the dates of the meetings were 09 August 2018 and 12 November 2018.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. C Balagopal	Non Executive-Independent Director	2/2
Mr. A P Hota	Non Executive-Independent Director	1/2
Mr. Harish Engineer ¹	Non Executive-Independent Director	1/2
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	2/2
Mr. Ashutosh Khajuria	Executive Director	1/2
Mr. Ganesh Sankaran ²	Executive Director	1/2

¹ Mr. Harish Engineer retired as Director from the Board w.e.f. 01 October 2018.

² Mr. Ganesh Sankaran joined as a member of the Committee w.e.f. 16 October 2018 as per the reconstitution of the Committee approved by the Board and he resigned from the Board of the Bank w.e.f. 15 February 2019.

Special Committee of the Board for monitoring and follow up of cases of frauds

The Committee is chaired by Mr. Shyam Srinivasan, MD & CEO of the Bank, and consists of Ms. Shubhalakshmi Panse, Ms. Grace Koshie, Mr. Nilesh Vikamsey (Independent Directors) and Mr. Ashutosh Khajuria, Executive Director as members. As required under the RBI regulations, all fraud cases of ₹ 1 Crore and above are considered by the Committee and as directed by the Audit Committee, all fraud cases of ₹ 1 Lakh and above are reported to this Committee. There is no change in the constitution of the Committee during FY 2018-19. The constitution of the Committee is in compliance with the regulatory requirements.

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

The major functions of the Committee would be to monitor and review all frauds of ₹ 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 ₹ 100L and above shall be sent to the members of SCBF through e-mail immediately on detection followed by placing report before the Committee in its next meeting.

In addition to the monitoring and review of frauds of ₹ 100 Lakh and above, the Committee shall monitor and review the progress of the mitigating steps taken by the Bank in case of electronic frauds and the efficacy of the same in containing the number of frauds and values at least on a quarterly basis.

The Committee met 3 (Three) times during the year and the dates of the meetings were 10 April 2018, 14 August 2018 and 19 February 2019.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	3/3
Ms. Grace Koshie	Non Executive-Independent Director	3/3
Mr. Nilesh Vikamsey	Non Executive-Independent Director	3/3
Mr. Ashutosh Khajuria	Executive Director	3/3

Committee for Human Resources Policy

The Committee is chaired by Mr. C Balagopal (Independent Director) and consists of Mr Nilesh Vikamsey, Ms. Shubhalakshmi Panse (Independent Directors) and Mr. Shyam Srinivasan, MD & CEO of the Bank as members. The Committee was re-constituted once in the financial year 2018-19 on 14 March 2019.

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

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

The Committee met 3 (Three) times during the year and the dates of the meetings were 18 April 2018, 12 November 2018, and 22 March 2019.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. C Balagopal	Non Executive-Independent Director	3/3
Mr. Nilesh Vikamsey	Non Executive-Independent Director	3/3
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	3/3
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Mr. Ganesh Sankaran ¹	Executive Director	1/3

¹ Mr. Ganesh Sankaran resigned from the Board w.e.f. 15 February 2019

Information Technology & Operations Committee

The Committee is chaired by Mr. A P Hota (Independent Director) and consists of Ms. Shubhalakshmi Panse, Mr. Dilip Sadarangani (Independent Directors) and Mr. Shyam Srinivasan, MD & CEO of the Bank as its members. The constitution of the Committee is in compliance with the regulatory requirements. There is no change in the constitution of the Committee during FY 2018-19.

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

Terms of Reference/ Roles and Responsibilities of the Committee are

- Approving IT strategy and policy documents and reviewing the same from time to time.
- Ensuring that the management has put an effective strategic planning process in place.
- Ensuring that the business strategy is indeed aligned with IT strategy.
- Ensuring that the IT organizational structure complements the business model and its direction.
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable
- 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
- Ensuring proper balance of IT investments for sustaining Bank's growth
- 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
- Assessing Senior Management's performance in implementing IT strategies
- Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
- Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
- 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
- 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:

- Ensuring that the management has put an effective strategic

planning process in place for operational activities that balances risk, customer experience and costs reviewing the same from time to time

2. Ensuring that the Operations organizational structure complements the business model and its direction
3. Ensuring that management has put in place effective steps to mitigate operational risks relating to the core operational processes of the Bank
4. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
5. Reviewing metrics and measurement relating to operational processes so as to ensure due contribution to the business

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.

The Committee met 4 (four) times during the year and the dates of meetings were 16 May 2018, 14 August 2018, 12 November 2018 and 19 February 2019.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. A P Hota	Non Executive-Independent Director	4/4
Mr. Dilip Sadarangani	Non Executive-Independent Director	4/4
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	4/4
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	4/4

Corporate Social Responsibility Committee

The Committee is chaired by Mr. A P Hota (Independent Director) and consists Mr. K Balakrishnan (Independent Director), Mr. Shyam Srinivasan, MD &CEO of the Bank and Mr. Ashutosh Khajuria, Executive Director as its members. The Committee was reconstituted twice during the financial year 2018-19 on 16 October 2018 and 14 March 2019.

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

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.

The Committee met 2 (Two) times during the year and the dates of meetings were 09 August 2018 and 12 November 2018.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. A P Hota ⁴	Non Executive-Independent Director	1/2
Mr. K Balakrishnan ²	Non Executive-Independent Director	0/2
Mr. Harish Engineer ¹	Non Executive-Independent Director	1/2
Mr. Deepak Maheshwari ³	Non Executive-Independent Director	1/2
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	2/2
Mr. Ashutosh Khajuria	Executive Director	2/2

- 1 Mr. Harish Engineer ceased to be a Director of the Bank w.e.f. 01 October 2018
- 2 Mr. K Balakrishnan joined as member of the Committee w.e.f. 16 October 2018 as per the reconstitution of the Committee approved by the Board.
- 3 Mr. Deepak Maheshwari joined as member of the Committee w.e.f. 16 October 2018 as per the reconstitution of the Committee approved by the Board and he resigned from the Board of the Bank w.e.f. 01 January 2019.
- 4 Mr. A P Hota became the Chairman of the Committee on 16 October 2018 as per the reconstitution of the Committee approved by the Board

Review committee of the Board on non co-operative Borrowers

The Committee is chaired by Mr. Shyam Srinivasan, MD & CEO of the Bank and consists of Mr. K Balakrishnan and Mr. Dilip Sadarangani (Independent Directors) as its members. The Review Committee of the Board on Non Cooperative Borrowers finalizes the decision with regard to classification & declassification of Non Cooperative Borrowers. The Committee was reconstituted thrice during the financial year 2018-19 on 17 July 2018, 16 October 2018 and 14 March 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are

In compliance with RBI directions on Non Cooperative Borrowers (NCB) the Bank has put in place a policy on identification, classification & declassification of Non Cooperative Borrowers and reporting

of such borrowers to the Central Repository of Information on Large Credits (CRILC). The policy envisages formation of a Committee headed by an Executive Director & consisting of two other Senior Executives of the rank of SVP/VP to take a decision on classification & declassification of Non Cooperative Borrowers. Accordingly an ED level committee headed by ED & CFO is formed. The decisions of the ED level committee has to be placed to this Review Committee of the Board for confirmation.

The Committee met 1 (One) time during the year and the date of meeting was 13 February 2019.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	1/1
Mr. K Balakrishnan ³	Non Executive-Independent Director	1/1
Mr. Dilip Sadarangani	Non Executive-Independent Director	1/1
Mr. Harish Engineer ¹	Non Executive-Independent Director	0/1
Mr. Deepak Maheshwari ²	Non Executive-Independent Director	0/1

1 Mr. Harish Engineer ceased to be a Director of the Bank w.e.f. 01 October 2018

2 Mr. Deepak Maheshwari joined as member of the Committee w.e.f 16 October 2018 as per the reconstitution of the Committee approved by the Board and resigned from the Board of the Bank w.e.f 01 January 2019.

3 Mr. K Balakrishnan joined as member of the Committee w.e.f 16 October 2018 as per the reconstitution of the Committee approved by the Board.

Review Committee of the Board for Wilful Defaulters

The Committee is chaired by Mr. Shyam Srinivasan, MD & CEO of the Bank and consists Mr. K Balakrishnan and Ms. Grace Koshie (Independent Directors) as its members. The Committee was reconstituted thrice during the financial year 2018-19 on 17 July 2018, 16 October 2018, and 14 March 2019.

The Committee met 2 (Two) times during the year and the dates of meetings were 12 December 2018 and 30 March 2019.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2018-19
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	2/2
Mr. K Balakrishnan ³	Non Executive-Independent Director	2/2
Ms. Grace Koshie	Non Executive-Independent Director	2/2
Mr. Harish Engineer ¹	Non Executive-Independent Director	0/2
Mr. Deepak Maheshwari ²	Non Executive-Independent Director	1/2

1 Mr. Harish Engineer ceased to be a Director of the Bank w.e.f 01 October 2018

2 Mr. Deepak Maheshwari joined as member of the Committee w.e.f 17 July 2018 as per the reconstitution of the Committee approved by the Board and resigned from the Board of the Bank w.e.f 01 January 2019.

3 Mr. K Balakrishnan joined as member of the Committee w.e.f 16 October 2018 as per the reconstitution of the Committee approved by the Board.

Terms of Reference/ Roles and Responsibilities of the Committee are

This Review Committee reviews the order of the Internal Committee that identifies accounts to be reported as wilful default to comply with the regulatory guidelines. The Order shall become final only after it is confirmed by the Review Committee.

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

The Board of Directors of the Bank has adopted the Code of Corporate Governance and Code of Conduct for the Directors of the Bank and for Management, 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 is posted on the website of the Bank and the web link thereto is:

<https://www.federalbank.co.in/web/guest/shareholder-information>

Subsidiary and Joint Venture Company of the Bank

The Bank has two subsidiary companies, Fedbank Financial Services Limited and Federal Operations and Services Ltd. The Bank has no material subsidiaries as per the conditions laid down in the Listing Agreement and hence no Policy on material subsidiary has been framed.

The Bank has two Associate Companies as on 31 March 2019, one Joint Venture Life Insurance Company, named IDBI Federal Life Insurance Company Limited and one Investment Banking company named Equirus Capital private Limited.

The Directors of the Bank who are also in the subsidiary/associate companies are as follows:

- Two Directors of the Bank, Mr. Shyam Srinivasan, Mr. Dilip Sadarangani are Directors in Fedbank Financial Services Limited.
- Mr. C Balagopal, Independent director of the Bank is the Chairman of Federal Operations and Services Ltd.(FedServ).
- Two Directors of the Bank, Mr. Shyam Srinivasan and Mr. Ashutosh Khajuria are Directors of the Bank in IDBI Federal Life Insurance Company Limited.

Whistle Blower Policy/Vigil Mechanism

Bank has a robust Whistle Blower Policy termed as Protected Disclosure Scheme (PDS) with a view to enhancing public confidence in the Bank and also in compliance of RBI directions in this regard. The Whistle Blower Policy aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with

it at the earliest. Directors and Employees of the Bank, employee representative bodies, customers, stakeholders, non-governmental organizations (NGO) and members of the public can freely communicate their concerns about illegal and unethical practices. A dedicated e-mail ID is provided for sending complaints/ disclosures under PDS. The policy is disseminated among the employees assuring confidentiality and protection to the whistle blower against any personal vindictive actions or any other form of unfair treatment. The PDS document is made available in Bank's website and Intranet. Vigilance Department conducts investigation of all complaints /information received through the PDS mechanism. The details of the complaints and findings are also placed before the Audit Committee of the Board. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure Scheme and no personnel has been denied access to the Audit Committee.

Vigilance department plays a dynamic role in prevention as well

as investigation of frauds. Preventive measures include spreading awareness on potential fraudulent activities and instigating a compliant environment among all employees of the Bank. Effectiveness of fraud prevention mechanism is ensured by conducting Preventive Vigilance Workshops, Preventive Vigilance Audits, internal circulars and alerts to all employees on regular basis that disseminates various modus operandi of frauds in the banking industry. Bank has been keen on educating customers against fraudulent activities through various channels including SMS, E-mails, posters at Branches, scroll messages on Bank website and internet banking webpage, etc.

As part of detective vigilance, all the cases of frauds reported in the Bank are investigated in detail. Lacunae, if any, observed during the course of investigation are plugged and cases where systemic corrections are required are taken up with the Committees/ Departments concerned for effecting necessary measures immediately.

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

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
85th Annual General Meeting	Thursday, 11 August 2016 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for i) Approval for amendment of the Memorandum of Association of the Bank. ii) Approval for amendment of the Articles of Association of the Bank. iii) Approval of Long Term Bond issuance programme for the financial year 2016-17
86th Annual General Meeting	Friday, 14 July 2017 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for i) Reappointment of Mr. K M Chandrasekhar as an Independent Director of the Bank ii) Reappointment of Mr. Niles H Vikamsey as an Independent Director of the Bank. iii) Reappointment of Mr. Dilip G Sadarangani as an Independent Director of the Bank iv) Reappointment of Mr. Harish H Engineer as an Independent Director of the Bank v) Reappointment of Ms. Grace E Koshie as an Independent Director of the Bank vi) Reappointment of Ms. Shubhalakshmi Panse as an Independent Director of the Bank vii) To introduce and implement a scheme for grant of stock options - "ESOS 2017" viii) Approval for amendment of Article 80 of Articles of Association of the Bank ix) Approval of Long Term Bond issuance programme for the financial year 2017-18 x) Approval for increase of the Borrowing power of the Bank by ₹ 7000 Crore over and above the Paid up Capital and free reserves of the Bank pursuant to section 180 (1) (c) of the Companies Act, 2013
87th Annual General Meeting	Friday, 10 August 2018 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for i) Approval for raising of funds through Issuance of Bonds for FY 2018-19 ii) Approval for increase of the Borrowing power of the Bank by ₹ 12000 Crore over and above the Paid up Capital, free reserves including securities premium of the Bank pursuant to section 180 (1) (c) of the Companies Act, 2013

No resolution was passed through postal ballot during FY 2018-19. No special resolution proposed through postal ballot.

Ethical standards employed by the Bank

All the employees of the Bank are required to comply with Bank's service manuals which, inter alia, provides for various ethical practices to be adhered to by them. It also includes Code of Ethics and Business Conduct, which provides the guidelines on standards of business conduct and it applies to all employees of the Bank. The Code explains the conduct and ethical behaviour to be exhibited by each employee towards customers, colleagues and other stakeholders to uphold the collective interest of the Bank. This includes Bank's obligation to comply with all general laws, local rules and regulations relevant to our activity and its commitment to enhance shareholders' value.

DISCLOSURES

Related Party Transactions

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

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

The policy on dealing with Related Party Transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Bank and the link for the same is:

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

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

Strictures and Penalties

Consequent to inspection of books and records of Depository Participant Division of the Bank conducted on February 15 & 16, 2017, SEBI vide letter dated 24.01.2018 had given an administrative warning. No other penalties or strictures have been imposed on the Bank by SEBI or any of the Stock Exchanges or any statutory authority for any non-compliance on any matter relating to capital markets during the last three years.

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 and its hedging activities.

Internal Controls

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

Internal Complaints Committee

Annual Report of the Internal Complaints Committee submitted U/s 21r/w Rule 14 of the Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013.

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

tions pan India. The data regarding the redressal of complaints by the Internal Complaints Committees is as follows:

- No. of Complaints received in FY 2018-19:1
- No. of complaints disposed of during the financial year: 1
- No. of cases pending for more than 90 days: Nil
- No. of cases pending as on end of the financial year: Nil
- No. of workshops/awareness programs against sexual harassment carried out: 13
- Nature action taken by the employer/District Officer: Appropriate action taken

Fees paid to Statutory Auditors

The total fees incurred by the Bank and its subsidiaries on a consolidated basis, for services rendered by Statutory auditors (M/s. BSR & Co LLP and M/s. M M Nissim & Co) and its affiliates entities, is given below:

(₹ in Crore)

Particulars	FY 2018-19
Audit Fees*	1.47
Statutory Certificates	-
Reimbursement of Expenses	0.25
Total	1.72

* - Includes branch audit fee.

Details of Utilization of Funds

During the year under review, there were no Preferential Allotment or Qualified Institutional Placement as specified under Regulation 32(7A) of the Listing Regulations.

Disclosures of Compliance with Corporate Governance Requirements

The Bank has complied with the corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46.

Credit Ratings and Change/Revisions In Credit Ratings For Debt Instruments

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

Certificate Under Regulation 34(3) of SEBI Listing Regulations

The Bank has obtained a Certificate pursuant to the Regulation 34(3) read with Schedule V of the Listing Regulations, from M/s. SVJS & Associates, Practising Company Secretaries, confirming that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of the Companies either by Securities and Exchange Board of India or the

Ministry of Corporate Affairs or any other Statutory Authorities. The said certificate forms part of this report.

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

The Bank has 29,273,675 GDRs (equivalent to equity shares) outstanding, which constituted 1.50 % of the Bank's total equity capital as at 31 March 2019.

Insider Trading Code

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

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

Compliance with Mandatory Requirements

The Bank has complied with all the applicable mandatory requirements of the Code of Corporate Governance as prescribed under the SEBI Listing Regulations. The required disclosures under SEBI(LODR) Regulations, 2015 are detailed under various portions of Directors Report and Corporate Governance Report and compliance has been ensured.

Adoption of Non-Mandatory Requirements

1. Audit Qualifications

During the period under review, there is no audit qualification in the Bank's financial statements. The Bank continues to adopt best practices to ensure regime of unqualified financial statements.

2. Separate posts of chairperson and chief executive officer

The Bank has also complied with the adoption of non-mandatory requirement on separate posts of Chairman and CEO. Mr. Dilip Sadarangani is the Chairperson of the Bank and Mr. Shyam Srinivasan is the Managing Director & CEO of the Bank as on 31 March 2019.

3. Reporting of Internal Auditor

The Internal Auditor of the Bank reports directly to the Audit Committee of the Bank.

CEO/CFO Certification

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

The CEO/CFO Certification are as follows:

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

- A) we have reviewed financial statements and the cash flow statement for the year ended 31 March 2019 and that to the best of our knowledge and belief:
 - (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements together present a true and fair view of Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B) there are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's code of conduct.
- C) we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D) we have indicated to the Auditors and the Audit committee:
 - (1) significant changes in internal control over financial reporting during the year;
 - (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

Ashutosh Khajuria
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

Aluva
04 May 2019

Means of communication

The quarterly, unaudited and annual audited financial results were published in nationally circulated newspaper in English, in Financial Express and in the regionally circulated Malayalam daily Deepika. The results were also displayed on the Bank's website - www.federal-bank.co.in. The website also contains details of official news releases, presentations made to institutional investors/to the analysts.

General information for Shareholders

ANNUAL GENERAL MEETING

Date	:	25 July 2019
Time	:	10 AM
Venue	:	Mahatma Gandhi Municipal Town Hall, Aluva
Financial year	:	01 April 2018 to 31 March 2019
Period of book closure	:	Friday, 19 July 2019 to Thursday 25 July 2019
Dividend payment date	:	Will be paid on or after 30th July 2019

FINANCIAL CALENDER

Approval of quarterly results for the period ending:

- 30 June 2018 : 17 July 2018
- 30 September 2018 : 16 October 2018
- 31 December 2018 : 17 January 2019
- 31 March 2019 : 04 May 2019

Listing on Stock Exchanges

The Bank's shares are listed on the Stock Exchanges viz. in National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., and the Bank's shares were also listed in Cochin Stock Exchange, but as per exit order granted by SEBI to Cochin Stock Exchange Limited vide order dated 23 December 2014 and the Bank's shares are no more listed/traded in Cochin Stock Exchange. The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange.

Name and Address of Stock Exchanges in which Bank's equity shares are listed are:

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400 001
Tel No.: (022) 22721233/4, (022) 66545695
Fax : (022) 22721919

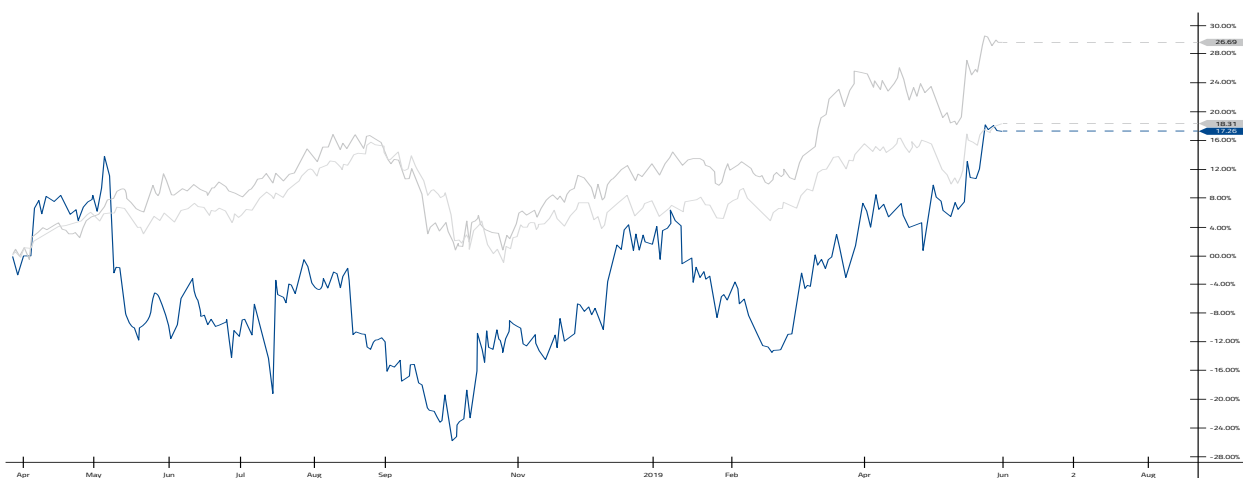
National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051
Tel No. : (022) 26598100 - 8114
Fax No. : (022) 26598120
BSE Scrip Code : 500469 Scrip ID : FEDBANK
NSE Symbol : FEDERALBNK
LSE Scrip Code : FEDS
Demat ISIN Code : INE171A01029
The annual listing fees for 2018-19 have been paid to all the Stock Exchanges where the shares are listed.

Movements in the Market price of the bank's shares on the National Stock Exchange and BSE

NSE			BSE		
	Month	High		Low	Month
Apr-18	101.6	89.4	Apr-18	101.55	89.4
May-18	105	80.1	May-18	105	80.15
Jun-18	90.3	78.05	Jun-18	90.9	78.3
Jul-18	92.75	73.5	Jul-18	92.75	73.6
Aug-18	90.7	77.7	Aug-18	90.7	75
Sep-18	81.85	67.65	Sep-18	81.75	67.25
Oct-18	85.55	67.05	Oct-18	85.45	67.05
Nov-18	86.25	76.8	Nov-18	86.3	76.85
Dec-18	96.35	81.1	Dec-18	96.3	81.35
Jan-19	97.5	83.85	Jan-19	97.4	84
Feb-19	88.75	78.2	Feb-19	88.7	78.4
Mar-19	98.15	83.6	Mar-19	97.95	83.75

Performance in comparison to NIFTY



Registrars and Share Transfer Agent

Integrated Registry Management Services Private Limited

2nd Floor, Kences Towers,

No.1, Ramakrishna Street,

Off : North Usman Road

T.Nagar, Chennai-600017

Phone No: 044-28140801-03

Fax: 044-28142479

Email: csdstd@integratedindia.in

Share Transfer System

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

Securities and Exchange Board of India has barred physical transfer of shares of listed companies effective from April 01, 2019 and mandated the share transfer only through Electronic Mode. However the above decision does not prohibit the investor from holding the shares in physical form; investor has the option of holding shares in physical form even after April 01, 2019. Also the Board Decision is not applicable for transmission (i.e. transfer of title of shares by way of inheritance / succession) and transposition (i.e. re-arrangement/interchanging of the order of name of shareholders) cases.

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

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

Dematerialisation of the Bank's Shares

The Paid up Equity Shares of the Bank as on 31 March 2019 is 1,985,050,203 shares. Out of this 1,984,029,028 shares are listed. Of the total paid up equity shares of the Bank, 1,961,164,444 shares (98.80%) are held in dematerialized form (In NSDL-1,766,936,449 (88.95%), in CDSL 194,227, 995 (9.78%) and 23,885,759 (1.20 %) are in physical form. Under agreements with National Securities Depository India Ltd (NSDL) and Central Depository Services Ltd

(CDSL), the Bank's shares can be and are traded in electronic form. Shares remaining in physical form can be dematerialized for which the shareholders are requested to open a Depository Account with the Depository Participants (DP) and to lodge the share certificates along with Demat Request Form with them.

Unclaimed Dividends

As per Section 124(5) of the Companies Act, 2013, all unpaid or unclaimed dividends for a period of seven years are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government. Further, Section 124(6) requires that all shares in respect of which dividend has not been claimed or paid for seven consecutive years or more shall also be transferred to Demat account of the IEPF Authority. Ministry of Corporate Affairs has notified "Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016" which have come into force from 07 September 2016. The said Rules, amongst other matters, contain provisions for transfer of all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more, to the demat account of the IEPF Authority. The Bank has uploaded the details of the shareholders who have not claimed their dividend in the Bank's website: www.federalbank.co.in. Shareholders are requested to access the weblink:

<http://www.federalbank.co.in/unclaimed-dividend-warrants> to verify the details of uncashed dividends as updated till 31 December 2018. Subsequent to such transfer of the shares to IEPF Authority, all benefits, if any which may accrue, in future, including future rights/bonus shares/dividend, if any, will be credited to IEPF.

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

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

The details of unclaimed dividends for last seven years as on 31 March 2019 are:

Sl. No.	Financial Year	Amount of unclaimed Dividend (in ₹) (As on 31 March 2019)
1	2011-12	10019619.00
2	2012-13	10370592.00
3	2013-14	11093070.00
4	2014-15	13226320.80
5	2015-16	9249450.00
6	2016-17	12318269.40
7	2017-18	9969215.00
	Total	76246536.20

Share holding pattern as on 31 March 2019

Share holder Category	No of Shares	%
Shares held by Custodians and others against which Depository Receipts have been issued	29273675	1.47
Mutual Funds/UTI	439092603	22.12
Financial Institutions/Bank/Insurance Companies	90061660	4.54
Foreign Institutional Investors	753748238	37.97
Bodies Corporate	86446758	4.35
Individual(including NRIs)	541532635	27.29
Any Other(Trust, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate , LLP, Clearing Member)	44894634	2.26
Total	1985050203	100.00

Details of Share Holders holding more than 1% of the shares as on 31 March 2019

S.No	Name	Shares	%
1	ICICI Prudential S & P BSE 500 ETF	80051471	4.09
2	Yusuffali Musaliyam Veetil Abdul Kader	74828640	3.83
3	Reliance Emergent India Fund	70083976	3.58
4	HDFC Trustee Company Ltd	57758817	2.95
5	East Bridge Capital Master Fund Limited	48345447	2.47
6	Amansa Holdings Private Limited	47161424	2.41
7	Life Insurance Corporation of India	45799910	2.34
8	Rakesh Jhunjunwala	44721060	2.29
9	East Bridge Capital Master Fund I Ltd	37729342	1.93
10	Aditya Birla Sun Life Trustee Private Limited	35224187	1.80
11	Fidelity Investment Trust Fidelity Series Emerging Markets Opportunities Fund	34320594	1.75
12	Bank Muscat India Fund	33351210	1.71
13	Franklin Templeton Investment Funds	31353822	1.60
14	HDFC Life Insurance Company Limited	31052248	1.59
15	First State Investments ICVC- Stewart Investors Global Emerging Markets Leaders	30223011	1.55
16	Deutsche Bank Trust Company Americas	29273675	1.50
17	Government Pension Fund Global	28872287	1.48
18	UTI	25665693	1.31
19	Tata Offshore India Opportunities Scheme	23986000	1.23
20	General Insurance Corporation of India	24000000	1.23
21	Kotak Balanced Advantage Fund	23694830	1.21
22	MFS International New Discovery Fund	22441921	1.15
23	Vanguard Total International Stock Index Fund	22483544	1.15
24	Vanguard Emerging Markets Stock Index Fund	21545546	1.10
25	Rakesh Jhunjunwala(In the capacity as partner of RARE Enterprises)	21500000	1.10
26	Kotak Funds - India Midcap Fund	20539200	1.05
27	SBI Arbitrage Opportunities Fund	20326897	1.04

Distribution of Holdings as on 31 March 2019

Category (Amount)	Share Holders		No of shares	% to Capital
	Number	% to Total no of holders		
1	2	3	4	5
Upto 5000	323436	92.08	114869253	5.79
5001 - 10000	13666	3.89	49344890	2.49
10001 - 20000	7891	2.25	56256631	2.83
20001 - 30000	2542	0.72	31263859	1.57
30001 - 40000	983	0.28	17508962	0.88
40001 - 50000	579	0.16	13104939	0.66
50001 - 100000	1163	0.33	40867390	2.06
ABOVE 100001	1019	0.29	1661834279	83.72
Total	351279	100	1985050203	100

Locations

With its Head Office at Aluva, the Bank has a network of 1251 Branches across India as on 31 March 2019.

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

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

Compliance with the code of conduct

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

Shyam Srinivasan
 Managing Director & Chief Executive Officer
 13 June 2019

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C Clause (10)(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To

The Members

The Federal Bank Ltd.

Federal Towers, P B No. 103

Alwaye-683101

Kerala

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of The Federal Bank Limited having CIN:L65191KL1931PLC000368 and having registered office at Federal Towers, P B No. 103, Alwaye- 683 101, Kerala (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para C Clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2019 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 Statutory Authority.

Sl. No.	Name of Director	DIN	Date of appointment in Company
1	Mr.Nilesh Shivji Vikamsey	00031213	24/06/2011
2	Mr.Balakrishnan Krishnamurthy	00034031	25/09/2018
3	Mr.Balagopal Chandrasekhar	00430938	29/06/2015
4	Mr.Shyam Srinivasan	02274773	23/09/2010
5	Mr.Abhaya Prasad Hota	02593219	15/01/2018
6	Ms.Shubhalakshmi Aamod Panse	02599310	29/04/2014
7	Mr.Ashutosh Khajuria	05154975	28/01/2016
8	Mr.Dilip Gena Sadarangani	06610897	04/06/2013
9	Ms. Grace Elizabeth Koshie	06765216	22/11/2013

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SVJS & Associates

Company Secretaries

Sd/-

CS.Vincent P. D.

Managing Partner

FCS: 3067

CP No: 7940

Kochi

13.06.2019

Independent Auditors' certificate on Compliance of Corporate Governance Report

To

The Members of The Federal Bank Limited

This certificate is issued in accordance with the terms of our engagement letter dated 21 December 2018.

We have examined the compliance of conditions of Corporate Governance by The Federal Bank Limited ('the Bank'), for the year ended 31 March 2019, as stipulated in Regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended from time to time, pursuant to the Listing Agreement of the Bank with Stock exchanges.

Management responsibility

The Bank's Management is responsible for compliance of conditions of Corporate Governance including the preparation and maintenance of all relevant supporting records and documents as stipulated under the Listing Regulations. This responsibility includes the design, implementation and maintenance of corporate governance process relevant to the compliance of the conditions. Responsibility also includes collecting, collating and validating data and designing, implementing and monitoring of Corporate Governance process suitable for ensuring compliance with the above mentioned Listing Regulations.

Auditors' responsibility

Pursuant to the requirements of 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 31 March 2019.

We have examined the compliance of conditions of Corporate Governance by the Bank for the period 1 April 2018 to 31 March 2019 as per the SEBI Listing Regulations. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

We conducted our examination of the corporate governance compliance by the Bank as per the Guidance Note on Reports or Certificates for Special purposes (Revised 2016), Guidance Note on Certification of Corporate Governance both issued by the Institute of Chartered Accountants of India ("ICAI") and the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate. The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

We state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

Restrictions on use

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 SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For B S R & Co. LLP

Chartered Accountants

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

Akeel Master

Partner

ICAI UDIN: 19046768AAAAFR8858

Membership No: 046768

For M.M. Nissim & Co.

Chartered Accountants

Firm's Registration No: 107122W

Varun Kothari

Partner

ICAI UDIN: 19115089AAAACX9205

Membership No: 115089

Taking the road less travelled



Much before CSR became mandatory in the corporate world, Federal Bank had institutionalised and internalised the art of giving back to society. Be it women empowerment or lending a helping hand to senior citizens, the Bank involves itself in a wide variety of CSR initiatives. The much-lauded "Motorcycle Angels" is a sterling testimony to the Bank's single-minded commitment to women empowerment. Equally noteworthy is the passion with which Team Federal espouses CSR causes like Speak For India, Skill Academy, Digitisation and Village Adoption, SEED etc.

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 31 March 2019, and 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 the significant accounting policies and other explanatory information in which are included the Returns for the year ended on that date audited by the branch auditors of the Bank's branches.

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 ('BR Act') as well as the Companies Act, 2013 ("Act") in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2019, and profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities

under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone 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 opinion.

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 of the current period. 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.

Description of Key Audit Matters

Identification of Non-Performing Assets ('NPAs') and Provision on Advances
Gross NPA: INR 3,260.68 crore for year ended 31 March 2019
Charge (including write-off): INR 630.55 crore for year ended 31 March 2019
NPA Provision: INR 1,606.32 crore as at 31 March 2019

Refer to the accounting policies in "Schedule 17 to the Standalone Financial Statements: Significant Accounting Policies- Use of estimates and Advances and Note 1.4 and Note 3.1 of Schedule 18 to the Standalone Financial Statements: Advances"

The key audit matter	How the matter was addressed in our audit
<p>Significant estimate and judgment involved</p> <p>Identification of NPAs is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines with regard to the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning'. NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.</p> <p>Provisions in respect of such NPAs and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to and guided by the minimum provisioning levels prescribed under RBI guidelines, prescribed from time to time. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made for erosion/diminution in fair value of restructured loans, in accordance with the RBI guidelines.</p>	<p>Our key audit procedures included:</p> <p>Design / controls</p> <ul style="list-style-type: none"> Assessing the design, implementation and operating effectiveness of key internal controls over approval, recording and monitoring of loans, monitoring process of overdue loans (including those which became overdue subsequent to the reporting date), measurement of NPA provision, identification of NPA accounts, and assessing the reliability of management information, which included overdue reports. In addition, for corporate loans we tested controls over the internal ratings process, monitoring of stressed accounts including credit file review processes and review controls over the approval of significant individual impairment provisions. Evaluated the design, implementation and operating

The key audit matter	How the matter was addressed in our audit
<p>We identified NPA identification and provision on loans and advances as a key audit matter because of the significant efforts involved by the management in identifying NPAs based on the RBI guidelines, the level of management judgement involved in determining the provision, the valuation of security of the NPAs and on account of the significance of these estimates to the financial statements of the Bank.</p>	<p>effectiveness of key internal controls over the valuation of the securities for NPAs and the Special Mention Accounts ('SMA').</p> <ul style="list-style-type: none"> • Testing of management review controls over identification of NPAs, measurement of provisions and disclosures in financial statements, including auditing management controls on Early Warning System of identifying credit impairment indicators. • Involved our information systems specialist in the audit of this area to obtain evidence and get assurance over data integrity and calculations, including system reconciliations. <p>Substantive tests</p> <ul style="list-style-type: none"> • Test of details for a selection of exposures over calculation of NPA provisions including valuation of collaterals for NPAs as at 31 March 2019; the borrower-wise NPA identification and provisioning determined by the Bank and also testing related disclosures by assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification and Provisioning. • We also selected a number of loans to test potential cases of loans repaid by a customer during the period by fresh disbursement(s) to these higher risk loans. • We selected samples (based on quantitative and qualitative thresholds) of corporate clients where impairment indicators had been identified by management. We obtained management's assessment of the recoverability of these exposures (including individual provisions calculations) and challenged whether individual provisions, or lack of, were appropriate. • This included the following procedures: <ul style="list-style-type: none"> - Reviewing the statement of accounts, approval process, board and credit committees minutes, credit review of customer, review of Special Mention Accounts ('SMA') reports and other related documents to assess recoverability and the classification of the facility; - Assessed external collateral valuer's credentials and comparing external valuations to values used in management's assessments; and - For a risk based sample of corporate loans not identified as displaying indicators of deterioration by management, challenged this assessment by reviewing the historical performance of the customer and assessed whether any impairment indicators were present.

The key audit matter	How the matter was addressed in our audit
<p>Valuation of Financial Instruments (Investments) Gross value of investments: INR 32,224.29 crore as at 31 March 2019 Mark to market: INR 399.82 crore as at 31 March 2019 Net value of investments: INR 31,824.47 crore as at 31 March 2019</p>	
<p><i>Refer to the accounting policies in "Schedule 17 to the Standalone Financial Statements: Significant Accounting Policies- Investments" and "Schedule 8 to the Financial Statements: Investments"</i></p>	
<p>Significant estimate and judgment involved</p> <p>Investments</p> <p>Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.</p> <p>Investments classified as HTM are carried at amortised cost. Where in the opinion of management, a diminution, other than temporary, in the value of investments has taken place, appropriate provisions are made.</p> <p>Investments classified as AFS and HFT are marked- to-market on a periodic basis as per the relevant RBI guidelines.</p> <p>We identified valuation of investments 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 the policy and model developed by the Bank, impairment assessment for HTM book and the overall significance to the financial results of the Bank.</p>	<p>Our key audit procedures included:</p> <p>Design / controls</p> <p>We tested the design, implementation and operating effectiveness of management's key internal controls over the valuation process and independent price verification, including the Bank's review and approval of the estimates and assumptions used for the valuation including key authorization and data input controls;</p> <p>We assessed appropriateness of the valuation methodologies with reference to RBI guidelines and Bank's own valuation policy;</p> <p>Read investment agreements / term sheets entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments.</p> <p>We tested the controls operated at the Bank for ensuring completeness of the investments.</p> <p>Substantive tests</p> <p>We verified the list of investments from eKuber for SLR securities and DP statements for Non-SLR securities.</p> <p>We independently verified the fair valuation of investments on a sample basis with direct observable inputs and external input data such as market value from FBIL, spreads from FIMMDA etc. after considering the requirements of RBI guidelines.</p> <p>We assessed that the financial statement disclosures appropriately reflected the Bank's exposure to investments valuation risks with reference to the requirements of the prevailing accounting standards and the RBI guidelines.</p>
<p>Information technology ('IT') systems</p>	
<p>IT systems and automated controls</p> <p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. Amongst, its multiple IT systems, seven systems are key for its overall financial reporting.</p> <p>In addition, large transaction volumes and the increasing challenges to protect the integrity of the Bank's systems and data, cyber security has become a more significant risk in recent periods.</p> <p>We have identified 'IT systems and automated controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture.</p>	<p>Our key IT audit procedures included:</p> <ul style="list-style-type: none"> • We focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems. • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties.

The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • For a selected group of key controls over financial and reporting system, we have performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • We have also assessed other areas which includes password policies, security configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment. • Security configuration review and related tests on certain critical aspects of cyber security on network security management mechanism, operational security of key information infrastructure, data and client information management, monitoring and emergency management.

Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Bank's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual Report, but does not include the Standalone Financial Statements and our auditors' report thereon. The Bank's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's Responsibility for the Standalone Financial Statements

The Bank's management and Board of Directors are 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 state of affairs, profit 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, provisions of Section 29 of the Banking Regulation Act, 1949 ("BR Act") and the circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 with reference to 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 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 auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period 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 balance sheet and the profit and loss account have been drawn up in accordance with the provisions of Section 29 of the BR Act, Section 133 of the Act.

- (A) As required by sub section (3) of Section 30 of the BR 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) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - (c) since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited 40 branches. Returns from 1,234 branches were received duly audited by other auditors and were found adequate for the purpose of our audit.
- (B) 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 purposes of our audit and have found them to be satisfactory;
 - (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 reports on the accounts of the 1,234 branches of the Bank audited by branch auditors under Section 143(8) of the Act have been forwarded to us and have been properly dealt with by us in preparing this report;
- (d) the standalone balance sheet, the standalone profit and loss account and the standalone cash flow statement dealt with by this Report are in agreement with the books of accounts.
- (e) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act to the extent they are not inconsistent with the accounting policies prescribed by the RBI;
- (f) on the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act;
- (g) with respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"; and
- (C) 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, 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 No.4.7 of Schedule 18 to the Standalone Financial Statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 4.12 of Schedule 18 to the Standalone 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
 - iv. The disclosures required on holdings as well as dealing in specified bank notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification

G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank

- (D) With respect to the matter to be included in the Auditors' Report under section 197(16):
- i. The Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply.

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

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

Akeel Master
Partner
Membership No: 046768

Sanjay Khemani
Partner
Membership No: 044577

Mumbai
May 4, 2019

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF THE FEDERAL BANK FOR THE YEAR ENDED 31 MARCH 2019.

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (B)(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of The Federal Bank Limited ("the Bank") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Bank's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our

audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone 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 with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A Bank's internal financial controls with reference to 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 controls with reference to financial statements include 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 authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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 with Reference to Financial Statements

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

For B S R & Co. LLP

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

For M.M. Nissim & Co.

Chartered Accountants
Firm's Registration No:
107122W

Akeel Master

Partner
Membership No: 046768

Sanjay Khemani

Partner
Membership No: 044577

Mumbai
May 4, 2019

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT MARCH 31, 2019

हजार रुपयों म

(₹ in Thousands)

पूँजी और ऋणद		Schedule अनुसूची	As at March 31, 2019	As at March 31, 2018
	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	3,970,096	3,944,285
आरक्षित निधियु और अधिशेष	Reserves and surplus	2	128,760,322	118,158,065
जमा राशियां	Deposits	3	1,349,543,444	1,119,924,866
उधार ली गयी राशियां	Borrowings	4	77,813,235	115,334,992
अन्य देयताएं एवं प्रावधान	Other Liabilities and provisions	5	33,312,850	25,777,334
कुल	TOTAL		1,593,399,947	1,383,139,542
	ASSETS			
भारतीय रिज़र्व बैंक के पास नकदी और शेष रकम	Cash and balances with Reserve Bank of India	6	64,191,682	51,327,584
बैंकों के पास शेष रकम तथा मांग एवं अल्प सूचना पर प्रतिदेय राशि	Balances with banks and money at call and short notice	7	36,476,331	40,706,503
निवेश	Investments	8	318,244,727	307,810,747
अग्रिम	Advances	9	1,102,229,537	919,574,732
अचल आस्तियां	Fixed assets	10	4,720,411	4,573,701
अन्य आस्तियां	Other assets	11	67,537,259	59,146,275
कुल	TOTAL		1,593,399,947	1,383,139,542
आकस्मिक देयताएं	Contingent liabilities	12	293,446,760	268,151,663
वसूली के लिए बिल	Bills for collection		35,428,061	31,233,635
उल्लेखनीय लेखा नीतियाँ	Significant accounting policies	17		
लेखों पर टिप्पणियां	Notes on accounts	18		
उत्तर दर्शायी गयी अनुसूचियां तुलन-पत्र का अभिन्न भाग हैं	Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

 Krishnakumar K
Senior Vice President

 Girish Kumar Ganapathy
Company Secretary

 Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

 Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

 Dilip G Sadarangani
Chairman
(DIN:06610897)

As per our report of even date

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

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

Directors:
Nilesh S Vikamsey (DIN : 00031213)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)

 Akeel Master
Partner
Membership No.046768

 Sanjay Khemani
Partner
Membership No. 044577

 Place: Mumbai
Date : May 4, 2019



THE FEDERAL BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

हजार रुपयों में
(₹ in Thousands)

31 मार्च 2019 समाप्त वर्ष के लिए लाभ हानि लेख		Schedule अनुसूची	Year ended March 31, 2019	Year ended March 31, 2018
I. आय	I. INCOME			
अर्जित ब्याज	Interest earned	13	114,190,245	97,528,637
अन्य आय	Other income	14	13,510,240	11,591,182
कुल	TOTAL		127,700,485	109,119,819
II. व्यय	II. EXPENDITURE			
खर्च किया गया ब्याज	Interest expended	15	72,426,796	61,700,537
परिचालन व्यय	Operating expenses	16	27,642,669	24,509,004
प्रावधान और आकरिमक व्यय	Provisions and contingencies		15,192,137	14,121,820
कुल	TOTAL		115,261,602	100,331,361
III. लाभ/हानि	III. PROFIT/LOSS			
अवधि का निवल लाभ	Net profit for the year		12,438,883	8,788,458
पिछले वर्ष के अग्रणीत लाभ	Profit brought forward from Previous Year		17,424,864	14,512,668
			29,863,747	23,301,126
IV. विनियोजन	IV. APPROPRIATIONS			
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue Reserve		1,439,300	970,732
सांविधिक आरक्षितियों को अंतरण	Transfer to Statutory Reserve		3,109,700	2,197,114
पूँजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		344,800	268,319
निवेश आरक्षित खाते को / (से) अंतरण	Transfer from Investment Reserve Account		-	(235,721)
विशेष आरक्षितियों को अंतरण	Transfer to Special Reserve		840,000	570,000
वर्ष के दौरान प्रदत्त पिछले वर्ष से संबंधित लाभांश (अनुसूचि 18 में से नोट 4.2 E संदर्भ लें)	Dividend pertaining to previous year paid during the year (Note 4.2 E of Schedule 18)		1,980,092	1,749,634
लाभांश पर कर (अनुसूचि 18 में से नोट 4.2 E संदर्भ लें)	Tax on dividend (Note 4.2 E of Schedule 18)		407,014	356,184
अतिशेष जो आगे तुलन पत्र में ले जाया गया है	Balance carried over to Balance Sheet		21,742,841	17,424,864
कुल	TOTAL		29,863,747	23,301,126
प्रति शेयर आय (₹) (अंकित मूल्य ₹ 2/- प्रत्येक) अनुसूचि 18 में से नोट 4.1 संदर्भ लें)	Earnings per share (Face value of ₹ 2/- each) (₹) (Note 4.1 of Schedule 18)			
बुनियादी	Basic		6.28	4.62
तनुकृत	Diluted		6.24	4.56
महत्वपूर्ण लेखांकन नीतियाँ	Significant accounting policies	17		
लेखा संबंधी टिप्पणियाँ	Notes on accounts	18		
ऊपर संदर्भित अनुसूचियाँ लाभ और हानि खाते का एक अभिन्न अंग हैं	Schedules referred to above form an integral part of the Profit and Loss account			

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

Dilip G Sadarangani
Chairman
(DIN:06610897)

As per our report of even date

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

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

Directors:

Nilesh S Vikamsey (DIN : 00031213)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)

Akeel Master
Partner
Membership No.046768

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : May 4, 2019

THE FEDERAL BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

(₹ in Thousands)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash Flow from Operating Activities		
Net Profit before taxes	19,072,483	13,438,558
Adjustments for:		
Depreciation on Bank's Property	1,203,754	1,231,721
Depreciation on Investments	1,029,281	1,674,342
Amortisation of Premium on Held to Maturity Investments	528,891	582,071
Provision for Non Performing Investments	202,800	55,100
Provision / Charge for Non Performing Assets	6,305,490	7,526,803
Provision for Standard Assets	978,600	424,300
(Profit)/Loss on sale of fixed assets (net)	(181,892)	4,225
Provision for Restructured assets	-	(76,432)
Provision for Other Contingencies	42,365	(132,393)
	29,181,772	24,728,295
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	20,378,850	(13,310,281)
(Increase)/ Decrease in Advances	(188,960,295)	(193,738,819)
(Increase)/ Decrease in Other Assets	(7,032,270)	(1,936,786)
Increase/ (Decrease) in Deposits	229,618,578	143,279,245
Increase/ (Decrease) in Other liabilities and provisions	5,516,593	835,209
	59,521,456	(64,871,432)
Direct taxes paid	(6,994,357)	(6,830,295)
Net Cash Flow from / (Used in) Operating Activities	81,708,871	(46,973,432)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,383,621)	(929,183)
Proceeds from Sale of Fixed Assets	215,049	14,226
Investment in Subsidiary	(50,000)	-
Investment in Associate	(68,490)	-
(Increase)/ Decrease in Held to Maturity Investments	(32,455,312)	(14,851,093)
Net Cash generated / (Used in) Investing Activities	(33,742,374)	(15,766,050)

THE FEDERAL BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	25,811	496,198
Proceeds from Share Premium	527,938	25,498,179
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(37,521,757)	56,361,758
Dividend Paid (Including Tax on Dividend)	(2,387,105)	(2,105,818)
Net Cash generated from Financing Activities	(39,355,113)	80,250,317
Effect of exchange fluctuation on translation reserve	22,542	1,514
Net Increase in Cash and Cash Equivalents	8,633,926	17,512,349
Cash and Cash Equivalents at the beginning of year	92,034,087	74,521,738
Cash and Cash Equivalents at the end of year	100,668,013	92,034,087

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

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

Dilip G Sadarangani
Chairman
(DIN:06610897)

As per our report of even date

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

For M. M. Nissim & Co.
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Directors:

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Akeel Master
Partner
Membership No.046768

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : May 4, 2019

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 1 - CAPITAL		
Authorised Capital	5,000,000	5,000,000
2,500,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,972,789	3,946,977
1,986,394,498 (Previous year 1,973,488,734) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,970,100	3,944,289
1,985,050,203 (Previous year 1,972,144,439) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,970,096	3,944,285

Refer Note 4.2 of Schedule 18

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

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	22,867,329	20,670,215
Additions during the year	3,109,700	2,197,114
	25,977,029	22,867,329
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	50,091
b) Others		
Opening balance	3,342,916	3,074,597
Additions during the year*	344,800	268,319
	3,687,716	3,342,916
Subtotal	3,737,807	3,393,007
III. Share premium (Refer Note 4.2 of Schedule 18)		
Opening balance	50,780,933	25,282,754
Additions during the year	527,938	25,498,179
	51,308,871	50,780,933
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	17,256,580	16,285,848
Additions during the year	1,439,300	970,732
Deductions during the year	-	-
	18,695,880	17,256,580
b) Investment Fluctuation Reserve (Refer Note 1.2.2 (d) of Schedule 18)		
Opening Balance	1,897,200	1,897,200
	1,897,200	1,897,200
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	4,239,900	3,669,900
Additions during the year	840,000	570,000
	5,079,900	4,239,900
V. Investment Reserve Account		
Opening Balance	-	235,721
Additions during the year	-	-
Deductions during the year (Refer Note 3.3 of Schedule 18)	-	235,721
	-	-
VI. Foreign Currency Translation Reserve		
Opening Balance	(2,751)	(4,265)
Additions / (Deductions) during the year [Refer Schedule 17 (4.5)]	22,542	1,514
	19,791	(2,751)

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

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
VII. Contingency Reserve		
Opening balance	301,003	3,01,003
	301,003	3,01,003
VIII. Balance in Profit and Loss Account	21,742,841	1,74,24,864
Total	128,760,322	11,81,58,065
* - 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 ₹ 260,221 Thousands (Previous year ₹ 268,319 Thousands)		
b) Profit on sale of Premises ₹ 84,579 Thousands (Previous year ₹ NIL)		
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	4,800,620	3,529,474
ii. From Others	82,727,446	64,139,376
	87,528,066	67,668,850
II. Savings Bank Deposits	349,785,547	309,198,323
III. Term Deposits		
i. From Banks	19,060,109	9,922,742
ii. From Others	893,169,722	733,134,951
	912,229,831	743,057,693
Total	1,349,543,444	1,119,924,866
B. I. Deposits of branches in India	1,348,768,908	1,119,915,611
II. Deposits of branches outside India	774,536	9,255
Total	1,349,543,444	1,119,924,866
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	5,000,000	16,870,000
ii. Other Banks	5,100,000	9,193,324
iii. Other institutions and agencies	44,182,225	54,596,199
Total	54,282,225	80,659,523
II. Borrowings outside India	23,531,010	34,675,469
Total	77,813,235	115,334,992
Secured borrowings included in I and II above	16,133,405	26,031,882
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	4,067,915	3,381,801
II. Inter - office adjustments (Net)	5,405	20,572
III. Interest accrued	3,140,323	3,646,200
IV. Others (including provisions)*	26,099,207	18,728,761
Total	33,312,850	25,777,334
*Includes		
(a) General provision for standard assets (Refer Note 1.4.9 of Schedule 18)	5,270,303	4,373,581
(b) Deferred Tax Liability (Net)	997,957	-

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	7,002,297	7,363,452
II. Balance with Reserve Bank of India		
i. in Current Accounts	57,189,385	43,964,132
ii. in Other Accounts	-	-
Total	64,191,682	51,327,584
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	1,875,523	2,487,373
b. in Other Deposit Accounts	-	-
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	21,400,558	17,487,243
Total	23,276,081	19,974,616
II. Outside India		
i. in Current Accounts	3,922,812	2,791,380
ii. in Other Deposit Accounts	8,240,113	17,484,282
iii. Money at call and short notice	1,037,325	456,225
Total	13,200,250	20,731,887
Grand Total (I and II)	36,476,331	40,706,503

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

(₹in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	273,508,149	244,661,804
ii. Other approved Securities	-	-
iii. Shares	2,401,659	2,085,961
iv. Debentures and Bonds	11,903,518	10,616,774
v. Subsidiaries/ Joint Ventures	4,030,000	3,980,000
vi. Others @	26,397,781	46,456,917
Total	318,241,107	307,801,456
II. Investments outside India - Shares	3,620	9,291
Grand Total (I and II)	318,244,727	307,810,747
Gross Investments		
In India	322,239,127	310,751,404
Outside India	3,753	9,291
Total	322,242,880	310,760,695
Depreciation/ Provision for Investments		
In India	3,998,020	2,949,948
Outside India	133	-
Total	3,998,153	2,949,948
Net Investments		
In India	318,241,107	307,801,456
Outside India	3,620	9,291
Total	318,244,727	307,810,747

Securities costing ₹ 48,222,203 Thousands (Previous Year ₹ 56,121,263 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of:

(₹in Thousands)

Particulars	As at March 31, 2019	As at March 31, 2018
Pass through certificates (PTCs)	4,979,229	1,452,620
Certificate of Deposits	16,768,658	30,874,436
Commercial Paper	480,833	8,409,729
Venture Capital Funds (VCFs)	654,661	268,275
Security Receipts	3,514,400	5,451,857
Others	-	-
Total	26,397,781	46,456,917

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

(₹in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	49,536,772	37,041,407
ii. Cash credits, overdrafts and loans repayable on demand	514,483,409	441,977,493
iii. Term loans	538,209,356	440,555,832
Total	1,102,229,537	919,574,732
B. i. Secured by tangible assets*	919,948,575	757,271,418
ii. Covered by Bank/Government guarantees #	19,555,065	25,094,606
iii. Unsecured	162,725,897	137,208,708
Total	1,102,229,537	919,574,732
C.I. Advances in India		
i. Priority sectors	300,456,563	259,451,171
ii. Public sector	2,731,508	803,434
iii. Banks	334,722	1,457,712
iv. Others	776,145,550	631,618,590
Total	1,079,668,343	893,330,907
C.II. Advances outside India (Refer note 3.11 of Schedule 18)		
i. Due from Banks	-	2,023,079
ii. Due from Others		
a) Bills purchased and discounted	899,921	-
b) Syndicated Loans	11,536,661	12,474,386
c) Others	10,124,612	11,746,360
Total	22,561,194	26,243,825
Grand Total (C I and C II)	1,102,229,537	919,574,732

* Includes Advances against book debts

Includes Advances against L/Cs issued by banks

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

(₹in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 10 - FIXED ASSETS		
I. OWNED ASSETS		
A. Premises #		
Gross Block		
At the beginning of the year	2,419,706	2,422,650
Additions during the year	-	-
Deductions during the year	3,567	2,944
At the end of the year	2,416,139	2,419,706
Depreciation		
As at the beginning of the year	900,506	850,493
Charge for the Year	48,411	51,925
Deductions during the year	2,476	1,912
Depreciation to date	946,441	900,506
Net Block	1,469,698	1,519,200
B. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	10,751,804	10,237,249
Additions during the year	1,305,602	985,515
Deductions during the year	492,853	470,960
At the end of the year	11,564,553	10,751,804
Depreciation		
As at the beginning of the year	7,790,213	7,063,959
Charge for the year	1,155,342	1,179,796
Deductions during the year	460,786	453,542
Depreciation to date	8,484,769	7,790,213
Net Block	3,079,784	2,961,591
II. Capital Work in progress (Including Capital Advances)	170,929	92,910
Total (I & II)	4,720,411	4,573,701

Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 663,428 Thousands) and Written down value of ₹ 475,256 Thousands (Previous Year ₹ 488,144 Thousands) with remaining lease period varying from 58 - 70 years.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	8,671,829	7,100,619
III. Tax paid in advance/Tax Deducted at source (Net of provision)	9,650,669	7,574,411
IV. Stationery and Stamps	3,479	52,524
V. Non-banking assets acquired in satisfaction of claims*	26,587	26,587
VI. Others #	49,184,695	44,392,134
Total	67,537,259	59,146,275
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# Includes		
(a) Priority sector shortfall deposits	39,754,250	36,113,322
(b) Deferred Tax Asset (Net)	-	717,543
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	10,431,829	4,351,843
II. Liability on account of outstanding forward exchange contracts**	216,818,222	199,316,212
III. Guarantees given on behalf of constituents - in India	49,831,684	52,852,889
IV. Acceptances, endorsements and other obligations	14,698,846	10,208,842
V. Other items for which the Bank is contingently liable@	1,666,179	1,421,877
Total	293,446,760	268,151,663

(Refer Note 4.7 of Schedule 18)

** - Including Derivatives

@ - includes ₹ 1,145,572 Thousands (Previous Year : ₹ 1,030,737 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 3.16 of Schedule 18).

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2019	Year ended March 31, 2018
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	90,896,169	75,387,784
II. Income on investments	20,374,502	19,174,377
III. Interest on balances with Reserve Bank of India and other inter-bank funds	734,688	958,171
IV. Others*	2,184,886	2,008,305
Total	114,190,245	97,528,637
* - Includes interest on Income tax refunds amounting to ₹ 341,251 Thousands (Previous year ₹ 229,315 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	8,010,179	6,368,002
II. Profit on sale of investments (Net)	2,283,978	2,389,281
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	181,892	(4,225)
V. Profit on foreign exchange transactions (Net)	2,356,789	1,694,807
VI. Income earned by way of dividends etc. from companies in India	-	-
VII. Miscellaneous income**	677,402	1,143,317
Total	13,510,240	11,591,182
** - Includes Recoveries in assets written off ₹ 435,841 Thousands (Previous year ₹ 1,007,774 Thousands)		
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	67,425,806	57,219,033
II. Interest on Reserve Bank of India/Inter bank borrowings	1,137,434	712,834
III. Others	3,863,556	3,768,670
Total	72,426,796	61,700,537
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	13,777,579	12,424,690
II. Rent, taxes and lighting	2,760,272	2,507,175
III. Printing and stationery	288,694	257,329
IV. Advertisement and publicity	151,644	436,971
V. Depreciation on Bank's property	1,203,754	1,231,721
VI. Directors' fees, allowances and expenses	15,154	17,604
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	82,880	78,793
VIII. Law charges	93,334	93,776
IX. Postage, Telegrams, Telephones etc	655,589	619,227
X. Repairs and maintenance	653,371	567,032
XI. Insurance	1,194,064	998,301
XII. Other expenditure#	6,766,334	5,276,385
Total	27,642,669	24,509,004

- Includes expenditure on Corporate Social Responsibility - ₹ 170,382 Thousands (Previous Year: ₹ 140,168 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

1. Background

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1274 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange. The Bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except in the case of interest income on Non- Performing Assets (NPAs) where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

3. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4. Significant accounting policies

4.1 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

4.2 Advances

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further,

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

The Bank also maintains provisions on loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt Restructuring (SDR) scheme as per the RBI guidelines.

Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time.

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

4.3 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made

in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

4.4 Investments

Classification

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

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

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS'

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

- b) Held to Maturity— These are carried at their acquisition cost. Any premium on acquisition of government securities are amortized over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d) Units of Mutual Funds are valued at the latest repurchase price/ net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
 - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re. 1/- per company;
 - Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re. 1/- per VCF. Investment in unquoted VCF after August 23, 2006 are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- In case of investments in security receipts on or after April 1, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of - provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/ Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.
- f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.
- g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.
- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

- a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss account.
- b) Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the Profit and Loss account.

Repo and Reverse Repo transactions

Repo and reverse repo transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

THE FEDERAL BANK LIMITED**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)****Short Sales**

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

4.5 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (foreign branches) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non- Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortized over the

period of the swap and the same is recognised in the Profit and Loss Account.

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

4.6 Derivative transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

4.7 Proposed Dividend

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts.

4.8 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets are availed as ITC as per GST rules.

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

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

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

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Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

4.9 Impairment of Assets

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

4.10 Non-Banking Assets

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realisable value.

4.11 Retirement and other employee benefits

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to the Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the Profit and Loss accounts.

c) Gratuity

The Bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

The employees of the Bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The

Bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the Profit and Loss account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

e) New Pension Scheme ('NPS')

Employees who joined the services of the Bank on or after April 01, 2010 are covered under New Pension Scheme. 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. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

f) Other employee Benefits

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the service. These benefits include performance incentives.

4.12 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4.13 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

4.14 Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

THE FEDERAL BANK LIMITED**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)****4.15 Taxation**

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognised in reserves are adjusted in reserves and not in Profit and Loss Account.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Bank will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

4.16 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

4.17 Debit card reward points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary, which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

4.18 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange,

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SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

then the stock exchange where there is highest trading volume on the said date is considered.

4.19 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

4.20 Corporate Social Responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

4.21 Input Credit under GST

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

4.22 Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLCs is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

4.23 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).

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019
1. Disclosures requirement as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in notes forming part of the financial statements for the year ended March 31, 2019 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.875 % (Previous Year 10.875 %) including Capital Conversion Buffer (CCB) at 1.875% (Previous Year 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous Year 7.375%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.875% (Previous Year 8.875%) from Tier 1 capital, including 1.875% (Previous Year 1.875%) towards CCB.

The capital adequacy ratio of the Bank is set out below:

Particulars	(₹ in Crore)	
	As at March 31, 2019	As at March 31, 2018
Common Equity Tier I*	12,545.71	11,776.03
Tier 1 Capital	12,545.71	11,776.03
Tier 2 Capital	714.47	436.74
Total Capital	13,260.18	12,212.77
Total risk weighted assets	93,764.32	83,059.86
Capital Ratios		
Common Equity Tier 1	13.38%	14.18%
Tier 1 Capital	13.38%	14.18%
Tier 2 Capital	0.76%	0.52%
Total CRAR	14.14%	14.70%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised Net of Share Issue Expenses (Refer Note 4.2 A)	-	2,463.88
Amount of Additional Tier I Capital raised of which:	-	-
a) Perpetual Non- Cumulative Preference Shares(PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:	-	-
a) Debt Capital instruments	-	-
b) Preference Share Capital Instruments:	-	-
[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

*Adjusted for proposed dividend of ₹1.40 per share (Previous year: ₹ 1 per share) and applicable taxes.

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank has made these disclosures which are available on its website at the following link: <http://www.federalbank.co.in/regulatory-disclosures>. The Pillar 3 disclosures have not been subjected to audit.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

1.2. Investments

1.2.1. Details of Investments:

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	32,223.91	31,075.14
(b) Outside India	0.38	0.93
(ii) Provision for Depreciation		
(a) In India	308.98	206.05
(b) Outside India	0.02	-
(iii) Provision for Non-performing investments		
(a) In India	90.82	88.94
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	31,824.11	30,780.15
(b) Outside India	0.36	0.93
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	206.05	53.43
(ii) Add: Provisions made during the year	125.12	152.90
(iii) Less: Write off / Write back of excess provision during the year	22.19	0.28
(iv) Closing Balance	308.98	206.05
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	88.94	83.43
(ii) Add: Provisions made during the year	13.48	18.28
(iii) Less: Write off / Write back of excess provision during the year	11.60	12.77
(iv) Closing Balance	90.82	88.94

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

1.2.2. Additional Details on Investments:

- Investments under HTM (excluding specified investments as per RBI norms) account for 17.88% (Previous year 19.33%) of demand and time liabilities as at the end of March 2019 as against permitted ceiling of 19.50 % (Previous Year: 19.50%) stipulated by RBI.
- In respect of securities held under HTM category premium of ₹ 52.89 Crore (Previous year: ₹ 58.21 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 ₹ 53.20 Crore (Previous year: ₹ 54.71 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 26.02 Crore (Previous year ₹ 26.83 Crore), [net of taxes and transfer to statutory reserve] to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.
- As per RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

As on March 31, 2018 the Bank had an IFR of ₹ 189.72 Crore, which was considered as part of Tier I capital for capital adequacy purposes.

As on March 31, 2019, the requirement for appropriation to IFR as per the above mentioned circular was ₹ 166.45 Crore, the Bank redesignated the existing IFR of ₹ 189.72 Crore in compliance with the circular and considered it as part of Tier II capital for capital adequacy purposes.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
1.2.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2019 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2019
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	1,687.00	134.39	500.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	2,125.00	238.97	2,125.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	9.63	1,638.83	629.95	113.34
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,203.06	225.17	15.06
ii) Corporate Debt Securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the years ended March 31, 2018 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2018
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	1,687.00	202.53	1,687.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	2,500.00	541.00	1,385.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	1,999.56	511.70	616.33
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,680.00	361.61	363.72
ii) Corporate Debt Securities	-	-	-	-

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

1.2.4. Details of Non-SLR investment portfolio:

a) Issuer composition as at March 31, 2019 of Non-SLR investments

(₹ in Crore)

Sl. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	16.27	6.50	-	-	-
2	Financial Institutions	768.88	729.13	-	-	-
3	Banks	1,999.06	1,997.36	-	-	-
4	Private Corporates	899.37	893.68	49.04	-	121.73
5	Subsidiaries / Joint ventures	403.00	403.00	-	-	-
6	Others*	786.88	783.50	616.74	-	5.00
7	Less: Provision held towards depreciation on investment	308.98	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	90.82	XXX	XXX	XXX	XXX
	Total	4,473.66	4,813.17	665.78	-	126.73

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive

* Includes Investments in Non-SLR government securities amounting to ₹ 3.40 Crore.

** Excludes investments in equity shares, commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt and certificate of deposits in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16.

Issuer composition as at March 31, 2018 of Non-SLR investments

(₹ in Crore)

Sl. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	34.33	34.33	6.54	-	-
2	Financial Institutions	1,463.80	1,424.05	3.78	-	-
3	Banks	3,226.43	3,222.58	-	-	-
4	Private Corporates	703.87	703.87	87.99	-	100.00
5	Subsidiaries / Joint ventures	398.00	398.00	-	-	-
6	Others*	766.01	759.81	726.03	-	5.00
7	Less: Provision held towards depreciation on investment	188.61	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	88.94	XXX	XXX	XXX	XXX
	Total	6,314.89	6,542.64	824.34	0.00	105.00

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive

* Includes Investments in Non-SLR government securities amounting to ₹ 6.21 Crore.

** Excludes investments in equity shares, commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt and certificate of deposits in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
b) Non-SLR investments category-wise (Net of Provisions):

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Shares	240.53	209.52
Debentures and Bonds*	1,190.35	1,061.68
Subsidiaries/Joint Ventures	403.00	398.00
Others	2,639.78	4,645.69
Total	4,473.66	6,314.89

* - Includes Investments in Non-SLR government securities amounting to ₹ 3.40 Crore (Previous year: ₹ 6.21 Crore).

c) Non-performing Non-SLR investments is set out below:

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Opening Balance	91.64	268.07
Additions during the year	13.04	26.25
Reductions during the year	11.60	202.68
Closing Balance	93.08	91.64
Total Provision held	90.82	88.94

1.2.5. Sale and transfers to/ from HTM Category

During the current year, the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the year.

1.3. Derivatives

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

1.3.1 A) Exchange Traded Interest Rate Derivatives:

Sl.No	Particulars	(₹ in Crore)	
		March 31, 2019	March 31, 2018
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
	a) 7.17 G-Sec 2028	1,768.08	-
	b) 6.79 G-Sec 2027	1,270.96	5,102.76
	c) 6.97 G-Sec 2026	-	1,042.64
	d) 7.59 G-Sec 2026	-	1,204.08
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil

1.3.1. B) The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2019 and March 31, 2018. As at March 31, 2019 and March 31, 2018 the open contracts on the exchange was Nil.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

1.3.2 Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

(₹ in Crore)

Particulars		March 31, 2019	March 31, 2018
(i)	The notional principal of swap agreements	2,800.88	1,600.00
(ii)	Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	9.50	2.03
(iii)	Collateral required by the bank upon entering into swaps	Nil	Nil
(iv)	Concentration of credit risk arising from the swaps	37.26	18.03
(v)	The fair value of the swap book	(1.11)	(0.34)

The nature and terms of the IRS as on March 31, 2019 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	43	₹1225.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	42	₹1225.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹175.44 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹ 175.44 Crore	USD LIBOR 3M	Fixed payable v/s floating receivable

The nature and terms of the IRS as on March 31, 2018 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	26	₹ 800.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	25	₹ 800.00 Crore	MIOIS	Fixed receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2019 and March 31, 2018.

1.3.3. Disclosure on Risk exposure in Derivatives

Qualitative disclosures:

(a) Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or Mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ mitigants:

Derivatives are financial instruments whose characteristics are derived from an underlying asset like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal, and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Investment, forex and derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Stop Loss, PVBP. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back

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office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals. The current outstanding under the derivatives portfolio were executed for trading purposes.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts

Bank deals in derivatives for hedging G-Sec or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter.

Transactions related to foreign exchange forward, Interest rate Future/IRS/Currency future are marked to market every month and the MTM is accounted in the books.

(c) Collateral Security

We have provided Sufficient Collateral Security to Central counter Parties and Exchanges wherever Applicable.

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary.

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	-
	b) For trading	-	-	2,800.88	1,600.00
(ii)	Marked to Market positions				
	a) Asset (+)	-	-	39.12	5.26
	b) Liabilities (-)	-	-	40.23	5.60
(iii)	Credit Exposure		-	29.78	18.03
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	0.62	2.59
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	Max = 4.68 Min = 0.47	Max = 2.64 Min = 0.57

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2019 amounted to ₹ 4,116.95 Crore (Previous year ₹ 4,364.45 Crore) and ₹ 9,997.27 Crore (Previous year ₹ 13,967.17 Crore) respectively. For the hedging contract, as at March 31, 2019 the marked to market position was asset ₹ 109.82 crores and liability of ₹ 73.05 crores (Previous year asset ₹ 53.26 crores and liability of ₹ 111.07 crores). For the trading contract, as at March 31, 2019 the marked to market position was asset ₹ 133.46 crores and liability of ₹ 274.09 crores (Previous year asset ₹ 245.60 crores and liability of ₹ 193.18 crores). Credit exposure on forward exchange contracts at March 31, 2019 was ₹ 845.42 Crore (Previous year ₹ 718.51 Crore).

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- 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 balances as at the end of every month.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
 - The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
 - The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1 Net non-performing assets

Particulars	March 31, 2019 (%)	March 31, 2018 (%)
Net non-performing assets as a percentage of net advances.	1.48	1.69

1.4.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	2,795.62	1,727.05
Additions during the year	1,667.98	2,200.67
Reductions during the year	1,202.92	1,132.10
Closing balance	3,260.68	2,795.62

Note: Movement is the aggregate of quarterly movement during the year.

1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,551.96	941.20
Additions during the year	767.39	1,243.42
Reductions during the year	693.15	632.66
Closing balance	1,626.20	1,551.96

Note: Movement is the aggregate of quarterly movement during the year.

1.4.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,215.13	754.45
Additions during the year	898.87	948.42
Reductions during the year	507.68	487.74
Closing balance	1,606.32	1,215.13

Note: Movement is the aggregate of quarterly movement during the year.

1.4.5 Divergence in Asset classification and Provisioning for NPAs

The divergence observed by RBI for the Financial year 2017-18 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Circulars DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 on 'Divergence in the asset classification and provisioning', is not required to be made.

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1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2019:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2018 (Opening Balance)	No. of borrowers	3	-	3	1	7	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	79.61	-	20.56	-	100.17	-	-	-	-	-
	b) Other facility	38.21	-	20.05	3.78	62.04	-	-	-	-	-
	Provision thereon	16.99	-	0.46	-	17.45	-	-	-	-	-
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-4.58	-	-1.49	-	-6.07	-	-	-	-	-
	b) Other facility	-12.61	-	-	-	-12.61	-	-	-	-	-
	Provision thereon	-4.59	-	-0.46	-	-5.05	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2019 ²	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2019 ³	No. of borrowers	-1				-1					-
	Amount Outstanding – (a) Restructured facility	-27.78				-27.78					-
	b) Other facility	-3.44				-3.44					-
	Provision thereon	-1				-1					-
Downgradation of restructured accounts during the year ended March 31, 2019	No. of borrowers	-1	-	1	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-17.77	-	17.77	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-2.63	-	2.63	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2019 ⁴	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured accounts as at March 31, 2019 (closing figures) ⁵	No. of borrowers	1	-	4	1	6	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	29.48	-	36.84	-	66.32	-	-	-	-	-
	b) Other facility	22.16	-	20.05	3.78	45.99	-	-	-	-	-
	Provision thereon	8.77	-	2.63	-	11.40	-	-	-	-	-

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

(₹ in Crore)

Type of Restructuring		Others					Total				
		Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2018 (Opening Balance)	No. of borrowers	23	3	68	77	171	26	3	71	78	178
	Amount Outstanding – (a)Restructured facility	366.75	0.45	440.46	2.21	809.87	446.33	0.46	461.03	2.21	910.03
	b)Other facility	26.42	-	16.87	-	43.29	64.63	-	36.92	3.78	105.33
	Provision thereon	55.17	0.02	12.32	-	67.51	72.16	0.02	12.77	-	84.95
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-2	-	-15	-18	-35	-2	-	-15	-18	-35
	Amount Outstanding – (a) Restructured facility	-6.2	-	-26.26	-0.89	-33.35	-10.78	-	-27.75	-0.89	-39.42
	b) Other facility	-10.50	-	-1.26	0	-11.76	-23.11	-	-1.26	-	-24.37
	Provision thereon	0.01	-	-10.88	-10.22	-21.11	-4.60	-	-11.34	-10.22	-26.16
Fresh Restructuring during the year ended March 31, 2019 ²	No. of borrowers	1492	2	-	-	1494	1492	2	-	-	1494
	Amount Outstanding – (a) Restructured facility	104.82	0.15	-	-	104.97	104.82	0.15	-	-	104.97
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	5.25	0.01	-	-	5.26	5.25	0.01	-	-	5.26
Upgradation to restructured standard category during the year ended March 31, 2019	No. of borrowers	4	-	-	-4	-	4	-	-	-4	-
	Amount Outstanding – (a)Restructured facility	0.08	-	-	-0.08	-	0.08	-	-	-0.08	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2019 ³	No. of borrowers	-17	-	-	-	-17	-18	-	-	-	-18
	Amount Outstanding – (a) Restructured facility	-68.67	-	-	-	-68.67	-96.45	-	-	-	-96.45
	b)Other facility	-3.25	-	-	-	-3.25	-6.69	-	-	-	-6.69
	Provision thereon	-0.06	-	-	-	-0.06	-1.06	-	-	-	-1.06
Downgradation of restructured accounts during the year ended March 31, 2019	No. of borrowers	-28	18	5	5	-	-29	18	6	5	-
	Amount Outstanding – (a)Restructured facility	-29.02	0.01	-5.69	34.7	-	-46.79	0.01	12.08	34.7	-
	b)Other facility	-12.17	-	-	12.17	-	-12.17	-	-	12.17	-
	Provision thereon	-8.86	0.02	-1.38	10.22	-	-11.49	0.02	1.25	10.22	-
Write-offs of restructured accounts during the year ended March 31, 2019 ⁴	No. of borrowers	-	-	-6	-	-6	-	-	-6	-	-6
	Amount Outstanding – (a) Restructured facility	-	-	-130.39	-	-130.39	-	-	-130.39	-	-130.39
	b) Other facility	-	-	-13.49	-	-13.49	-	-	-13.49	-	-13.49
	Provision thereon	-	-	-0.03	-	-0.03	-	-	-0.03	-	-0.03
Restructured accounts as at March 31, 2019 (closing figures) ⁵	No. of borrowers	1472	23	52	60	1607	1473	23	56	61	1613
	Amount Outstanding – (a)Restructured facility	367.76	0.61	278.12	35.94	682.43	397.24	0.61	314.96	35.94	748.75
	b)Other facility	0.50	-	2.12	12.17	14.79	22.66	-	22.17	15.95	60.78
	Provision thereon	51.48	0.05	0.03	-	51.56	60.25	0.05	2.66	-	62.96

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019
(CONTD...)**

- 1 Includes account closed during the year on account of payment of outstanding facilities by the borrower also includes the difference of amount between the balance of FY18 and FY19.
- 2 Fresh restructured and also added few accounts during the year - amount reported here represents outstanding as on March 31, 2019.
- 3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.
- 4 Includes Sale of Restructured accounts ₹ 96.57 Crore.
- 5 Other Facility also includes investment in Bond/Debentures amounting to ₹ 58.16 Crore.
- 6 There are no SME accounts which have been restructured during the year ended March 31, 2019.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
Details of loan assets subjected to restructuring during the year ended March 31, 2018:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured accounts as at April 01, 2017 (Opening Balance)	No. of borrowers	5	-	3	1	9	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	232.36	-	34.11	-	266.47	-	-	-	-	-
	b) Other facility	1.56	-	11.82	3.78	17.16	-	-	-	-	-
	Provision thereon	31.04	-	4.45	-	35.49	-	-	-	-	-
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-18.96	-	2.33	-	-16.63	-	-	-	-	-
	b) Other facility	36.65	-	-1.82	-	34.83	-	-	-	-	-
	Provision thereon	6.01	-	0.46	-	6.47	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2018 ²	No. of borrowers	-	-	1	-	1	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	15.55	-	15.55	-	-	-	-	-
	b) Other facility	-	-	10.05	-	10.05	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2018 ³	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Downgradation of restructured accounts during the year ended March 31, 2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2018 ⁴	No. of borrowers	-2	-	-1	-	-3	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-133.79	-	-31.43	-	-165.22	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-20.06	-	-4.45	-	-24.51	-	-	-	-	-
Restructured accounts as at March 31, 2018 (closing figures) ⁵	No. of borrowers	3	-	3	1	7	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	79.61	-	20.56	-	100.17	-	-	-	-	-
	b) Other facility	38.21	-	20.05	3.78	62.04	-	-	-	-	-
	Provision thereon	16.99	-	0.46	-	17.45	-	-	-	-	-

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

(₹ in Crore)

Type of Restructuring		Others					Total				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured accounts as at April 01, 2017 (Opening Balance)	No. of borrowers	28	9	81	84	202	33	9	84	85	211
	Amount Outstanding – (a) Restructured facility	567.29	6.78	62.59	2.25	638.91	799.65	6.78	96.70	2.25	905.38
	b) Other facility	52.11	207.20	12.61	0.02	271.94	53.67	207.20	24.43	3.80	289.10
	Provision thereon	88.53	0.05	0.81	0.10	89.49	119.57	0.05	5.26	0.10	124.98
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-2	-1	-16	-6	-25	-2	-1	-16	-6	-25
	Amount Outstanding – (a) Restructured facility	14.10	0.39	7.68	-0.18	22.00	-4.86	0.39	10.01	-0.18	5.36
	b) Other facility	-44.63	0.79	-3.52	-0.02	-47.37	-7.98	0.79	-5.34	-0.02	-12.55
	Provision thereon	-31.85	-0.02	1.14	-0.11	-30.84	-25.84	-0.02	1.60	-0.11	-24.37
Fresh Restructuring during the year ended March 31, 2018 ²	No. of borrowers	3	2	1	-1	5	3	2	2	-1	6
	Amount Outstanding – (a) Restructured facility	100.31	0.33	56.04	-	156.68	100.31	0.33	71.59	-	172.23
	b) Other facility	21.99	-	-	-	21.99	21.99	-	10.05	-	32.04
	Provision thereon	8.84	0.02	-	-	8.86	8.84	0.02	-	-	8.86
Upgradation to restructured standard category during the year ended March 31, 2018	No. of borrowers	5	-	-3	-2	-	5	-	-3	-2	-
	Amount Outstanding – (a) Restructured facility	0.18	-	-0.10	-0.08	-	0.18	-	-0.10	-0.08	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	0.01	-	-	-	0.01	0.01	-	-	-	0.01
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2018 ³	No. of borrowers	-6	-	-	-	-6	-6	-	-	-	-6
	Amount Outstanding – (a) Restructured facility	-6.16	-	-	-	-6.16	-6.16	-	-	-	-6.16
	b) Other facility	-0.01	-	-	-	-0.01	-0.01	-	-	-	-0.01
	Provision thereon	-0.01	-	-	-	-0.01	-0.01	-	-	-	-0.01
Downgradation of restructured accounts during the year ended March 31, 2018	No. of borrowers	-5	-3	6	2	-	-5	-3	6	2	-
	Amount Outstanding – (a) Restructured facility	-308.97	-7.05	315.80	0.22	-	-308.97	-7.05	315.80	0.22	-
	b) Other facility	-3.04	-5.74	8.78	-	-	-3.04	-5.74	8.78	-	-
	Provision thereon	-10.35	-0.02	10.38	-	0.01	-10.35	-0.02	10.38	-	0.01
Write-offs of restructured accounts during the year ended March 31, 2018 ⁴	No. of borrowers	-	-4	-1	-	-5	-2	-4	-2	-	-8
	Amount Outstanding – (a) Restructured facility	-	-	-1.56	-	-1.56	-133.79	-	-32.99	-	-166.78
	b) Other facility	-	-202.26	-1.00	-	-203.26	-	-202.26	-1.00	-	-203.26
	Provision thereon	-	-	-0.01	-	-0.01	-20.06	-	-4.46	-	-24.52
Restructured accounts as at March 31, 2018 (closing figures) ⁵	No. of borrowers	23	3	68	77	171	26	3	71	78	178
	Amount Outstanding – (a) Restructured facility	366.75	0.45	440.46	2.21	809.87	446.33	0.46	461.03	2.21	910.03
	b) Other facility	26.42	-	16.87	-	43.29	64.63	-	36.92	3.78	105.33
	Provision thereon	55.17	0.02	12.32	-	67.51	72.16	0.02	12.77	-	84.95

1 Includes account closed during the year on account of payment of outstanding facilities by the borrower also includes the difference of amount between the balance of FY17 and FY18.

2 Fresh restructured and also added few accounts during the year - amount reported here represents outstanding as on March 31, 2018.

3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.

4 Includes TWO/Sale of Restructured accounts as follows – (Bond sold value is ₹ 202.26 Cr.)

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(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	2	-	1	-	3	-	4	1	-	5
Amount Outstanding (a) Restructured facility @	133.79	-	31.43	-	165.22	-	-	1.56	-	1.56
b) Other Facility @	-	-	-	-	-	-	202.26	1.00	-	203.26
Provision thereon @	20.06	-	4.45	-	24.51	-	-	0.01	-	0.01

@ Represent balance as on March 31, 2017

5 Other Facility also includes investment in Bond/Debentures amounting to ₹ 84.04 Crore.

6 There are no SME accounts which have been restructured during the year ended March 31, 2018.

1.4.6 B) Additional Disclosures with relation to Certain Restructuring Schemes:

1. Flexible Structuring of Existing Loans as at March 31, 2019: Nil (Previous Year: Nil).

2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period)

(₹ in Crore)

Financial Year ended	No. of accounts where SDR has been invoked	Gross amount outstanding as on the reporting date		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
		Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
March 31, 2019	-	-	-	-	-	-	-
March 31, 2018	2	53.35	-	-	-	53.35	-

3. Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2019: Nil (Previous Year: Nil)

4. Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period) at March 31, 2019: Nil (Previous Year: Nil)

5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)
March 31, 2019

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	1	51.63	29.47	22.16	10.33
Classified as NPA	1	25.13	15.08	10.05	23.74

March 31, 2018

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	1	64.77	30.00	34.77	13.91
Classified as NPA	1	25.60	15.55	10.05	5.51

6. Details of MSME accounts restructured as per RBI circular No.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019
Position as on March 31, 2019

(₹ in Crore)

No. of accounts restructured	Amount Restructured	Amount outstanding
7	11.68	11.74

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
1.4.7 A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:

(₹ in Crore)

	Particulars	March 31, 2019		March 31, 2018	
		Standard	NPA#	Standard	NPA#
a)	No of accounts	-	4	-	46
b)	Aggregate value (net of provision) of accounts sold to SC/RC	-	99.61	-	128.79
c)	Aggregate consideration	-	113.44	-	177.20
d)	Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e)	Aggregate gain/(loss) over net book value	-	13.83	-	48.41

including written off assets

B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at March 31, 2019 and March 31, 2018 are as follows:

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/non-banking financial companies as underlying		Total	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Book value of investments in security receipts	558.16	661.67	-	-	558.16	661.67

Note: In addition to above, bank holds security receipts of ₹ 58.58 Crore (Previous year: ₹ 64.36 Crore) which are backed by standard assets sold by the bank.

C) Details of ageing of Investments held as Security Receipts as at March 31, 2019 are as follows:

(₹ in Crore)

Particulars		SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	314.43	243.73	-
	Provision held against (i)	117.52	147.72	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		314.43	243.73	-
Total provision held against above		117.52	147.72	-
Net Book value		196.91	96.01	-

Note: In addition to above, bank holds security receipts of ₹ 58.58 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. Total Provision of ₹ 0.05 Cr is held against security receipts backed by standard assets sold by the bank.

Details of ageing of Investments held as Security Receipts as at March 31, 2018 are as follows:

(₹ in Crore)

Particulars		SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	621.20	40.47	-
	Provision held against (i)	153.20	27.65	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		621.20	40.47	-
Total provision held against above		153.20	27.65	-
Net Book value		468.00	12.82	-

Note: In addition to above, bank holds security receipts of ₹ 64.36 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. No provision is held against security receipts backed by standard assets sold by the bank.

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1.4.8 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased from other banks

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year	NIL	NIL
(b) Aggregate outstanding		

B. Details of non-performing financial assets sold to other banks

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
1.No of accounts sold	NIL	NIL
2. Aggregate outstanding		
3.Aggregate consideration received		

1.4.9 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
(a) Opening balance	437.36	394.93
(b) Addition/adjustments during the year	97.86	42.43
(c) Deduction during the year	8.19	-
(d) Closing balance *	527.03	437.36

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 5.97Crore (Previous Year: ₹ 5.26 Crore)

1.5 The Key business ratios and other information:

Particulars	March 31, 2019	March 31, 2018
(i) Interest Income as a percentage to Working Funds* (%)	8.05	8.31
(ii) Non-interest income as a percentage to Working Funds* (%)	0.95	0.99
(iii) Operating Profit as a percentage to Working Funds* (%)	1.95	1.95
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.88	0.75
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	19.95	17.09
(vi) Profit per employee (₹ in Crore)**	0.10	0.07

* Working Funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year.

** Productivity ratios are based on average number of employees for the year.

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1.6. Asset Liability Management

Maturity pattern of certain items of assets and liabilities at March 31, 2019 and March 31, 2018 is set out below:

Year ended March 31, 2019

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	515.15	1,539.05	4,742.80	448.34	573.75	91.74
2 -7 days	2,272.46	1,668.47	122.31	577.50	905.78	99.40
8-14 days	1,125.06	539.10	91.82	220.57	33.38	65.22
15-30 days	2,572.38	2,517.40	218.17	2.00	224.82	39.98
31 days to 2 months	6,550.62	3,489.84	920.16	230.89	174.56	312.85
More than 2 months and up to 3 months	6,339.50	9,502.26	1,742.37	322.29	408.49	458.71
Over 3months and upto 6 months	12,222.52	8,989.99	1,186.08	1,023.79	853.16	411.87
Over 6 months and upto 1 Year	24,618.27	12,918.43	1,336.78	976.56	1,219.56	799.77
Over 1 Year and upto 3 Years	51,221.27	41,822.33	3,418.00	2,545.50	611.85	1,639.49
Over 3 Years and upto 5 Years	2,858.82	12,263.54	4,530.36	1,138.03	727.24	2,064.01
Over 5 Years	24,658.29	14,972.54	13,515.62	295.85	134.57	-
Total	134,954.34	110,222.95	31,824.47	7,781.32	5,867.16	5,983.04

Year ended March 31, 2018

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	666.16	1,365.43	6,135.95	67.96	659.45	130.60
2 -7 days	994.69	861.64	334.94	2,433.77	1,524.12	45.96
8-14 days	931.63	610.62	258.37	439.77	45.65	16.81
15-30 days	2,312.54	1,672.46	299.38	656.14	254.11	644.10
31 days to 2 months	4,674.46	3,557.67	347.54	224.26	267.42	292.34
More than 2 months and up to 3 months	4,563.53	5,690.58	3,238.84	440.85	507.13	506.54
Over 3months and upto 6 months	8,893.11	7,874.43	1,144.51	1,499.22	996.42	961.96
Over 6 months and upto 1 Year	17,206.81	12,001.11	2,060.92	902.44	1,085.55	890.62
Over 1 Year and upto 3 Years	48,355.75	35,994.41	3,507.70	3,376.29	726.54	1,125.53
Over 3 Years and upto 5 Years	2,274.80	11,135.64	3,029.98	1,417.80	813.38	1,655.35
Over 5 Years	21,119.00	11,193.48	10,422.94	75.00	78.57	-
Total	111,992.48	91,957.47	30,781.07	11,533.50	6,958.33	6,269.83

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.

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1.7. Exposures

1.7.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	March 31, 2019	March 31, 2018
a Direct Exposure:		
i) Residential Mortgages:		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans eligible for inclusion in Priority sector advances)	18,514.29 (4,248.49)	13,991.72 (3,021.78)
ii) Commercial Real Estate:-		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	6,394.51	6,272.80
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a) Residential	Nil	Nil
b) Commercial Real Estate	Nil	Nil
b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	6,434.15	5,764.56
Total Exposure to Real Estate sector	31,342.95	26,029.08

1.7.2 Exposure to Capital Market

(₹ in Crore)

Category	March 31, 2019	March 31, 2018
(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;	247.32	261.92
(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;	0.55	24.18
(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;	576.58	368.46
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	11.30	6.40
(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)	65.46	27.84
Total Exposure to Capital Market	901.21	688.80

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1.7.3 Risk Category wise Country Exposure

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required to be made in respect of country risk as per the RBI guidelines: (₹ in Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2019	March 31, 2019	March 31, 2018	March 31, 2018
Insignificant	1,315.91	-	1,560.60	-
Low	140.09	-	522.70	-
Moderate	20.58	-	24.59	-
High	15.65	-	14.35	-
Very High	0.60	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	1,492.83	-	2,122.24	-

* The above figures include both funded as well as non-funded exposure.

1.7.4. During the year ended March 31, 2019 and March 31, 2018, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.7.5 During the year ended March 31, 2019 and March 31, 2018 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.8. Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	March 31, 2019	March 31, 2018
a) Penalty imposed on currency chests	0.28	0.42
Dates of Payment	Various dates	Various dates
b) Penalty imposed by RBI with regard to remittance of mutilated notes, forged notes and shortage in remittance	-	0.82
Date of Payment	-	February 12, 2018
c) Penalty imposed by RBI in connection with bouncing of SGL	-	3.50
Date of Payment	-	July 07, 2017
d) Penalty imposed on deficiency in regulatory compliances#	500.00	0.00
Date of Payment	October 15, 2018	-

#Penalty was imposed by RBI vide letter EFD. CO. SO. 287 / 02.02.003 / 2018-19 dated 25.09.2018.

2. Disclosure requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts'
2.1. Employee Benefits (AS 15)
a) Defined Contribution Plan
Provident Fund

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank Employees Provident Fund. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹ 0.48 Crore (Previous Year: ₹ 0.48 Crore) for provident fund contribution in the Profit and Loss Account.

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New Pension Scheme

As per the industry level settlement dated April 27, 2010, employees who joined the services of the Bank on or after April 01, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after April 01, 2010.

The Bank recognized ₹ 30.22 Crore (Previous year: ₹ 25.34 Crore) for DCPS contribution in the Profit and Loss Account.

b) Defined benefit plan

Gratuity

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The monthly pension is paid by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2019.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Projected benefit obligation, beginning of the year	311.55	260.48	899.64	737.39
Service Cost	17.09	88.51	131.58	164.62
Interest cost	22.99	19.33	63.99	51.07
Actuarial (gain)/ loss	9.53	(27.11)	40.37	108.36
Benefits paid	(31.97)	(29.66)	(152.19)	(161.80)
Projected benefit obligation, end of the year	329.19	311.55	983.39	899.64

ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Plan assets at beginning of the year at fair value	265.75	261.54	893.06	746.33
Expected return on plan assets	21.82	20.43	71.18	56.42
Actuarial gain/(loss)	1.83	(0.60)	0.52	3.33
Employer's Contributions	76.80	14.04	165.52	248.78
Benefits paid	(31.97)	(29.66)	(152.19)	(161.80)
Plan assets at end of the year, at fair value	334.23	265.75	978.09	893.06

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
iii) Reconciliation of present value of the obligation and the fair value of the plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Fair value of plan assets at the end of the year	334.23	265.75	978.09	893.06
Present value of the defined benefit obligations at the end of the year	329.19	311.55	983.39	899.64
Liability/ (Asset) recognized in the Balance Sheet	(5.04)	45.80	5.30	6.58

iv) Gratuity / pension cost for the year ended March 31, 2019

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Service cost	17.09	88.51	131.58	164.62
Interest cost	22.99	19.33	63.99	51.08
Expected return on plan assets	(21.82)	(20.43)	(71.18)	(56.42)
Actuarial (gain)/loss	7.70	(26.50)	39.85	105.03
Employee Cost	25.96	60.91	164.24	264.31
Unamortised Gratuity expenditure of previous year expensed during current year#	53.58	-	-	-
Net cost Debit to Profit and Loss account	79.54	7.33	164.24	264.31
Amount not debited in profit and loss account, but carried over to be amortised#	-	53.58	-	-
Actual return on plan assets	23.65	19.83	71.70	59.75

- Ministry of Labour and Employment, Government of India on March 29, 2018 has enhanced the gratuity ceiling to an employee under Payment of Gratuity Act, 1972 to ₹ 20 Lakhs from earlier limit of ₹10 lakhs. This change has resulted to an incremental gratuity liability amounting to ₹71.43 Crore. As per the RBI circular DBR.BP.9730/21.04.018/2017-18 dated April 27, 2018 the bank has an option to spread the impact of change in gratuity ceiling over four quarters beginning with the quarter ended March 31, 2018. The bank had availed the option to spread the incremental gratuity expenditure over four quarters beginning with the quarter ended March 31, 2018. Accordingly, during the quarter ended March 31, 2018 the bank has charged to the profit and loss account an amount of ₹ 17.85 Crore and there was an unamortised gratuity expenditure of ₹53.58 Crore. However, during the quarter ended 30 June 2018, the bank has charged to the profit and loss account the entire unamortised gratuity expenditure of ₹53.58 Crore.

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Central and state Government bonds	-	-	-	-
Other debt securities	-	4.35	10.99	29.49
Balance in Saving bank account with the Bank	2.62	0.25	2.68	1.76
Net current assets	0.01	0.06	0.57	0.99
Balance with LIC#	331.60	261.09	963.85	860.82
Total	334.23	265.75	978.09	893.06

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

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vi) Experience adjustments

i) Gratuity Plan

(₹ in Crore)

	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit Obligations	329.19	311.55	260.48	246.09	209.34	201.26
Plan Assets	334.23	265.75	261.54	225.66	223.52	230.83
Surplus/[Deficit]	5.04	(45.80)	1.06	(20.43)	14.18	29.57
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(6.56)	(7.08)	2.18	(46.00)	(6.31)	(5.74)
Experience Adjustments on Plan Assets [Gain / (Loss)]	0.77	1.97	(0.42)	(1.97)	1.19	1.76

ii) Pension Plan

(₹ in Crore)

	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit Obligations	983.39	899.64	737.38	637.50	587.48	531.78
Plan Assets	978.09	893.06	746.33	578.27	544.40	416.25
Surplus/ [Deficit]	(5.30)	(6.58)	8.95	(59.23)	(43.08)	(115.53)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(39.39)	(33.27)	93.67	(142.49)	(79.75)	(8.18)
Experience Adjustments on Plan Assets [Gain / (Loss)]	(3.14)	9.60	6.66	0.18	2.19	3.03

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Discount rate	7.78%	7.87%	7.77%	7.78%
Annuity rate per Rupee	-	-	134.98313	134.98313
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	8.21%	7.81%	7.97%	7.56%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

(c) Leave Encashment/Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The employees of the Bank are entitled to compensated absences. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the 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

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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 ₹7.10 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. During the Previous year as sum of ₹15.17 Crore has been reversed to profit and loss account due to reduction of the liabilities.

The Actuarial liability of compensated absences of accumulated privilege, sick, casual leave and leave travel concession of the employees of the Bank is given below:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Privilege leave	149.47	142.10
Sick leave	13.36	17.82
Leave Travel Concession	18.76	14.28
Casual Leave	1.37	1.66
Total actuarial liability	182.96	175.86
Assumptions		
Discount rate	7.78%	7.87%
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 and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads.

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes para banking activities like third party product distribution and other banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

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The following table sets forth, for the periods indicated, the business segment results:

As on March 31, 2019:

(₹in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,547.61	5,073.76	4,883.42	265.26	12,770.05
Result (net of provisions)	410.85	259.69	1,201.86	66.90	1,939.30
Unallocated expense					(32.05)
Operating profit (PBT)					1,907.25
Income taxes					(663.36)
Extraordinary profit/loss					-
Net Profit					1,243.89
OTHER INFORMATION					
Segment Assets	35,752.97	58,169.60	56,680.73	11.38	150,614.68
Unallocated assets					8,725.31
Total assets					159,339.99
Segment liabilities	34,761.44	56,007.30	54,611.30	0.04	145,380.08
Unallocated liabilities					686.87
Total liabilities					146,066.95

As on March 31, 2018:

(₹in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,395.56	3,786.95	4,543.86	185.61	10,911.98
Result (net of provisions)	256.50	(137.97)	1,200.93	52.51	1,371.97
Unallocated expense					(28.11)
Operating profit (PBT)					1,343.86
Income taxes					465.01
Extraordinary profit/loss					-
Net Profit					878.85
OTHER INFORMATION					
Segment Assets	35,108.41	50,727.66	45,396.27	5.33	131,237.67
Unallocated assets					7,076.28
Total assets					138,313.95
Segment liabilities	33,485.14	48,492.17	43,415.85	0.01	125,393.17
Unallocated liabilities					710.55
Total liabilities					126,103.72

Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

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2.3. Related Party Disclosures (AS 18)
a) Details of Related Parties:

Name of the Party	Nature of Relationship
FedBank Financial Services Limited	Subsidiary
Federal Operations and Services Limited (From October 26, 2018)	Subsidiary
IDBI Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited (From July 12, 2018)	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran, Executive Director (Upto February 15, 2019)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties
For the year ended March 31, 2019:

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Total
Deposits# (₹ in Crore)	75.42 (76.08)	22.34 (29.35)	0.29 (0.50)	98.05 (105.93)
Advances# (₹ in Crore)	677.58 (677.58)	-	0.54 (2.12)	678.12 (679.70)
Investments# (₹ in Crore)	195.00 (195.00)	227.54 (227.54)	-	422.54 (422.54)
Interest paid (₹ in Crore)	*	0.45	0.01	0.46
Interest received (₹ in Crore)	38.44	-	0.05	38.49
Income from Services Rendered to (₹ in Crore)	2.00	39.78	-	41.78
Expenses for Receiving services from (₹ in Crore)	19.32	-	-	19.32
Remuneration paid (₹ in Crore)	-	-	3.12	3.12
Dividend Paid (₹ in Crore)	-	-	0.86	0.86
Share capital received on exercise of ESOS (₹ in Crore)	-	-	17.56	17.56
No. of Options granted under ESOS (in numbers)	-	-	900,000	900,000
No. of Options outstanding under ESOS (in numbers)	-	-	3,189,430	3,189,430

- Represents outstanding as on March 31, 2019

* Denotes figures less than ₹1 Lakh.

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

For the year ended March 31, 2018:

Particulars	Key Management Personnel
	March 31, 2018
Remuneration paid (₹ in Crore)	3.61
Deposits# (₹ in Crore)	0.24
Advances# (₹ in Crore)	1.97
Interest received (₹ in Crore)	0.18
Interest paid (₹ in Crore)	0.05
Dividend Paid (₹ in Crore)	0.02
Share capital received on exercise of ESOS (₹ in Crore)	22.11
No. of Options granted under ESOS (in numbers)	1,900,000
No. of Options outstanding under ESOS (in numbers)	7,773,250

Represents outstanding as on March 31, 2018

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In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party.

2.4. Deferred Tax Assets / Liability (AS 22)

The major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	186.66	-
(ii) Depreciation on Investments	48.72	67.32
(iii) Depreciation on Fixed assets	5.72	-
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	157.59	128.24
(v) Others	14.31	23.63
Total - (A)	413.00	219.19
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	22.14	55.55
(ii) Provision for Standard Assets	184.17	152.83
(iii) Depreciation on Fixed assets	-	1.07
(iv) Others	106.89	81.50
Total - (B)	313.20	290.95
Net Deferred tax liability/ (Asset) (A-B)	99.80	(71.76)

3. Additional Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

3.1 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

	Year ended March 31, 2019	Year ended March 31, 2018
i) Provision towards NPAs	630.55	752.68
ii) Provision for Depreciation in Value of Investments (Net)	102.93	167.43
iii) Provision for Non - Performing Investments	20.28	5.51
iv) Provision for Standard Assets	97.86	42.43
v) Provision for Taxation	663.36	465.01
vi) Provision towards other contingencies etc.	4.23	(20.88)
Total	1,519.21	1,412.18

3.2 Movement in floating provision is set out below:

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
a) Opening balance	12.75	12.75	69.18	69.18
b) Provision made during the year	-	-	-	-
c) Provision utilised during the year	-	-	-	-
d) Closing balance	12.75	12.75	69.18	69.18

3.3. Draw Down from Reserves

The Bank has not drawn down from any reserves during the year ended March 31, 2019 (Previous Year ₹ 23.57 crore was drawn down from investment reserve in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks').

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3.4. A) Disclosure of customer complaints

Particulars		ATMs Complaints relating to the Bank's customers (1)		Complaints relating to other than ATM transactions (2)		Total complaints (1)+(2)	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
(a)	No. of complaints pending at the beginning of the year	310 *	4	66	54	376*	58
(b)	No. of complaints received during the year	68,559	899	6,649	2,740	75,208	3,639
(c)	No. of complaints redressed during the year	67,572	898	6,658	2,728	74,230	3,626
(d)	No. of complaints pending at the end of the year	1,297	5	57	66	1354	71

* Until 31 March, 2018, only those grievances relating to ATM complaints which were escalated due to non-resolution and those received from Banking Ombudsman were included in the total complaints for a financial year. From FY 2019 onwards, all ATM grievances received at Bank's end have been reported.

The above information is as certified by the Management and relied upon by the auditors.

B) Disclosure of Awards passed by the Banking Ombudsman

Particulars		March 31, 2019	March 31, 2018
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	1	Nil
(c)	No. of awards implemented during the year	Nil	Nil
(d)	No. of unimplemented awards at the end of the year	2@	1@

@ Appeals filed by Bank are still pending at Appellate authority/High court.

The above information is as certified by the Management and relied upon by the auditors.

3.5. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended March 31, 2019 and March 31, 2018.

3.6 The Provision coverage ratio of the bank as on March 31, 2019, computed in terms of the RBI Guidelines was 67.16 % (Previous Year 64.50%).

3.7. Bancassurance Business

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income *	March 31, 2019	March 31, 2018
1	For selling life insurance policies	39.72	26.58
2	For selling non-life insurance policies	16.24	8.44
3	For selling mutual fund products	3.98	3.98
4	Others#	3.57	3.32

* - includes receipts on account of marketing activities undertaken on behalf of Bancassurance partners.

- includes income on DP/Trading/PIS

3.8 Concentration of Deposits, Advances, Exposures and NPAs
3.8.1 Information on Concentration of deposits:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total deposits of twenty largest depositors	5,268.91	4,840.90
Percentage of deposits of twenty largest depositors to total deposits of the bank	3.90%	4.32%

Note: Excludes holders of certificate of deposits which are tradable instruments.

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3.8.2 Information on Concentration of advances:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total advances to twenty largest borrowers	13,331.28	12,396.68
Percentage of advances to twenty largest borrowers to total advances of the bank	9.83%	10.57%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

3.8.3 Information on Concentration of exposure:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total exposures to twenty largest borrowers/customers	14,189.96	12,958.30
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	10.04%	10.46%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 3.8.1 to 3.8.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

3.8.4 Information on Concentration of NPAs:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total exposures to top four NPA accounts	411.96	460.75

3.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2019 and March 31, 2018 are given below:

(₹ in Crore)

Sl. No.	Sector*	March 31, 2019			March 31, 2018		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
A	Priority Sector						
1.	Agriculture and allied activities	13,704.56	678.15	4.95	11,608.59	420.52	3.62
2.	Advances to industries sector eligible as priority sector lending	5,737.95	322.43	5.62	5,472.76	314.68	5.75
	<i>Of which:</i>						
	<i>Infrastructure</i>	1,342.71	45.18	3.36	984.83	44.83	4.55
3.	Services	7,288.54	526.39	7.22	5,837.83	366.33	6.28
	<i>Of which:</i>						
	<i>Trade</i>	4,808.04	427.97	8.90	4,126.12	293.08	7.10
	<i>Commercial Real Estate</i>	355.30	5.06	1.42	171.87	-	-
	<i>NBFCs</i>	505.26	0.80	0.16	133.94	0.80	0.60
	<i>Other Services</i>	644.39	65.53	10.17	970.32	37.52	3.87
4.	Personal loans	-	-	-	-	-	-
5.	Others	4,151.34	247.06	5.95	3,663.98	244.40	6.67
	Sub-total (A)	30,882.39	1,774.03	5.74	26,583.16	1,345.93	5.06
B	Non-Priority Sector						
1.	Agriculture and allied activities	738.02	-	-	95.73	-	-
2.	Industry	19,070.98	893.97	4.69	14,128.17	954.01	6.75

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(₹ in Crore)

Sl. No.	Sector*	March 31, 2019			March 31, 2018		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
	<i>Of which :</i>						
	<i>Infrastructure</i>	7,089.20	499.01	7.04	4,892.46	619.90	12.67
3.	Services	31,392.43	224.95	0.72	29,255.31	216.57	0.74
	<i>Of which :</i>						
	<i>Trade</i>	3,883.87	105.15	2.71	4,216.79	56.66	1.34
	<i>Commercial Real Estate</i>	4,761.75	33.6	0.70	5,266.06	46.48	0.88
	<i>Non-Banking Finance Companies</i>	14,257.92	2.32	0.02	7,727.14	2.81	0.04
	<i>Other services</i>	8,274.95	74.13	0.90	10,857.71	100.79	0.93
4.	Personal loans	741.63	11.98	1.62	394.34	5.26	1.33
5.	Others	29,003.82	355.75	1.23	22,715.90	273.85	1.21
	Sub-total (B)	80,946.88	1,486.65	1.84	66,589.45	1,449.69	2.18
	Total (A+B)	111,829.27	3,260.68	2.92	93,172.60	2,795.62	3.00

*Classification into sectors/subsectors as above has been done based on Bank's internal norms, which has been relied upon by the auditors.

3.10 A) Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Gross NPAs as at the beginning of the year	2,795.62	1,727.05
Additions (Fresh NPAs) during the year#	1,667.98	2,200.67
Sub-total (A)	4,463.60	3,927.72
Less: Reduction#		
(i) Upgradations	464.57	407.96
(ii) Recoveries (excluding recoveries made from upgraded accounts)	385.73	285.71
(iii) Technical/ Prudential Write – offs	150.81	194.23
(iv) Write –offs other than those under (iii) above	35.50	17.37
(v) Reduction by Sale of Assets to ARCs	166.31	226.83
Sub-total (B)	1,202.92	1,132.10
Gross NPAs as at the end of the year* (A-B)	3,260.68	2,795.62

Aggregate of quarterly movement during the year

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 4,951.86 Crore (Previous Year ₹ 4,371.51 Crore)

B) Movement in technical/prudential written off accounts is set out below:

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,575.89	1,716.18
Add: Technical write-offs during the year	150.81	194.23
Sub total (A)	1,726.70	1,910.41
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	35.27	79.72
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	0.25	42.99
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	-	211.81
Sub total (B)	35.52	334.52
Closing balance at the end of the year (A-B)	1,691.18	1,575.89

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3.11. Details of Overseas Assets, NPAs and Revenue

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch(s) as on March 31, 2019 and March 31, 2018. Details of Assets, NPAs and Revenue of IBU are given below: (₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Total Assets	2,499.72	2,796.11
Total NPAs	-	-
Total Revenue	115.27	79.46

3.12. Sponsored SPVs

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at March 31, 2019 and March 31, 2018.

3.13 Disclosures on Remuneration

i) Qualitative disclosures

a) Information relating to the composition and mandate of the Nomination, Remuneration, Compensation and Ethics Committee (or Remuneration Committee in short):

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

As on March 31, 2019, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. Dilip G Sadarangani
- Mr. Nilesh Shivji Vikamsey
- Ms. Grace Koshie

The above committee of the Board functions with the following objectives:

- a) To review the Compensation package for the MD and CEO and Executive Directors and recommend revisions for Board approval.
- b) To consider and approve issuance and allotment of ESOS shares to MD/EDs and employees of the Bank.
- c) To develop and implement an effective compensation policy, as per RBI guidelines.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The compensation payable to MD & CEO, EDs and Senior Executives is divided into fixed and variable components. The fixed compensation is determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span etc. Approval from RBI is obtained to decide fixed compensation for MD & CEO and EDs.

The variable compensation for MD & CEO and Senior executives (Non – IBA package i.e. ED, CCO, CFO etc. and above) are determined based on Bank's performance and Key Performance Areas (KPA) set for the official. KPAs contain targets on risk adjusted metrics such as Risk Adjusted Return on Capital (RAROC), Risk Adjusted Return on Risk Adjusted Capital (RARORAC), in addition to target on NPAs.

The objectives of the remuneration policy are four fold:

- To align compensation with prudent risk taken.
- To drive sustainable performance in the Bank.
- To ensure financial stability of the Bank; and.
- To attract and retain talent.

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c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the Bank are arranged under the following four categories

- MD & CEO / ED
- Senior Executives (Non-Grander Compensation Package)
- Executives (On Grander Compensation Package)
- Other members of staff (on IBA package)

Limit on variable pay

The variable compensation offered to an official would not exceed 70% of the total fixed compensation.

Severance pay and guaranteed bonus

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

Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options.

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement.

Compensation Recovery policy

A claw back arrangement or a compensation recovery policy is provided, which will entail the Bank to recover proportionate amount of variable compensation paid to the above functionaries on account of an act or decision taken by the official which has brought forth a negative contribution to the bank at a prospective stage. The claw back arrangement would be valid for a period of three years from the date of payment of variable compensation.

Committees to mitigate risks caused by an individual decision

In order to further balance the impact of market or credit risks caused to the Bank by an individual decision taken by a senior level executive, MD & CEO or ED, the bank has constituted various committees to take decisions on various aspects:

- Credit limits are sanctioned by committees at different levels.
- Investment decisions of the Bank are taken and monitored by Investment committee and there is an upper limit in treasury dealings where individual decisions can be taken.
- Interest rates on asset and liability products for different buckets are decided and monitored by the Asset Liability Committee of the Board (ALCO). Bank's exposure to liquidity risk are also monitored by ALCO.

Integrated Risk Management Department (IRMD)

In order to effectively govern the compensation structure, IRMD would assist the Remuneration Committee of the Board to monitor, review and control various risks and balance prudent risk taking with the compensation paid out to top executives and other employees.

Compensation of risk control staff

The total fixed and variable compensation paid out to the employees of IRMD are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals.

d) Linkage of performance during a performance measurement period with levels of remuneration.

The Bank's performance is charted based on the revenue point index / performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee

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development. Variable pay is paid purely based on performance and is measured through Score cards for MD& CEO / EDs. The score card provides a mix of financial and non-financial, quantitative and qualitative metrics.

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

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks Association. The compensation package applicable to Executives in Level 4 to 7 was fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance based compensation package called "Grander Compensation Package" has been introduced for Executives in Level 4 (Assistant Vice President) and above with effect from May 01, 2017

e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.

Deferred compensation and Performance Linkage

In the event variable compensation paid to MD & CEO, ED and Senior Executives (Non-IBA) exceeds more than 50% of the fixed compensation for the year on account of high level of Bank's performance, 60% of the variable pay so entitled to the official will be deferred for payment over a period of 3 years. The amount is parked in an escrow account and the payment will be made in the ratio of 20:30:50 over a period of three years, i.e.

- 20 % of the deferred compensation will be paid in the first year
- 30% of the deferred compensation in the second year; and
- 50% of the deferred compensation in the third year

Clawback and deferral arrangements

The provisions of clawback and deferral arrangements are applicable to the referred functionaries and all employees in the event their variable compensation exceeds 50% of their fixed emoluments.

f) Description of the different forms of variable remuneration

Bank uses an optimum mix of cash, ESOS and variable PLI to decide the compensation of employees in all categories. The distribution of ESOS and variable PLI are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments. The Officers in Scale I-III as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. Variable compensation, ESOP, is linked with seniority in these levels.

ii) Quantitative disclosures

		March 31, 2019	March 31, 2018
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	6 ₹540,000	6 ₹ 510,000
(b)	(i) Number of employees having a variable remuneration award during the financial year.	3	3
	(ii) Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii) Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)	Fixed – 3.12 Variable – Nil	Fixed – 3.06 Variable – 0.55
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil

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3.14 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2019 and March 31, 2018.

3.15 Details of Intra-Group Exposure

(₹ in Crore)

Sl. No.	Particulars	March 31, 2019	March 31, 2018
1	Total amount of intra-group exposures*	705.17	768.74
2	Total amount of top-20 intra group exposures*	705.17	768.74
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.50%	0.621%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July1, 2015.

3.16 Transfers to Depositor Education and Awareness (DEA) Fund

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEA Fund. Details of amounts transferred to DEA Fund are set out below:

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance of amounts transferred to DEA Fund	103.07	93.26
Add: Amounts transferred to DEA Fund during the year	13.56	12.33
Less: Amounts reimbursed by DEA Fund towards claims	2.08	2.52
Closing balance of amounts transferred to DEA Fund	114.56	103.07

3.17 Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 5.97 Crore (Previous year ₹ 5.26 Crore) as provision and ₹ 4.42 Crore (Previous year ₹ 4.39 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2019.

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3.18 Liquidity Coverage Ratio (LCR)
a) Quantitative Disclosure

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2019: (₹ in Crore)

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018		
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	21,563.71		19,933.03		17,619.80		15,557.37	
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	111,575.95	10,375.88	108,544.80	10,085.88	104,405.49	9,685.13	100,516.12	9,313.40
(i)	Stable deposits	15,634.39	781.72	15,372.12	768.61	15,108.34	755.42	14,764.24	738.21
(ii)	Less stable deposits	95,941.55	9,594.16	93,172.68	9,317.27	89,297.15	8,929.71	85,751.88	8,575.19
3	Unsecured wholesale funding, of which:	8,446.61	4,925.79	7,321.66	3,842.60	7,088.42	3,603.26	6,827.43	3,917.01
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	8,446.61	4,925.79	7,321.66	3,842.60	7,088.42	3,603.26	6,827.43	3,917.01
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding	-	-	-	-	-	-	-	-
5	Additional requirements, of which	7.83	7.83	17.53	17.53	3.02	3.02	4.52	4.52
(i)	Outflows related to derivative exposures and other collateral requirements	7.83	7.83	17.53	17.53	3.02	3.02	4.52	4.52
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	20,179.39	1,968.52	19,441.07	1,953.23	18,449.07	1,904.60	17,883.84	1,821.54
7	Other contingent funding obligations	7,110.67	213.32	7,502.76	225.08	7,214.25	216.43	6,857.79	205.73
8	TOTAL CASH OUTFLOWS		17,491.34		16,124.32		15,412.44		15,262.20
Cash Inflows									
9	Secured lending (e.g. reverse repos)	152.78	-	385.11	-	738.01	-	744.41	-
10	Inflows from fully performing exposures	5,105.01	3,675.38	5,820.52	4,152.27	6,407.81	4,578.82	6,761.64	5,026.87
11	Other cash inflows	6.64	6.64	0.80	0.80	1.46	1.46	7.41	7.41
12	TOTAL CASH INFLOWS	5,264.42	3,682.02	6,206.43	4,153.07	7,147.28	4,580.28	7,513.45	5,034.28
13	TOTAL HQLA		21,563.71		19,933.03		17,619.80		15,557.37
14	TOTAL NET CASH OUTFLOWS		13,809.32		11,971.25		10,832.15		10,227.92
15	LIQUIDITY COVERAGE RATIO (%)		156.15%		166.51%		162.66%		152.11%

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The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2018
(₹ in Crore)

Particulars	Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September 30, 2017		Quarter ended June 30, 2017		
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		15,262.91		14,675.80		13,583.59		13,673.65
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	94,009.81	8,677.76	91,306.51	8,417.06	89,636.44	8,256.41	87,971.35	8,092.57
(i)	Stable deposits	14,464.36	723.22	14,271.70	713.58	14,144.73	707.24	14,091.30	704.57
(ii)	Less stable deposits	79,545.45	7,954.55	77,034.81	7,703.48	75,491.71	7,549.17	73,880.05	7,388.01
3	Unsecured wholesale funding, of which:	6,452.14	3,904.86	4,074.57	1,919.64	3,757.10	2,061.82	4,004.47	2,213.92
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	127.69	25.74
(ii)	Non-operational deposits (all counterparties)	6,452.14	3,904.86	4,074.57	1,919.64	3,757.10	2,061.82	3,876.79	2,188.18
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	1.00	1.00	0.50	0.50	0.25	0.25	10.07	10.07
(i)	Outflows related to derivative exposures and other collateral requirements	1.00	1.00	0.50	0.50	0.25	0.25	10.07	10.07
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	23,584.37	2,275.30	20,320.34	2,113.34	19,473.26	2,186.61	17,808.05	2,066.77
7	Other contingent funding obligations	6,790.06	203.70	6,771.47	203.14	6,662.19	199.87	6,714.47	201.43
8	TOTAL CASH OUTFLOWS		15,062.62		12,653.68		12,704.95		12,584.76
Cash Inflows									
9	Secured lending (e.g. reverse repos)	439.95	-	951.66	-	929.31	-	1,249.74	-
10	Inflows from fully performing exposures	5,542.09	4,290.16	4,775.59	3,782.02	4,405.49	3,237.15	3,708.96	2,791.60
11	Other cash inflows	4.81	4.81	10.31	10.31	12.35	12.35	15.22	15.22
12	TOTAL CASH INFLOWS	5,986.86	4,294.97	5,737.56	3,792.33	5,347.15	3,249.50	4,973.92	2,806.82
13	TOTAL HQLA		15,262.91		14,675.80		13,583.59		13,673.65
14	TOTAL NET CASH OUTFLOWS		10,767.64		8,861.35		9,455.46		9,777.94
15	LIQUIDITY COVERAGE RATIO (%)		141.75%		165.62%		143.66%		139.84%

Note: LCR data has been computed based on simple average of daily observations.

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b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from January 1, 2017. Bank has computed the LCR of the IFSC banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5 percent or more of the Bank's total liabilities. Bank has consistently maintained LCR above 100% during Fiscal 2019, as against the regulatory minimum of 90% (till December 2018)/ 100% (from January 2019).

On an average, 98% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (13% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and provides the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable from a liquidity perspective is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and apprises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

3.19 Disclosure in respect of ILFS and ILFS entities.

Position as on March 31, 2019

(₹ in Crore)

Amount Outstanding (1)	Of (1), total amount of exposures which are NPA as per IRAC norms and not classified as NPA (2)	Provisions required to be made as per IRAC norms (3)	Provision actually held (4)
246.20	32.37	4.86	21.03*

* This comprises of provision @ 15% on exposure, which is NPA as per IRAC norms and not classified as NPA and provision @ 7.5% on exposure, which is standard as per IRAC norms. In respect of balance exposure, the Bank is receiving due payment from tolls and annuities from the operating assets through an escrow account. The amount of ₹ 21.03 Crore has been considered as provision for standard assets.

4. Other Disclosures

4.1. Earnings per Share ('EPS')

Particulars	March 31, 2019	March 31, 2018
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,980,208	1,902,184
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	1,992,628	1,926,275
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	6.28	4.62
Diluted earnings per share (in ₹)	6.24	4.56
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	12,438,883	8,788,458

4.2 A. Equity Issue

During the year ended March 31, 2019, the Bank has allotted 12,905,764 equity shares consequent to exercise of ESOS which resulted in an increase of ₹ 2.58 Crore in Share Capital and ₹ 52.79 Crore in Share premium account.

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During the year ended March 31, 2018, the Bank has issued 215,517,241 equity shares of ₹ 2 each for cash pursuant to a Qualified Institution Placement (QIP) as per the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations at ₹ 116.00 per share aggregating to ₹ 2,500.00 Crore (including share premium). This resulted in an increase of ₹ 43.10 Crore in Share Capital and ₹ 2,420.78 Crore (net of issue expenses) in Share premium account.

Further during the year ended March 31, 2018 the Bank had allotted 32,577,034 equity shares consequent to exercise of ESOS and 4,750 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹ 6.52 Crore in Share Capital and ₹ 129.03 Crore in Share premium account.

B. Subscribed and paid up capital includes:

- (i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 29,273,675 underlying equity shares of ₹ 2/- each (Previous Year 32,925,590 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

- (i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share
- (ii) 262,100 shares of ₹ 2/- each (Previous year 262,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share
- (iii) 1,075,665 equity shares of ₹ 2/- each (Previous year 1,075,665 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- a) 407,670 shares of ₹ 2/- each (Previous year 407,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- b) 613,505 bonus shares of ₹ 2/- each (Previous year 613,505 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):
(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	March 31, 2019	March 31, 2018
Outstanding at the beginning of the year	38,476,532	71,802,986
Surrendered during the year	-	-
Granted during the year	-	100,000
Exercised during the year	12,903,339	32,577,034
Forfeited/lapsed during the year	1,425,680	849,420
Outstanding at the end of the year	24,147,513	38,476,532
Options exercisable	23,640,013	35,889,722

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the

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excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	March 31, 2019	March 31, 2018
Outstanding at the beginning of the year	15,770,539	-
Surrendered during the year	-	-
Granted during the year	37,231,307	22,318,348
Exercised during the year	2,425	-
Forfeited/lapsed during the year	2,663,140	6,547,809
Outstanding at the end of the year	50,336,281	15,770,539
Options exercisable	7,766,862	-

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

iii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 70.36 Crore (Previous Year: ₹ 25.79 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 5.93 and ₹ 5.80 (Previous Year: ₹ 4.48 and ₹ 4.43) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 335.03 Crore from the Profit and loss account for the year ended March 31, 2019, also the same has not been shown as an Other Liabilities. (Schedule 5). However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratios.

4.3. Fixed Assets:

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows: (₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Gross Block		
At the beginning of the year	205.50	174.01
Additions during the year	43.25	34.36
Deductions / Adjustments during the year	-	2.87
At the end of the year	248.75	205.50

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(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Depreciation / Amortisation		
At the beginning of the year	153.37	120.27
Charge for the year	37.13	35.97
Deductions / Adjustments during the year	-	2.87
Depreciation to date	190.50	153.37
Net Block	58.25	52.13

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2019 and March 31, 2018.

4.4. Operating Leases:

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 154.67 Crore (Previous year: ₹ 143.17 Crore) was charged to Profit and loss account.

4.5 Provisions and Contingencies
a) Movement in provision for non-credit related* frauds included under other liabilities:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Opening balance at the beginning of the year	4.71	4.05
Additions during the year	0.31	1.97
Reductions during the year	0.56	1.31
Balance at the end of the year	4.46	4.71

* Provision for credit related frauds included in Provision for Bad and doubtful debts.

b) Movement in provision for debit card reward points:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Opening provision at the beginning of the year	4.60	4.08
Provision made during the year	15.61	10.25
Reductions during the year	15.02	9.73
Closing provision at the end of the year *	5.19	4.60

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilized towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Opening provision at the beginning of the year	34.33	60.06
Provision made during the year	4.28	14.92
Reductions during the year	9.58	40.65
Closing provision at the end of the year	29.03	34.33

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4.6 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Provision for Income tax		
a) Current tax	687.64	461.03
b) Deferred tax	(24.28)	3.98
Total	663.36	465.01

4.7 Description of contingent liabilities:

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Bank.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which the bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund.

(Refer schedule 12 for amounts relating to contingent liability.)

4.8 Provisioning Pertaining to Fraud Accounts

Particulars	March 31, 2019	March 31, 2018
No. of frauds reported during the year	96	44
Amount involved in fraud (₹ in crore)	175.60	5.34
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year (₹ in crore)	35.82	3.56
Provision made during the year (₹ in crore)	35.82	3.56
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ in crore)	-	-

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4.9 Inter-bank participation with risk sharing

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2019 was ₹2,672.22 Crore (Previous Year: ₹ 1,444.50 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2019 was ₹ 973.73 Crore. (Previous Year: ₹ Nil).

4.10 Factoring Exposure

The factoring exposure of the Bank as on March 31, 2019 is ₹ 409.03 Crore (Previous Year: ₹ 805.63 Crore)

4.11 Priority Sector Lending Certificates (PSLC)

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold is given below:

(₹ in Crore)

Particulars	March 31, 2019		March 31, 2018	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-	-	-
PSLC – SF/MF	-	-	-	-
PSLC – Micro Enterprises	-	-	-	-
PSLC - General	3,750	-	-	-

4.12 Provision for Long Term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

4.13 Corporate Social Responsibility (CSR)

(₹ in Crore)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Amount required to be spent	22.47	23.65
Amount spent during the year	17.04	14.02

The Bank has spent of 1.52 % of its average net profit for the last three financial years as part of its CSR activities for the year ended March 31, 2019. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilizing the reporting year to lay a foundation on which to build and scale future projects and partnerships. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

4.14 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

THE FEDERAL BANK LIMITED

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4.15 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

4.16 Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

		For and on behalf of the Board of Directors	
Krishnakumar K Senior Vice President	Girish Kumar Ganapathy Company Secretary	Ashutosh Khajuria Executive Director & CFO (DIN:05154975)	Shyam Srinivasan Managing Director & CEO (DIN:02274773)
		Dilip G Sadarangani Chairman (DIN:06610897)	
As per our report of even date		<u>Directors:</u>	
For B S R & Co. LLP Chartered Accountants Firm's Reg.No: 101248W/W-100022	For M. M. Nissim & Co. Chartered Accountants Firm's Registration No: 107122W	Nilesh S Vikamsey Grace Elizabeth Koshie Shubhalakshmi Panse C Balagopal A P Hota K Balakrishnan	(DIN : 00031213) (DIN : 06765216) (DIN : 02599310) (DIN : 00430938) (DIN : 02593219) (DIN : 00034031)
Akeel Master Partner Membership No.046768	Sanjay Khemani Partner Membership No. 044577		
Place: Mumbai Date : May 4, 2019			

New thinking. New possibilities.



'Nayi Soch' is the new mantra that galvanises Team Federal. The emphasis is on innovation and disruption. In the light of changing customer needs and expectations, smarter banking solutions need to be invented. This 'New Thinking' at Federal Bank finds reflection in a wide range of new products and services, that caters to the changing aspirations of a new India.

Remittances - Tied up with Ripple for cross-border remittances. This tie-up along with the existing arrangements positions Federal Bank as the first point of call for all remittances.

Gold Loans @ Home - Partnered with a young fintech company to distribute Gold Loans at the customers' residences. Federal Bank with its rich experience in Gold Loan business is one of the first banks to bring this to home spaces.

Agri Innovation - Allied with the Government of Kerala as its Banking partner in a coconut collection process set up by the Government a la the Amul milk collection model.

Digital Loans to NTB customer - Completely digital assessment and disbursement of loans done through tie-ups with two fintech startups to onboard NTB borrowers, while our fully digital BYOM channel caters to existing customers.

Micro Finance - Deployed a novel technology for managing and distributing MFIs to SHGs and JLGs. The technology is scalable for on-boarding different BCs for different geographies.

Places of Worship - Deepened relationship with the prestigious Tirumala Tirupati Devasthanam. Model which supports payment gateway, FCRA Account Management, Acquiring Bank Services, Bespoke Account Offerings, Coin Collection etc started with the Devasthanam. The same model can easily be ported/replicated to any other religious institutions.

BASEL III – PILLAR 3 DISCLOSURES AS ON 31st MARCH 2019

SCOPE OF APPLICATION AND CAPITAL ADEQUACY

I. Table DF- 1 SCOPE OF APPLICATION

The Basel III capital adequacy norms are applicable to The Federal Bank Limited as the top consolidated entity in the group in line with the Reserve Bank of India (RBI) guidelines on the preparation of consolidated prudential reports.

Qualitative Disclosures

a) List of group entities considered for consolidation

Name of the entity / Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes / no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes / no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Fedbank Financial Services Ltd India	YES	AS 21	YES	AS 21	NA	NA
IDBI Federal Life Insurance Company Ltd India	YES	AS 23	NO	NA	NA	IDBI Federal is an insurance entity and has been risk weighted for capital adequacy purpose
Equirus Capital Private Ltd	YES	AS 23	YES	AS 23	NA	NA
Federal Operations and Services Limited	YES	AS 21	YES	AS 21	NA	NA

b) List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Name of the entity / Country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
NIL					

Quantitative Disclosures

c) List of group entities considered for consolidation

(Amount in ₹Mn)

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Fed bank Financial Services Ltd India	Marketing of Bank's own products and lending against gold and property.	4622.30	21285.30
Equirus Capital Private Ltd	The Company is engaged in investment banking. The company caters to both domestic and international market.	491.77	788.04
Federal Operations and Services Limited	FedServ will carry out all the operational activities of the Bank including but not limited to accounts service division, payment settlement division, trade finance division, treasury back end section, contact center operations, IT support etc	47.14	56.97

d) The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted

Name of the subsidiaries / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies
NIL				

e) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:

(Amount in ₹Mn.)

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
IDBI Federal Life Insurance Company Ltd India	Insurance	9128.53	26%	CRAR will reduce by 0.15% 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

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, 2019 is 10.875%. The given minimum capital requirement includes capital conservation buffer of 1.875%. Bank's CRAR is above the regulatory minimum as stipulated in Basel III Capital Regulations.

2	Quantitative disclosures (Solo Bank)	(Amount in ₹Mn.)	
2.1	Capital requirements for Credit risk	74801.03	
	Portfolios subject to Standardized approach	74801.03	
	Securitization exposures	0.00	
2.2	Capital requirements for Market risk (Standardized duration approach)	2993.87	
	Interest rate risk	1675.47	
	Foreign exchange risk (including gold)	202.50	
	Equity risk	1115.90	
2.3	Capital requirements for Operational risk	6592.99	
	Basic Indicator Approach	6592.99	
	Total Capital Requirements	84387.89	
2.4	Common Equity Tier 1, Tier 1 & Total Capital Ratios	Standalone	Consolidated
	Common Equity Tier 1 capital ratio	13.38%	13.67%
	Tier 1 capital ratio	13.38%	13.67%
	Total capital ratio	14.14%	14.43%

RISK EXPOSURE AND ASSESSMENT

1.	<p>Credit risk</p> <p>Strategies and processes:</p> <p>The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below:</p> <ol style="list-style-type: none"> a) Defined segment exposures delineated into Agriculture, Micro & Rural Banking, Retail, MSME and Corporate. b) Industry wise segment ceilings on aggregate lending by Bank across Branches. c) Individual borrower wise and borrower group wise lending ceilings linked as a percentage to the Bank's capital funds as at the end of the previous year. 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) The business of the Bank is within India including the IFSC branch located in GIFT City, Gujarat. In respect of certain industries; ceiling has been fixed for specific geographies with a view to contain Concentration risk. In respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank / institution. Bank has also fixed ceiling for its foreign currency exposures. 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 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) Specialized Credit Advisory Teams operating at strategic locations to streamline and monitor credit processes within the credit hubs, evaluate and chart action plans to act on EWS, conduct unit visit of stressed account and formulate other measures to maintain standard health classification of credit exposures. k) Dedicated Credit Monitoring Department at national level and other key geographies to monitor / follow up of performance of loans and advances. l) Credit Administration Department at central level and at other key geographies to ensure compliance of documentation formalities and submission of post credit monitoring reports / compliance of sanction order covenants. m) Robust statistical score cards used for retail credit appraisal process. n) Bank also uses the Behavioral / transactional models for monitoring and timely intervention of retail borrowers. o) Model validation done on yearly basis to assess the discriminatory power of the model and stability of the rating and do calibration. p) Bank has laid down appropriate mechanism for ongoing identification, development and assessment of expertise of officials in the area of credit appraisal, underwriting and credit management functions. q) Internal credit rating of all credit proposals above ₹5.00 Crores is confirmed by Integrated Risk Management Department. <p>Structure and organization of risk management function:</p> <p>Bank has put in place Board approved comprehensive Credit Risk Management Policy. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalized required organizational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Risk Management Committee of the Board oversees Bank wide risk management and senior executive level Credit Risk Management Committee monitors adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets at least once in a 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.</p> <p>Bank has put in place a detailed Loan Policy spelling out various aspects of Credit dispensation and Credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on sector wise, rating grade wise, and customer-constitution wise exposure. CRM policy gives specific instructions on valuation of collaterals. Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures.</p>
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	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank has implemented comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating is made applicable for all loan accounts irrespective of amount, whether funded or non-funded. However, staff loans and loan against liquid securities are exempted from rating. Bank uses different rating models which are two dimensional, viz obligor rating and facility rating. Risk rating models are drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics, financials, securities offered etc.</p> <p>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 is used for monitoring the performance of the borrower post onboarding. All rating models are subjected to annual validation by objectively assessing the discriminatory power, calibration accuracy and stability of ratings.</p> <p>Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual review of credit rating of its exposures and the findings are used in annual rating migration study and portfolio evaluation for exposures of ₹2 Cr and above.</p> <p>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.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>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.</p> <p>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.</p>
<p>2.</p>	<p>Market risk</p>
	<p>Strategies and processes:</p> <p>Market risk is monitored through various risk limits set vide Board approved Market Risk Management Policy. Detailed policies like Asset Liability Management Policy, Investment Policy, Derivatives Policy, Forex policy, Market Risk Management Policy etc. are put in place for the conduct of business exposed to Market risk and also for effective management of all market risk exposures.</p> <p>The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.</p>
	<p>Structure and organization of risk management function:</p> <p>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.</p> <p>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 and reports directly to the Head-Risk & Chief Risk Officer.</p>

	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Non-SLR investment exposures are subjected to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc. are used for Risk management and reporting.</p>
	<p>Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>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.</p> <p>Liquidity risk of the Bank is assessed through Statements of Structural Liquidity and Short Term Dynamic Liquidity. The liquidity profile of the Bank is measured on static and dynamic basis using the Statements of Structural Liquidity and Short Term Dynamic Liquidity, respectively. Structural liquidity position is assessed on a daily basis and Dynamic liquidity position is assessed on a monthly basis.</p> <p>Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are monitored by ALCO on a monthly basis. Interest rate risk is analyzed from earnings perspective using Traditional Gap Analysis and Economic value perspective using Duration Gap Analysis on a monthly basis. Based on the analysis, steps are taken to minimize the impact of interest rate changes.</p> <p>Bank is computing LCR (Liquidity Coverage Ratio) on a daily basis and NSFR (Net stable funding ratio) on a quarterly basis. Advanced techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.</p>
3.	Operational risk
	<p>Strategies and processes:</p> <p>Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, structure and risk profile. A comprehensive bank-wide Business Continuity Plan is put in place to ensure continuity of critical operations of the Bank covering all identified disasters. Robust information and cyber security frameworks are established for securing the IT infrastructure and systems of the Bank.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee of the Board oversees Bank-wide risk management. Bank has put in place a detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. Executive level Information Security Committee is responsible for implementation of strategies and policies for protection of all information assets of the Bank.</p>
	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank is collecting operational risk loss data directly from the loss originating points. Bank has established a separate accounting procedure for operational risk events to enhance transparency and to enable effective monitoring of loss events. The operational risk loss data is consolidated, analyzed and reported to the Operational Risk Management Committee at least on a quarterly basis. Bank is identifying and assessing operational risk through Risk and Control Self Assessments (RCSA) and monitoring of Key Risk Indicators (KRI).</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank is using insurance for mitigating against various operational risk losses. New products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks the Bank would be exposed to and checks and controls are implemented to mitigate the risks. To evaluate the effectiveness of the business continuity arrangements, periodic drills and tests are conducted.</p>
4.	Interest rate risk in Banking Book
	<p>Strategies and processes:</p> <p>Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.</p>

<p>Structure and organization of risk management function:</p> <p>Risk Management Committee at the Board level and ALCO at the executive level are responsible for effective management of Interest Rate Risk in Bank’s business. Board approved ALM Policy governs the Interest rate risk management framework of the Bank. Market Risk Management Policy takes care of the management of Interest rate risk in the Trading Book of the Bank.</p>
<p>Scope and nature of risk reporting / measurement systems:</p> <p>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 is calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO / RMC for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.</p>
<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank has put in place mitigating / hedging measures prescribed by Investment Policy, ALM Policy, Market Risk Management Policy and Derivatives Policy. Risk profiles are analyzed and mitigating strategies/ hedging processes are suggested and operationalized by Treasury Department with the approval of Senior Level Committees.</p>
<p>Structure and organization of Bank’s risk management function</p> <p>Bank has put in place an organizational framework for Bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all material risks on an enterprise-wide basis to achieve organizational goals. The structure assures adherence to regulatory stipulations. The structure is designed in tune with the regulatory guidelines.</p> <p>Bank’s Board at the top of the structure has assumed overall responsibility for Bank-wide management of risk. The Board decides risk management policies of the Bank and sets risk exposure limits by assessing Bank’s risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility of devising policy and strategy for enterprise-wide risk management. The Committee also sets guidelines for measurement of risks, risk mitigation and control parameters and approves adequate infrastructure for risk management. The Committee meets regularly and reviews reports placed on various risk areas.</p> <p>There are four support committees of senior executives (CRMC, ALCO also known as MRMCM, ORMC & ISC) responsible for implementation of policies and monitoring of level of risks in their respective domains. The Committees are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committees meet regularly to take stock of various facets of risk management function and place their reports to Board Level Risk Management Committee. ALCO meets at least once in a month and CRMC, ISC & ORMC meet at least once in a quarter. Depending on requirement, ALCO meets at shorter frequencies.</p> <p>Integrated Risk Management Department is responsible for overall identification, measurement, monitoring and control of various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator / Board. IRMD has three divisions; Credit Risk Division, Market Risk Division and Operational Risk Division. Division Heads report to the Head-Risk & Chief Risk Officer who reports directly to the Managing Director & CEO.</p>

TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

<p>1. Qualitative disclosures</p>
<p>Definitions of past due and impaired (for accounting purposes):</p> <p>1. <u>Non-Performing Assets</u></p> <p>An asset including a leased asset becomes non-performing when it ceases to generate income for the bank. A non-performing asset (NPA) is a loan or an advance where</p> <ol style="list-style-type: none"> Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. The account remains ‘Out of order’ as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC). The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.

<p>2. <u>'Out of Order' status</u></p> <p>An account is treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as Out of order.</p>
<p>3. <u>'Overdue'</u></p> <p>Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.</p>
<p>4. <u>Special Mention Accounts</u></p> <p>As prescribed by RBI, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below:</p> <ul style="list-style-type: none"> • SMA-0- Principal or interest payment or any other amount wholly or partly overdue between 1-30 days. • SMA-1- Principal or interest overdue between 31-60 days. • SMA-2- Principal or interest overdue between 61-90 days.
<p>Credit Risk</p> <p>a. Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities.</p> <p>b. Downgrading of counterparties whose credit instruments, the Bank may be holding, causing the value of those assets to fall.</p> <p>c. Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).</p> <p>RBI vide its notification dated 18/04/2017 directed Banks to identify stressed sectors in the economy through periodic review and to make additional provision for standard advances to stressed sectors. Accordingly, Bank has identified Telecom, Power sector (Thermal & Renewable/ Non - Conventional) and Roads – Infrastructure as stressed sectors and standard asset provision at higher rates are made for low rated exposures in the sector.</p>
<p>Discussion of the Bank's Credit Risk Management Policy:</p> <p>Bank has put in place a detailed Credit Risk Management Policy. The objective of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organizational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilization of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimizing returns with satisfactory spread over funding cost and overheads. The policy deals with the structure, framework and processes for effective management of inherent credit risk.</p>

Quantitative disclosures

(Amount in ₹ Mn)

	Fund based exposure*	Non-fund based exposure**	Total
Total gross credit risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	1274888.97	89998.24	1364887.21
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	21270.38	0.00	21270.38
Domestic	1253618.59	89998.24	1343616.83

*Fund based exposures include all type of funded facilities including the unavailed limits and inter-bank exposures. However, exposures to Food Credit, RIDF related exposures, deposits to SIDBI, NABARD and NHB for priority sector lending purposes are excluded.

**Non fund based exposures include guarantees, Letters of Credit and Co-Acceptances of bills/ deferred payment guarantees.

INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(With industry break up on same lines as prescribed for DSB returns)

Industry Name	Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
A. Mining and Quarrying	6152.37	20.25	6172.62	0.45%
A.1 Coal	95.70	0.00	95.70	0.01%
A.2 Others	6056.67	20.25	6076.92	0.45%
B. Food Processing	10465.69	487.28	10952.97	0.80%
B.1 Sugar	3244.70	0.00	3244.70	0.24%
B.2 Edible Oils and Vanaspati	221.83	30.00	251.83	0.02%
B.3 Tea	260.74	3.84	264.58	0.02%
B.4 Coffee	215.91	0.00	215.91	0.02%
B.5 Others	6522.51	453.44	6975.95	0.51%
C. Beverages (excluding Tea & Coffee) and Tobacco	3789.43	2.64	3792.07	0.28%
C.1 Tobacco and tobacco products	176.42	0.00	176.42	0.01%
C.2 Others	3613.01	2.64	3615.65	0.26%
D. Textiles	25544.04	1316.69	26860.72	1.97%
D.1 Cotton	4619.87	157.06	4776.93	0.35%
D.2 Jute	164.58	5.28	169.86	0.01%
D.3 Man-made	0.00	0.00	0.00	0.00%
D.4 Others	20759.59	1154.35	21913.93	1.61%
Out of D (i.e., Total Textiles) to Spinning Mills	0.00	0.00	0.00	0.00%
E. Leather and Leather products	1350.02	162.91	1512.93	0.11%
F. Wood and Wood Products	4444.07	541.44	4985.52	0.37%
G. Paper and Paper Products	8386.21	555.49	8941.70	0.66%
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	12183.13	27.28	12210.41	0.89%
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	28784.48	2553.46	31337.93	2.30%
I.1 Fertilizers	9603.07	803.34	10406.40	0.76%
I.2 Drugs and Pharmaceuticals	4052.69	363.75	4416.44	0.32%
I.3 Petro-chemicals (excluding under Infrastructure)	0.00	8.95	8.95	0.00%
I.4 Others	15128.72	1377.42	16506.14	1.21%
J. Rubber, Plastic and their Products	10523.71	868.70	11392.41	0.83%
K. Glass & Glassware	3005.28	44.21	3049.48	0.22%
L. Cement and Cement Products	4089.66	11.81	4101.47	0.30%
M. Basic Metal and Metal Products	21779.83	2903.23	24683.06	1.81%
M.1 Iron and Steel	15090.69	1312.46	16403.15	1.20%
M.2 Other Metal and Metal Products	6689.14	1590.77	8279.91	0.61%
N. All Engineering	14409.50	6532.73	20942.24	1.53%
N.1 Electronics	431.37	13.37	444.74	0.03%
N.2 Others	13978.13	6519.36	20497.50	1.50%
O. Vehicles, Vehicle Parts and Transport Equipments	15520.59	3458.82	18979.42	1.39%
P. Gems and Jewellery	4766.09	202.71	4968.80	0.36%

Q. Construction	21401.87	6968.04	28369.91	2.08%
R. Infrastructure	103240.80	17325.03	120565.80	8.83%*
R.a Transport (a.1 to a.6)	12632.73	406.25	13038.98	0.96%
R.a.1 Roads and Bridges	4388.80	14.90	4403.70	0.32%
R.a.2 Ports	302.20	27.29	329.50	0.02%
R.a.3 Inland Waterways	0.00	0.00	0.00	0.00%
R.a.4 Airport	7941.38	363.54	8304.91	0.61%
R.a.5 Railway Track, tunnels, viaducts, bridges	0.00	0.00	0.00	0.00%
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0.00	0.00	0.00	0.00%
R.a.7 Shipyards	0.00	0.00	0.00	0.00%
R.a.8 Logistics Infrastructure	0.35	0.52	0.87	0.00%
R.b. Energy (b.1 to b.6)	28554.30	276.02	28830.32	2.11%
R.b.1 Electricity Generation	21011.74	107.52	21119.26	1.55%
R.b.1.1 Central Govt PSUs	10029.35	96.92	10126.28	0.74%
R.b.1.2 State Govt PSUs (incl. SEBs)	0.00	0.00	0.00	0.00%
R.b.1.3 Private Sector	10982.39	10.60	10992.98	0.81%
R.b.2 Electricity Transmission	2032.50	1.95	2034.45	0.15%
R.b.2.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.2.2 State Govt PSUs (incl. SEBs)	0.00	0.00	0.00	0.00%
R.b.2.3 Private Sector	2032.50	1.95	2034.45	0.15%
R.b.3 Electricity Distribution	5510.06	166.55	5676.61	0.42%
R.b.3.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.3.2 State Govt PSUs (incl. SEBs)	4592.84	0.00	4592.84	0.34%
R.b.3.3 Private Sector	917.22	166.55	1083.77	0.08%
R.b.4 Oil Pipelines	0.00	0.00	0.00	0.00%
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	0.00	0.00	0.00	0.00%
R.b.6 Gas Pipelines	0.00	0.00	0.00	0.00%
R.c. Water and Sanitation (c.1 to c.7)	559.87	31.14	591.01	0.04%
R.c.1 Solid Waste Management	1.70	0.00	1.70	0.00%
R.c.2 Water supply pipelines	510.41	8.12	518.52	0.04%
R.c.3 Water treatment plants	0.00	0.00	0.00	0.00%
R.c.4 Sewage collection, treatment and disposal system	0.00	0.00	0.00	0.00%
R.c.5 Irrigation (dams, channels, embankments etc)	47.76	23.02	70.79	0.01%
R.c.6 Storm Water Drainage System	0.00	0.00	0.00	0.00%
R.c.7 Slurry Pipelines	0.00	0.00	0.00	0.00%
R.d. Communication (d.1 to d.3)	15499.20	1100.17	16599.36	1.22%
R.d.1 Telecommunication (Fixed network)	750.04	898.16	1648.19	0.12%
R.d.2 Telecommunication towers	173.96	75.53	249.49	0.02%
R.d.3 Telecommunication and Telecom Services	14575.20	126.48	14701.68	1.08%
R.e. Social and Commercial Infrastructure (e.1 to e.9)	16150.93	732.02	16882.96	1.24%
R.e.1 Education Institutions (capital stock)	9797.00	145.09	9942.09	0.73%

R.e.2 Hospitals (capital stock)	3806.21	501.33	4307.54	0.32%
R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	2540.40	85.60	2626.01	0.19%
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	0.00	0.00	0.00	0.00%
R.e.5 Fertilizer (Capital investment)	0.00	0.00	0.00	0.00%
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	0.00	0.00	0.00	0.00%
R.e.7 Terminal markets	0.00	0.00	0.00	0.00%
R.e.8 Soil-testing laboratories	0.00	0.00	0.00	0.00%
R.e.9 Cold Chain	0.00	0.00	0.00	0.00%
R.e.10 Sports Infrastructure	7.32	0.00	7.32	0.00%
R.e.11 Tourism - Ropeways and Cable Cars	0.00	0.00	0.00	0.00%
R.e.12 Affordable Housing	0.00	0.00	0.00	0.00%
R.f. Others, if any, please specify	29843.75	14779.43	44623.18	3.27%
S. Other Industries, pl. specify	16126.98	791.37	16918.35	1.24%
All Industries (A to S)	315963.71	44774.09	360737.80	26.43%

* Total exposure to Infrastructure exceeds 5% of gross credit exposure

RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS (maturity bands as used in ALM returns are used)

(Amount in ₹ Mn.)

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	7002.30	5755.77	5922.92	47428.06	15390.45	0.00	3785.96	85285.46
2 – 7 days	0.00	625.46	28432.38	1223.07	16684.68	0.00	0.00	46965.59
8-14 days	0.00	554.75	0.00	918.19	5391.02	0.00	0.06	6864.01
15-30 days	0.00	1286.25	0.00	2181.73	25174.02	0.00	115.86	28757.86
31 days & upto 2 months	0.00	2746.24	0.00	9201.64	34898.35	0.00	98.00	46944.23
Over 2 months & up to 3 months	0.00	2729.62	0.00	17423.65	95022.63	0.00	60.33	115236.24
Over 3 months & up to 6 months	0.00	6301.89	2095.11	11860.81	89899.92	0.00	1787.80	111945.53
Over 6 months & up to 1 year	0.00	12002.22	0.00	13367.83	129184.34	0.00	16396.20	170950.58
Over 1 year & up to 3 years	0.00	22551.41	25.91	34179.95	418223.26	0.00	25878.72	500859.25
Over 3 years & up to 5 years	0.00	1770.05	0.00	45303.63	122635.38	0.00	9451.35	179160.41
Over 5 years and upto 7 years	0.00	434.49	0.00	31163.31	64725.77	0.00	8938.83	105262.40
Over 7 years and up to 10 years	0.00	427.52	0.00	67534.30	37956.59	0.00	156.68	106075.09
Over 10 year and up to 15 years	0.00	3.66	0.00	22525.36	34887.71	0.00	0.00	57416.72
Over 15 years	0.00	0.06	0.00	13933.20	12155.41	4720.41	867.48	31676.57
Total	7002.30	57189.39	36476.33	318244.73	1102229.54	4720.41	67537.26	1593399.95

ASSET QUALITY

Advances

(Amount in ₹ Mn.)

Amount of Non-Performing Assets (Gross)	32606.77
Substandard	9808.88
Doubtful 1	8698.35
Doubtful 2	9175.20
Doubtful 3	2284.60
Loss	2639.74
Net NPA	16262.10
NPA ratios	
Gross NPAs to gross advances (%)	2.92%
Net NPAs to net advances (%)	1.48%
Movement of NPAs (Gross)	
Opening balance (balance as at the end of previous Fiscal)	27956.22
Additions during the period	16679.81
Reductions	12029.26
Closing balance	32606.77

Movement of provisions

(Amount in ₹ Mn.)

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	11459.46	691.80
Provisions made during the period	8980.81	-
Write off	1863.08	-
Write back of excess provisions	3205.81	-
Any other adjustments, including transfers between provisions	-	-
Closing balance	15371.38	691.80

Details of write offs and recoveries that have been booked directly to the income statement

Write offs that have been booked directly to the income statement	440.45
Recoveries that have been booked directly to the income statement	1691.12

Investments

(Amount in ₹ Mn.)

Amount of Non-Performing Investments(Gross)	930.86
Amount of provisions held for Non-Performing Investments	908.19
Movement of provisions for depreciation on investments	
Opening balance (balance as at the end of previous Fiscal)	2060.50
Provisions made during the period	1251.20
Write-off	221.85
Write-back of excess provisions	0.00
Closing balance	3089.85

Major Industry breakup of NPA

Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	8169.44	4390.03

Geography wise Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	32606.77	15371.38	691.80
Overseas	-	-	-
Total	32606.77	15371.38	691.80

TABLE DF – 4: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

1.	Qualitative disclosures
	<p><u>For portfolios under the Standardized Approach:</u></p> <p>Names of credit rating agencies used, plus reasons for any changes: Bank has approved all the seven External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrower accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are:</p> <ol style="list-style-type: none"> 1. CRISIL 2. CARE 3. India Ratings and Research Private Limited (Formerly FITCH INDIA) 4. ICRA 5. Brickwork Ratings India Pvt. Ltd (BRICKWORK) 6. SMERA Ratings Ltd 7. INFOMERICS Valuation and Rating Pvt. Ltd (INFOMERICS) <p>Bank is also using the ratings of the following international credit rating agencies for assigning risk weights to claims for capital adequacy purposes where the exposure can be specified as international exposure:</p> <ol style="list-style-type: none"> 1. Fitch; 2. Moody's and 3. Standard & Poor's <p>With respect to external credit rating, Bank is using long term ratings for risk weighting all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty.</p> <p>Types of exposure for which each agency is used:</p> <ol style="list-style-type: none"> 1. Rating by the agencies is used for both fund based and non-fund based exposures. 2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits). 3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits. 4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group. The rating reviewed, at least once during past 15 months will only be considered for risk weighting purposes.
	<p>Description of the process used to transfer public issue ratings into comparable assets in the Banking Book: The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject. Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/ counterparty) or Issuer Ratings (borrower constituent/ counterparty) are applied to unrated exposures of the same borrower constituent/ counterparty subject to the following:</p> <ol style="list-style-type: none"> 1. Issue specific ratings are used where the unrated claim of the Bank ranks pari passu or senior to the rated issue / debt. 2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty. 3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned.

2. Quantitative disclosures		
Risk weight wise details of exposures (rated and unrated) after risk mitigation subject to the Standardized Approach (Credit equivalent amount of all exposures subjected to Standardized Approach, after risk mitigation)	Risk Weight	(Amount in ₹Mn.)
	Below 100 %	1060146.01
	100 %	280318.02
	More than 100 %	142668.94
	Deducted*	1950.00
	Total	1483132.96

*Investment in subsidiary

TABLE DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES

1. Qualitative disclosures	
	Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk
1.1 Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting	
	Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.
1.2 Policies and processes for collateral valuation and management	
	Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both Risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.
1.3 Description of the main types of collateral taken by the Bank	
	<p>Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely:</p> <ol style="list-style-type: none"> 1. Cash margin and fixed deposits of the counterparty with the Bank. 2. Gold jewellery of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity. 3. Securities issued by Central and State Governments. 4. Kisan Vikas Patra and National Savings Certificates. 5. Life Insurance Policies with a declared surrender value of an Insurance company regulated by the insurance sector regulator. 6. Debt securities rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are either: <ol style="list-style-type: none"> a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public sector entities and other entities including banks and Primary Dealers or b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments 7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are: <ol style="list-style-type: none"> a. Issued by the bank b. Listed on a recognized exchange c. Classified as senior debt d. All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or A3 by a chosen Credit Rating Agency e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency f. Bank is sufficiently confident about the market liquidity of the security. 8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where <ol style="list-style-type: none"> a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain b. Mutual fund is limited to investing in the permitted instruments listed. <p>Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/advances and deposits of the same counterparty. Netting benefit, even if available, is not utilized in capital computation under Basel III norms.</p>

1.4	Main types of guarantor counterparty and their creditworthiness
	<p>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.</p> <p>Main types of guarantor counterparties are</p> <ol style="list-style-type: none"> Sovereigns (Central / State Governments) Sovereign entities like ECGC, CGFTSI Banks and Primary Dealers with a lower risk weight than the counter party <p>Other entities rated AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.</p>
1.5	Information on market / credit risk concentrations within the mitigation taken by the Bank
	<p>Majority of financial collaterals held by the Bank are by way of own Deposits, Government Securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals except in Gold and Units of Mutual Funds. Bank does not have exposure collateralized through units of eligible Mutual Funds. With respect to gold loans, each and every exposure is reviewed/ renewed/closed within a maximum period of 12 months. Bank could successfully manage the risks posed by sudden reduction in gold price in the past. Measures warranted by the situation were timely taken.</p> <p>Bank has not experienced any significant Market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realization.</p> <p>Concentration on account of collateral is also relevant in the case of Land & building. Except in the case of Housing loan to individuals and loans against property, land and building is considered only as an additional security. As land and building is not recognized as eligible collateral under Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of Housing loan to individuals and non-performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.</p>

(Amount in ₹ Mn.)

2. Quantitative Disclosures

2.1	Credit risk exposure covered by eligible financial collaterals			
	Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A	Funded Credit Exposure	122342.15	109521.90	12820.26
B	Non-funded Credit exposure	28224.20	14963.40	13260.80
C	Securitization exposures – On balance sheet	0.00	0.00	0.00
D	Securitization exposures – Off balance sheet	0.00	0.00	0.00
	TOTAL	150566.36	124485.30	26081.06
2.2	Credit risk exposure covered by guarantees			
	Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)	
A	Funded Credit Exposure	20602.82	20528.74	
B	Non-funded Credit exposure	11826.03	2379.91	
C	Securitization exposures – on balance sheet	0.00	0.00	
D	Securitization exposures – off balance sheet	0.00	0.00	
	TOTAL	32428.85	22908.65	

TABLE DF – 6: SECURITISATION: DISCLOSURES FOR STANDARDIZED APPROACH

1.	Qualitative disclosures
1.1	General disclosures on securitization exposures of the Bank
A	Objectives of securitization activities of the Bank (including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the Bank to other entities and nature of other risks inherent in securitized assets)
	Bank's securitisation exposure is limited to investments in securitisation instruments (Pass Through Certificates) and purchase of asset portfolio by way of Direct assignment route. The bank invests/ purchase securitised assets with the objective of book building and yield optimisation.

B	Role of Bank in securitization processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.
	As an Investor: The Bank invests in Pass Through Certificates backed by financial assets originated by third parties. Such investments are held in its Trading book.
	As an Assignee: The Bank also purchases Asset portfolio by way of Direct assignment from Banks / NBFCs.
C	Processes in place to monitor changes in the credit and market risk of securitization exposures
	The major risks involved in Loan assignment transactions are: Credit Risk: The risk of default on a debt that may arise from an obligor failing to make required payments. Co-mingling risks: Risks arising on account of co-mingling of funds belonging to the assignee with that of originator. This occurs when there is a time lag between collection of loan instalments by the originator and remittance to the assignee. Regulatory and legal risks: Risks arising due to non-compliance of regulatory requirements resulting in keeping higher risk weight/ capital charge for assignment transactions. Risk of non-compliance of regulatory rules. Prepayment risk: Prepayment risk arises on account of prepayment of dues by obligors in the assigned pool either in part or full. Bank is constantly monitoring the changes in Credit and Market risk profile of securitization instruments held in the Trading book and Banking book. In case of portfolio purchased through Assignment route, monitoring is done on an individual account level.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures
	The Bank has not originated any securitization exposures. In the case of purchase by way of Direct assignment route; bank has not used any Credit risk mitigants.
1.2	Accounting policies for securitization activities
A	Treatment of transaction (whether as sales or financings)
	NA
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognized on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard. The loans purchased through Direct assignment route are classified as advances. The loans purchased will be carried at acquisition cost.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitized instruments (Pass Through Certificates).
D	Policies for recognizing liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitized assets.
	Bank has not entered into any arrangement to provide financial support for securitized assets.
1.3	In the Banking Book, names of ECAIs used for securitizations and the types of securitization exposures for which each agency is used.
	For computation of Capital requirements for loans purchased by way of Direct assignment, Bank has used the Credit rating issued by eligible ECAIs.

2.	Quantitative disclosures (Amount in ₹ Mn)		
2.1	In the Banking Book		
A	Total amount of exposures securitized by the Bank	Nil	
B	For exposures securitized, losses recognized by the Bank during the current period (exposure type wise break up)	Nil	
C	Amount of assets intended to be securitized within a year	Nil	
D	Of (C) above, amount of assets originated within a year before securitization	Nil	
E	Securitization exposures (by exposure type) and unrecognized gain or losses on sale thereon		
	Type of exposure	Amount securitized	Unrecognized gain / loss
	Nil	Nil	Nil

F	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup) (Direct assignment of Cash flows)	Commercial Vehicle/ MSME	473.82	
		Housing	14291.02	
		Loan against property	6378.80	
		Commercial TL / LRD	182.48	
		Agri / Allied activities	2.94	
		Total	21329.07	
G	Aggregate amount of off-balance sheet securitization exposures (exposure type wise breakup)	Nil		
H	Aggregate amount of securitization exposures retained or purchased and associated capital charges (Direct assignment of Cash flows)			
	Risk Weight Bands	Exposure Type	Exposure	Capital Charge
	Less than 100%	Housing Loans	14240.89	645.58
		Mixed Assets*	438.51	29.60
		Loan against property	2555.75	172.51
		Agri / Allied activities	0.15	0.01
	At 100%	Agri / Allied activities	2.79	0.19
		Commercial TL / LRD	182.48	16.42
		Loan against property	1.03	427.97
		Housing Loans	50.13	3.94
	More than 100%	Loan against property	3822.03	427.97
		Mixed Assets*	35.30	2.65
	*includes Commercial Vehicle Loans and Micro & Small Business Loans			
I	Total amount of deductions from capital on account of securitization exposures			Nil
	Deducted entirely from Tier I capital-underlying exposure type wise break up			Nil
	Credit enhancing interest only strips (I/O) deducted from total capital – underlying exposure type wise break up			Nil
	Other exposures deducted from total capital – underlying exposure type wise break up			Nil
2.2	In the Trading Book			
A	Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)			
	Type of exposure	Gross Amount	Amount retained	
	Nil	Nil	Nil	
B	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup)			
	Type of exposure			(Amount in ₹Mn.)
	Investment in Pass through Certificates			4985.78
C	Aggregate amount of off-balance sheet securitization exposures (exposure type wise breakup)			Nil
D	Securitization exposures retained / purchased subject to Comprehensive Risk Measure for specific risk			----
E	Securitization exposures retained / purchased subject to specific risk capital charge (risk weight band wise distribution)			
	Type of Exposure	Capital charge as % to exposure	Exposure (Amount in ₹ Mn.)	
	Investment in Pass through Certificates	5.13%	4985.78	
F	Aggregate amount of capital requirements for securitization exposures (risk weight band wise distribution)			
	Type of exposure	Capital charge as % to exposure	Capital charge (Amount in ₹ Mn.)	
	Investment in Pass through Certificates	5.13%	255.91	

G	Total amount of deductions from capital on account of securitization exposures	Nil
	Deducted entirely from Tier I capital – underlying exposure type wise break up	Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up	Nil
	Other exposures deducted from total capital – underlying exposure type wise break up	Nil

TABLE DF – 7: MARKET RISK IN TRADING BOOK

1.	Qualitative disclosures	
1.1	Approach used for computation of capital charge for market risk	
	<p>Bank has adopted Standardized Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardized Duration Approach is applied for computation of General Market Risk for</p> <ul style="list-style-type: none"> • Securities under HFT category • Securities under AFS category • Open gold position limits • Open foreign exchange position limits • Trading positions in derivatives • Derivatives entered into for hedging trading book exposures <p>Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.</p>	
1.2	Portfolios covered in the process of computation of capital charge	
	Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.	
		(Amount in ₹ Mn.)
2.	Quantitative disclosures	
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach	2993.87
	Interest rate risk	1675.47
	Foreign exchange risk (including gold)	202.50
	Equity position risk	1115.90

TABLE DF – 8: OPERATIONAL RISK

1.	Qualitative disclosures	
1.1	Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)	
	Bank is following the Basic Indicator Approach for computation of capital charge for operational risk. Bank has initiated steps for migrating to the advanced approaches in due course.	

TABLE DF – 9: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

1.	Qualitative disclosures	
	<p>The impact of adverse movements in interest rates on financials is referred to as interest rate risk. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. As interest rate risk can impact both Net Interest Income (NII) and Economic value of capital, it is assessed and managed from both earnings and economic value perspective.</p> <p>a) Earnings perspective: Analyses the impact on Bank's Net Interest Income (NII) in the short term through traditional gap analysis. b) Economic perspective: Analyses the impact on the Net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items through duration gap analysis.</p> <p>The Bank classifies an asset/liability as rate sensitive if:</p> <ul style="list-style-type: none"> • Within the time interval under consideration, there is a cash flow • The interest rate resets / reprices contractually during the interval • RBI changes the interest rates in cases where interest rates are administered. <p>Rate sensitive assets and liabilities are grouped under various time buckets prescribed by RBI for interest rate sensitivity statement and bucket wise modified duration is computed using the suggested common maturity, coupon and yield parameters.</p> <p>Core portion of non-maturing deposits (Current Account and Saving Account) is bucketed in "over 1 year – 3 year" based on the behavioural analysis. Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.</p> <p>IRRBB is assessed on a monthly basis and monitored by ALCO, both under earnings and economic value perspectives.</p>	

2.	Quantitative disclosures - Impact of interest rate risk	(Amount in ₹ Mn.)	
		Total Book	Banking Book
2.1	Earnings perspective (Traditional Gap Analysis) Earnings at Risk (EaR) – impact for one year due to Uniform 1% increase/ decrease in interest rate	2585.88	2309.48
2.2	Economic value perspective - Percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	3530.63	2375.87

(Currency wise break up not provided as the turnover in other currencies is less than 5% of total turnover)

TABLE DF – 10: General Disclosure for Exposure Related to Counterparty Credit Risk

Qualitative disclosures
Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach.
Quantitative disclosures
The Bank does not recognize bilateral netting (except for transactions through QCCP). 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 (including QCCP) are as follows:

(Amount in ₹ Mn.)

Particulars	Notional Amounts	Current Exposure
Foreign exchange contracts	192597.03	8454.22
Interest rate derivative contracts	28008.79	368.87
Others	3515.22	392.66
Total	224121.04	9215.76

TABLE DF-11: Composition of Capital

(Amount in ₹ Mn.)

Common Equity Tier 1 capital: instruments and reserves			Ref No
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	56318.42	a+d
2	Retained earnings	19103.92	l+m-m1
3	Accumulated other comprehensive income (and other reserves)	53964.26	b+c+e+f+i+j+k
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital: before regulatory adjustments	129386.60	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	0.00	
9	Intangibles (net of related tax liability)	8.02	r+p
10	Deferred tax assets	0.00	
11	Cash-flow hedge reserve	0.00	
12	Shortfall of provisions to expected losses	0.00	
13	Securitisation gain on sale	0.00	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00	
15	Defined-benefit pension fund net assets	0.00	

16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	0.00	
17	Reciprocal cross-holdings in common equity	20.79	
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	28.81	
29	Common Equity Tier 1 capital (CET1)	129357.78	
Additional Tier 1 capital: instruments			
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	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	

41 a	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	Total regulatory adjustments to Additional Tier 1 capital	0.00	
44	Additional Tier 1 capital (AT1)	0.00	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44)	129357.78	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0.00	n
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00	
49	of which: instruments issued by subsidiaries subject to phase out	0.00	
50	Provisions	7268.57	ci+h+o+g
51	Tier 2 capital before regulatory adjustments	7268.57	
Tier 2 Capital: Regulatory adjustments			
52	Investments in own Tier 2 instruments	0.00	
53	Reciprocal cross-holdings in Tier 2 instruments	45.33	
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	45.33	
58	Tier 2 capital (T2)	7223.24	
59	Total capital (TC = T1 + T2) (45 + 58)	136581.02	
60	Total risk weighted assets (60a + 60b + 60c)	946673.11	
60 a	of which: total credit risk weighted assets	840152.47	
60 b	of which: total market risk weighted assets	33265.20	
60 c	of which: total operational risk weighted assets	73255.44	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.67%	
62	Tier 1 (as a percentage of risk weighted assets)	13.67%	
63	Total capital (as a percentage of risk weighted assets)	14.43%	
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	1.875%	
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)	8.17%	
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	4576.86	
73	Significant investments in the common stock of financial entities	1950.00	
74	Mortgage servicing rights (net of related tax liability)	0.00	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	5348.83	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	10494.12	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

Note to the Template		
Row No. of the template	Particular	(Amount in ₹ Mn.)
10		
	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	38.03
	Total as indicated in row 10	38.03
19		
	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	2080.00
	of which: Increase in Common Equity Tier 1 capital	2080.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26 b		
	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00

50		
	Eligible Provisions included in Tier 2 capital	5348.83
	Investment Fluctuation Reserve included in Tier 2 capital	1897.20
	Eligible Revaluation Reserves included in Tier 2 capital	22.54
	Total of row 50	7268.57

Table DF - 12

(Amount in ₹ Mn.)

Composition of Capital: Reconciliation Requirements Step 1		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		31-03-19	31-03-19
A	Capital & Liabilities		
i	Paid-up Capital	3970.10	3970.10
	Reserves & Surplus	128760.32	131523.64
	Minority Interest		
	Total Capital	132730.42	135493.74
ii	Deposits	1349543.44	1348789.32
	of which: Deposits from banks	31868.33	31868.33
	of which: Customer deposits	1317675.11	1316920.99
	of which: Other deposits (pl. specify)	0.00	0.00
iii	Borrowings	77813.24	87062.91
	of which: From RBI	5000.00	5000.00
	of which: From banks	5100.00	11865.30
	of which: From other institutions & agencies	44182.23	46666.60
	of which: Others (pl. specify)	23531.01	23531.01
	of which: Capital instruments	0.00	0.00
iv	Other liabilities & provisions	33312.85	33885.28
	Total Liabilities	1593399.95	1605231.25
B	Assets		
i	Cash and balances with Reserve Bank of India	64191.68	64226.68
	Balance with banks and money at call and short notice	36476.33	36308.00
ii	Investments:	318244.73	316463.55
	of which: Government securities	273508.15	273508.15
	of which: Other approved securities	0.00	0.00
	of which: Shares	2405.28	2449.05
	of which: Debentures & Bonds	11903.52	12028.57
	of which: Subsidiaries / Joint Ventures / Associates	4030.00	2080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	26397.78	26397.78
iii	Loans and advances	1102229.54	1115359.21
	of which: Loans and advances to banks	334.72	334.72
	of which: Loans and advances to customers	1101894.81	1115024.48
iv	Fixed assets	4720.41	4799.33
v	Other assets	67537.26	68074.47
	of which: Goodwill and intangible assets	0.00	8.02
	of which: Deferred tax assets	0.00	38.03

vi	Goodwill on consolidation		
vii	Debit balance in Profit & Loss account		
	Total Assets	1593399.95	1605231.25

(Amount in ₹ Mn.)

Composition of Capital: Reconciliation Requirements Step 2		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No.
		31-03-2019	31-03-2019	
A	Capital & Liabilities			
i	Paid-up Capital	3970.10	3970.10	
	of which: Amount eligible for CET1	3970.10	3970.10	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	128760.32	131523.64	
	Of which	0.00	0.00	
	-Statutory Reserve	25977.03	25977.03	b
	-Revaluation Reserve (Part of CET1 at a discount of 55%)	0.00	0.00	c
	-Revaluation reserves at a discount of 55 per cent (T-2) (if not already shown under CET 1)	50.09	50.09	c i
	-Share premium	51308.87	52348.33	d
	-Capital Reserve	3687.72	3687.72	e
	-Revenue and other reserves	18695.88	18903.76	f
	-Investment fluctuation reserve	1897.20	1897.20	g
	-Investment reserve			h
	-Foreign Currency Translation Reserve (at a discount of 75 per cent)	19.79	19.79	i
	-Special reserve	5079.90	5079.90	j
	-Contingency reserve	301.00	301.00	k
	- Balance in Profit and loss account at the end of the previous financial year	17424.86	17955.98	l
	- Current Financial year profit (After appropriations)	4317.98	4498.24	m
	- Dividend appropriation considered for regulatory purposes	3350.30	3350.30	m1
	Minority Interest	0.00	804.60	m2
	- Cash flow hedge reserve	0.00	0.00	
	Total Capital	132730.42	135493.74	
ii	Deposits	1349543.44	1348789.32	
	of which: Deposits from banks	31868.33	31868.33	
	of which: Customer deposits	1317675.11	1316920.99	
	of which: Other deposits (pl. specify)	0.00	0.00	
iii	Borrowings	77813.24	87062.91	
	of which: From RBI	5000.00	5000.00	
	of which: From banks	5100.00	11865.30	
	of which: From other institutions & agencies	44182.23	46666.60	
	of which: Others	23531.01	23531.01	

	of which: Capital instruments (Tier II bonds)	0.00	0.00	
	- Recognised under Tier II	0.00	0.00	n
	- Not Recognised under Tier II	0.00	0.00	
iv	Other liabilities & provisions	33312.85	33885.28	
	of which: DTLs	997.96	997.96	
	of which: Standard asset provision included under Tier II	5270.30	5348.83	o
	Total Liabilities	1593399.95	1605231.25	
B	ASSETS			
i	Cash and balances with Reserve Bank of India	64191.68	64226.68	
	Balance with banks and money at call and short notice	36476.33	36308.00	
ii	Investments	318244.73	316463.55	
	of which: Government securities	273508.15	273508.15	
	of which: Other approved securities	0.00	0.00	
	of which: Shares	2405.28	2449.05	
	of which: Debentures & Bonds	11903.52	12028.57	
	of which: Subsidiaries / Joint Ventures / Associates	4030.00	2080.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	26397.78	26397.78	
iii	Loans and advances	1102229.54	1115359.21	
	of which: Loans and advances to banks	334.72	334.72	
	of which: Loans and advances to customers	1101894.81	1115024.48	
iv	Fixed assets	4720.41	4799.33	
	of which Intangible assets	0.00	8.02	p
v	Other assets	67537.26	68074.47	
	a Other intangibles (excluding MSRs)	0.00	0.00	r
	b Deferred tax assets	0.00	38.03	
	c MAT credit entitlement	0.00	0.00	
vi	Goodwill on consolidation	0.00	0.00	
vi	Debit balance in Profit & Loss account	0.00	0.00	
	Total Assets	1593399.95	1605231.25	

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.

$$\text{Leverage Ratio} = \frac{\text{Tier I Capital}}{\text{Total Exposure}}$$

Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	(Amount in ₹ Mn.)
1	Total consolidated assets as per published financial statements	1593399.95
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	11831.30
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure(less)	28.82
4	Adjustments for derivative financial instruments	9328.79
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	21293.07
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	110918.70
7	Other adjustments	1303.08
8	Leverage ratio exposure	1748046.08
Table DF 18 - Leverage ratio common disclosure template		
	Item	Leverage ratio framework (Amount in ₹ Mn.)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1606534.33
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	28.82
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1606505.51
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	2379.33
5	Add-on amounts for PFE associated with all derivatives transactions	6949.46
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	Total derivative exposures (sum of lines 4 to 10)	9328.79
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	21400.56
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	150.56
14	CCR exposure for SFT assets	43.07
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 15)	21293.07
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	282639.18
18	(Adjustments for conversion to credit equivalent amounts)	171720.47
19	Off-balance sheet items (sum of lines 17 and 18)	110918.70

Capital and total Exposures		
20	Tier 1 Capital	129357.77
21	Total exposures (sum of lines 3,11,16 and 19)	1748046.08
Leverage Ratio		
22	Basel III leverage ratio	7.40%

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 consolidated financial statements of The Federal Bank Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as 'the Group') and its associates which comprise the consolidated balance sheet as at 31 March 2019, the consolidated profit and loss account, 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 financial statements and on the other financial information of the subsidiaries and associates, 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 and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at

31 March 2019, of its consolidated profit and consolidated cash flows for the year then ended.

Basis for opinion

- We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143 (10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the Group 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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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

Description of Key Audit Matters

Identification of Non-Performing Assets ('NPAs') and Provision on Advances Gross NPA: INR 3,301.78 crore for year ended 31 March 2019 Charge (including write-off): INR 633.95 crore for year ended 31 March 2019 NPA Provision: INR 1,611.44 crore as at 31 March 2019 <i>Refer to the accounting policies in "Schedule 17 to the Consolidated Financial Statements: Significant Accounting Policies- Use of estimates and Advances and Note 1.8 of Schedule 18 to the Consolidated Financial Statements"</i>	
The key audit matter	How the matter was addressed in our audit
Significant estimate and judgment involved Identification of NPAs is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines with regard to the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning'. NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA. Provisions in respect of such NPAs and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to and guided by the minimum provisioning levels prescribed under RBI guidelines, prescribed from time to time. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made for erosion/diminution in fair value of restructured loans, in accordance with the RBI guidelines.	Our key audit procedures included: Design / controls <ul style="list-style-type: none"> Assessing the design, implementation and operating effectiveness of key internal controls over approval, recording and monitoring of loans, monitoring process of overdue loans (including those which became overdue subsequent to the reporting date), measurement of NPA provision, identification of NPA accounts, and assessing the reliability of management information, which included overdue reports. In addition, for corporate loans we tested controls over the internal ratings process, monitoring of stressed accounts including credit file review processes and review controls over the approval of significant individual impairment provisions.

The key audit matter	How the matter was addressed in our audit
<p>We identified NPA identification and provision on loans and advances as a key audit matter because of the significant efforts involved by the management in identifying NPAs based on the RBI guidelines, the level of management judgement involved in determining the provision, the valuation of security of the NPAs and on account of the significance of these estimates to the consolidated financial statements of the Bank.</p>	<ul style="list-style-type: none"> ◆ Evaluated the design, implementation and operating effectiveness of key internal controls over the valuation of the securities for NPAs and the Special Mention Accounts ('SMA'). ◆ Testing of management review controls over identification of NPAs, measurement of provisions and disclosures in financial statements, including auditing management controls on Early Warning System of identifying credit impairment indicators. ◆ Involved our information systems specialist in the audit of this area to obtain evidence and get assurance over data integrity and calculations, including system reconciliations. <p>Substantive tests</p> <ul style="list-style-type: none"> ◆ Test of details for a selection of exposures over calculation of NPA provisions including valuation of collaterals for NPAs as at 31 March 2019; the borrower-wise NPA identification and provisioning determined by the Bank and also testing related disclosures by assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification and Provisioning. ◆ We also selected a number of loans to test potential cases of loans repaid by a customer during the period by fresh disbursement(s) to these higher risk loans. ◆ We selected samples (based on quantitative and qualitative thresholds) of corporate clients where impairment indicators had been identified by management. We obtained management's assessment of the recoverability of these exposures (including individual provisions calculations) and challenged whether individual provisions, or lack of, were appropriate. ◆ This included the following procedures: <ul style="list-style-type: none"> - Reviewing the statement of accounts, approval process, board and credit committees minutes, credit review of customer, review of Special Mention Accounts ('SMA') reports and other related documents to assess recoverability and the classification of the facility; - Assessed external collateral valuer's credentials and comparing external valuations to values used in management's assessments; and - For a risk based sample of corporate loans not identified as displaying indicators of deterioration by management, challenged this assessment by reviewing the historical performance of the customer and assessed whether any impairment indicators were present.

The key audit matter	How the matter was addressed in our audit
<p>Valuation of Financial Instruments (Investments) Gross value of investments: INR 32,075.52 crore as at 31 March 2019 Mark to market/ NPI provision: INR 399.82 crore as at 31 March 2019 Net value of investments: INR 31,675.70 crore as at 31 March 2019</p>	
<p><i>Refer to the accounting policies in "Schedule 17 to the Consolidated Financial Statements: Significant Accounting Policies- Investments"</i></p>	
<p>Significant estimate and judgment involved</p> <p>Investments</p> <p>Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.</p> <p>Investments classified as HTM are carried at amortised cost. Where in the opinion of management, a diminution, other than temporary, in the value of investments has taken place, appropriate provisions are made.</p> <p>Investments classified as AFS and HFT are marked- to-market on a periodic basis as per the relevant RBI guidelines.</p> <p>We identified valuation of investments 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 the policy and model developed by the Bank, impairment assessment for HTM book and the overall significance to the financial results of the Bank.</p>	<p>Our key audit procedures included:</p> <p>Design / controls</p> <p>We tested the design, implementation and operating effectiveness of management's key internal controls over the valuation process and independent price verification, including the Bank's review and approval of the estimates and assumptions used for the valuation including key authorization and data input controls;</p> <p>We assessed appropriateness of the valuation methodologies with reference to RBI guidelines and Bank's own valuation policy;</p> <p>Read investment agreements / term sheets entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments.</p> <p>We tested the controls operated at the Bank for ensuring completeness of the investments.</p> <p>Substantive tests</p> <p>We verified the list of investments from eKuber for SLR securities and DP statements for Non-SLR securities.</p> <p>We independently verified the fair valuation of investments on a sample basis with direct observable inputs and external input data such as market value from FBIL, spreads from FIMMDA etc. after considering the requirements of RBI guidelines.</p> <p>We assessed that the financial statement disclosures appropriately reflected the Bank's exposure to investments valuation risks with reference to the requirements of the prevailing accounting standards and the RBI guidelines.</p>
<p>Information technology ('IT') systems</p>	
<p>IT systems and automated controls</p> <p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. Amongst, its multiple IT systems, seven systems are key for its overall financial reporting.</p>	<p>Our key IT audit procedures included:</p> <ul style="list-style-type: none"> • We focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems. • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations.

The key audit matter	How the matter was addressed in our audit
<p>In addition, large transaction volumes and the increasing challenges to protect the integrity of the Bank's systems and data, cyber security has become a more significant risk in recent periods.</p> <p>We have identified 'IT systems and automated controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture.</p>	<ul style="list-style-type: none"> • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties. • For a selected group of key controls over financial and reporting system, we have performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • We have also assessed other areas which includes password policies, security configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment. • Security configuration review and related tests on certain critical aspects of cyber security on network security management mechanism, operational security of key information infrastructure, data and client information management, monitoring and emergency management.

Information other than the consolidated financial statements and Auditor's Report thereon

4. The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Group's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

5. The Holding Company's management and Board of Directors

are responsible for the preparation and presentation of these consolidated financial statements in term of the requirement of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit 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, provisions of section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the companies included in the Group and its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each Company 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 Holding Company, as aforesaid.

6. In preparing the consolidated financial statements, the respec-

tive management and Board of Directors of the companies included in the Group and its associates are responsible for assessing the ability of each Company 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 Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and its associates are responsible for overseeing the financial reporting process of each Company.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Group has adequate internal financial controls 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 made by management.
- Conclude on the appropriateness of management's use of the

going concern basis of accounting in preparing consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Group (company and subsidiaries) 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, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities. 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 audit carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (8) of the section titled 'Other Matters' in this audit report.
- We believe that the audit evidence obtained by us along with the consideration of the audit report of the other auditors referred to in (para 8) of the 'Other Matters' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.
- We communicate with those charged with governance of the Holding Company 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 213,423 lakhs as at 31 March 2019, total revenues of ₹ 26,021 lakhs and net cash inflow amounting to ₹ 4,789 lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 3,556 lakhs for the year ended 31 March 2019, as considered in the consolidated financial statements, in respect of an associate, 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 subsidiaries and its associates and our report in terms of sub-section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary is based solely on the report of the other auditors.

The auditors of IDBI-Federal Life Insurance Company Limited ('the associate') have reported, 'The actuarial valuation of the liabilities for life policies in force and for discontinued policies where liability exists is the responsibility of the Company's Appointed Actuary ("the appointed Actuary"). The actuarial valuation of these liabilities as at March 31, 2019 has been duly certified by the Appointed Actuary and in his opinion, the assumption for such valuation are in accordance with guidelines and norms issued by the Insurance regulatory and Development Authority of India and the Actuarial Society of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of the Company'.

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 matter with respect to our reliance on the work done and the report of the other auditor.

Report on other legal and regulatory requirement

- As required by Section 143(3) of the Act, based on our audit and the consideration of the report of the other auditor on separate financial statements of one subsidiary as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:
 - 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;
 - in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors;
 - the consolidated balance sheet, the consolidated profit and loss account, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - on the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies none of the directors of the Group companies are disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act;
 - with respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"
- With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements of one subsidiary, as noted in the

'Other Matters' paragraph:

- i. the consolidated financial statements disclose the impact of pending litigations as at 31 March 2019 on its consolidated financial position of the Group – Refer Schedule 12 and Note 18.1.14 to the consolidated financial statements;
 - ii. provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 18.1.15 to the consolidated financial statements in respect of such items as it relates to the Group;
 - iii. there have been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company or its subsidiary companies during the year ended 31 March 2019.
 - iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2019.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us and based on the report of the statutory

auditor of subsidiary companies which was not audited by us, the remuneration paid during the current year by the subsidiary companies to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the subsidiary companies is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us. Further, the Holding Company is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply to the Holding Company.

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

Akeel Master
Partner
Membership No: 046768

Mumbai
May 4, 2019

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

Sanjay Khemani
Partner
Membership No: 044577

Annexure A to the Independent Auditor's Report of even date on the consolidated financial statements of The Federal Bank Limited for the year ended 31 March 2019

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

(Referred to in paragraph (A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

1. In conjunction with our audit of the consolidated financial statements of The Federal Bank Limited and its subsidiaries (collectively referred to as the 'Group') and its associates as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of The Federal Bank Limited (hereinafter referred to as "the Holding Company") and its subsidiaries and its associates, as of that date.

In our opinion, the Holding Company and its subsidiary companies and its associates have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

2. The respective company's management and Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial control with reference to consolidated financial statement criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditor's Responsibility

3. Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. 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 with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 subsidiary companies, 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 internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

5. A company's internal financial controls 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 company's internal financial controls 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 company; (2) provide reasonable assurance that transactions are recorded as necessary to

permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

6. Because of the inherent limitations of internal financial controls 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls 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.

Other Matters

7. The auditors of IDBI-Federal Life Insurance Company Limited ('the associate') have reported, 'The actuarial valuation of Policy Liabilities as at 31 March 2019 has been duly certified by the Appointed Actuary of the Company and has been relied upon by us as mentioned in para 5 of our Audit Report on the financial statements for the year ended March 31, 2019. Accordingly, our opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operative effectiveness of the internal controls over the valuation and accuracy of the aforesaid actuarial liabilities.'

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to its subsidiary companies and its 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 matters with respect to our reliance on the work done and the reports of the other auditors.

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

Akeel Master
Partner
Membership No: 046768

Mumbai
May 4, 2019

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

Sanjay Khemani
Partner
Membership No: 044577

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2019

(₹ in Thousands)

	Schedule	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES			
Capital	1	3,970,096	3,944,285
Reserves and surplus	2	131,012,444	118,798,055
Minority interest	2A	804,598	-
Deposits	3	1,348,789,321	1,119,701,013
Borrowings	4	87,062,913	123,288,382
Other liabilities and provisions	5	33,885,296	26,404,973
TOTAL		1,605,524,668	1,392,136,708
ASSETS			
Cash and balances with Reserve Bank of India	6	64,226,685	51,367,856
Balances with banks and money at call and short notice	7	36,308,004	40,584,274
Investments	8	316,756,971	305,946,788
Advances	9	1,115,359,205	930,108,877
Fixed assets	10	4,799,330	4,613,460
Other assets	11	68,074,473	59,515,453
TOTAL		1,605,524,668	1,392,136,708
Contingent liabilities	12	293,480,695	268,157,141
Bills for collection		35,428,061	31,233,635
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

 Krishnakumar K
Senior Vice President

 Girish Kumar Ganapathy
Company Secretary

 Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

 Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

 Dilip G Sadarangani
Chairman
(DIN:06610897)

As per our report of even date

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

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

Directors:

 Nilesh S Vikamsey (DIN : 00031213)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)

 Akeel Master
Partner
Membership No.046768

 Sanjay Khemani
Partner
Membership No. 044577

 Place: Mumbai
Date : May 4, 2019



THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

(₹ in Thousands)

	Schedule	Year ended March 31, 2019	Year ended March 31, 2018
I. INCOME			
Interest earned	13	116,354,392	99,149,012
Other income	14	13,352,165	11,602,150
TOTAL		129,706,557	110,751,162
II. EXPENDITURE			
Interest expended	15	73,163,252	62,264,211
Operating expenses	16	28,365,765	25,047,358
Provisions and contingencies		15,352,309	14,343,149
TOTAL		116,881,326	101,654,718
III. NET PROFIT FOR THE YEAR		12,825,231	9,096,444
Less: Minority interest		17,960	-
Add: Share in Profit of Associates		355,624	257,942
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		13,162,895	9,354,386
Balance in Profit and Loss Account brought forward from previous year		17,899,138	14,482,611
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		123,336	-
V. AMOUNT AVAILABLE FOR APPROPRIATION		30,938,697	23,836,997
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		1,439,300	970,732
Transfer to Statutory Reserve		3,109,700	2,197,114
Transfer to Capital Reserve		344,800	268,319
Transfer from Investment Reserve Account		-	(235,721)
Transfer to Special Reserve		840,000	570,000
Transfer to Reserve fund		70,168	61,597
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		1,980,092	1,749,634
Tax on dividend (Note 1.1 E of Schedule 18)		407,014	356,184
Balance carried over to Consolidated Balance Sheet		22,747,623	17,899,138
TOTAL		30,938,697	23,836,997
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		6.65	4.92
Diluted		6.60	4.86
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

Dilip G Sadarangani
Chairman
(DIN:06610897)

Directors:

Nilesh S Vikamsey (DIN : 00031213)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)

As per our report of even date

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

Akeel Master
Partner
Membership No.046768

Place: Mumbai
Date : May 4, 2019

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

Sanjay Khemani
Partner
Membership No. 044577

THE FEDERAL BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

(₹ in Thousands)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash Flow from Operating Activities		
Net Profit before taxes	19,938,655	14,189,906
Adjustments for:		
Depreciation on Group's Property	1,222,579	1,247,320
Depreciation on Investments	990,892	1,674,342
Amortisation of Premium on Held to Maturity Investments	528,891	582,071
Provision for Non Performing Investments	202,800	55,100
Provision / Charge for Non Performing Assets	6,339,460	7,539,958
Provision for Standard Assets	1,000,773	447,054
(Profit)/ Loss on sale of fixed assets (net)	(182,012)	4,225
(Income) / Loss From Associate	(355,624)	(257,942)
Provision for Restructured assets	-	(76,432)
Provision for Other Contingencies	42,623	(132,393)
	29,729,037	25,273,209
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	20,396,660	(14,026,677)
(Increase)/ Decrease in Advances	(191,589,788)	(196,786,540)
(Increase)/ Decrease in Other Assets	(7,166,039)	(1,924,382)
Increase/ (Decrease) in Deposits	229,088,308	143,080,257
Increase/ (Decrease) in Other liabilities and provisions	5,438,970	898,769
	56,168,111	(68,758,573)
Direct taxes paid	(7,170,785)	(7,023,974)
Net Cash Flow from / (Used in) Operating Activities	78,726,363	(50,509,338)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,441,702)	(955,947)
Proceeds from Sale of Fixed Assets	215,265	14,382
Investment in Subsidiary	(50,000)	-
Investment in Associate	(68,490)	-
(Increase)/ Decrease in Held to Maturity Investments	(32,455,312)	(14,851,093)
Net Cash generated / (Used in) Investing Activities	(33,800,239)	(15,792,658)

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	25,811	496,198
Proceeds from Share Premium	1,567,393	25,498,179
Increase / (Decrease) in Minority Interest	637,451	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(36,209,656)	59,817,642
Dividend Paid (Including Tax on Dividend)	(2,387,106)	(2,105,818)
Net Cash generated from financing Activities	(36,366,107)	83,706,201
Effect of exchange fluctuation on translation reserve	22,542	1,514
Increase/(Decrease) in Cash and Cash Equivalents	8,582,559	17,405,719
Cash and Cash Equivalents at the beginning of year	91,952,130	74,546,411
Cash and Cash Equivalents at the end of year	100,534,689	91,952,130

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

For and on behalf of the Board of Directors

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

Dilip G Sadarangani
Chairman
(DIN: 06610897)

As per our report of even date

Directors:

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

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

Nilesh S Vikamsey (DIN: 00031213)
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A P Hota (DIN: 02593219)
K Balakrishnan (DIN: 00034031)

Akeel Master
Partner
Membership No: 046768

Sanjay Khemani
Partner
Membership No: 044577

Place: Mumbai
Date : May 4, 2019

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 1 - CAPITAL		
Authorised Capital	50,00,000	50,00,000
2,500,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	39,72,789	39,46,977
1,986,394,498 (Previous year 1,973,488,734) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	39,70,100	39,44,289
1,985,050,203 (Previous year 1,972,144,439) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	39,70,096	39,44,285
Refer Note 1.1 of Schedule 18		
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	22,867,329	20,670,215
Additions during the year	3,109,700	2,197,114
	25,977,029	22,867,329
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	50,091
(b) Others		
Opening balance	3,342,916	3,074,597
Additions during the year*	344,800	268,319
	3,687,716	3,342,916
	3,737,807	3,393,007
III. Share premium (Also refer Note 1.1 of Schedule 18)		
Opening balance	50,780,933	25,282,754
Additions during the year	1,594,448	25,498,179
Deductions during the year	27,055	-
	52,348,326	50,780,933
IV. Revenue and Other Reserves		
(a) Revenue Reserve		
Opening Balance	17,256,580	16,285,848
Additions during the year	1,439,300	970,732
Deductions during the year	-	-
	18,695,880	17,256,580
(b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	1,897,200

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

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	4,239,900	3,669,900
Additions during the year	840,000	570,000
	5,079,900	4,239,900
V. Investment Reserve Account		
Opening balance	-	235,721
Additions during the year	-	-
Deductions during the year	-	235,721
	-	-
VI. Foreign Currency Translation Reserve		
Opening Balance	(2,751)	(4,265)
Additions / (Deductions) during the year [Refer Schedule 17 (5.5)]	22,542	1,514
	19,791	(2,751)
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VIII. Reserve Fund		
Opening balance	180,496	118,899
Additions during the year	70,168	61,597
Deductions during the year	43,632	-
	207,032	180,496
IX. General Reserve		
Opening balance	1,033	1,033
Additions during the year	-	-
Deductions during the year	180	-
	853	1,033
X. Cash flow Hedging Reserve		
Opening balance	(15,813)	-
Additions during the year	15,813	(15,813)
	-	(15,813)
XI. Balance in Consolidated Profit and Loss Account	22,747,623	17,899,138
Total	131,012,444	118,798,055

* - 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 ₹ 260,221 Thousands (Previous year ₹ 268,319 Thousands)

b) Profit on sale of Premises ₹ 84,579 Thousands (Previous year ₹ NIL)

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

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 2A - MINORITY INTEREST		
Minority interest at the date on which parent-subsiary relationship came into existence	786,638	-
Subsequent increase	17,960	-
	804,598	-
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	4,800,620	3,529,474
ii. From Others	81,973,323	63,915,523
	86,773,943	67,444,997
II. Savings Bank Deposits		
	349,785,547	309,198,323
III. Term Deposits		
i. From Banks	19,060,109	9,922,742
ii. From Others	893,169,722	733,134,951
	912,229,831	743,057,693
Total	1,348,789,321	1,119,701,013
B. I. Deposits of branches in India		
II. Deposits of branches outside India	1,348,014,785	1,119,691,758
	774,536	9,255
Total	1,348,789,321	1,119,701,013
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	5,000,000	16,870,000
ii. Other Banks	11,865,303	15,803,515
iii. Other institutions and agencies	46,666,600	55,939,398
Total	63,531,903	88,612,913
II. Borrowings outside India		
	23,531,010	34,675,469
Total	87,062,913	123,288,382
Secured borrowings included in I and II above	23,133,083	34,132,593
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	4,067,915	3,381,801
II. Inter - office adjustments (Net)	5,405	20,571
III. Interest accrued	3,154,722	3,713,123
IV. Others (including provisions)*	26,657,254	19,289,478
Total	33,885,296	26,404,973
*Includes		
(a) General provision for standard assets	5,348,829	4,429,934
(b) Deferred Tax Liability	997,957	-

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	7,037,300	7,403,724
II. Balance with Reserve Bank of India		
i. in Current Accounts	57,189,385	43,964,132
ii. in Other Accounts	-	-
Total	64,226,685	51,367,856
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	1,207,196	2,365,144
b. in Other Deposit Accounts	250,000	-
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	21,650,558	17,487,243
Total	23,107,754	19,852,387
II. Outside India		
i. in Current Accounts	3,922,812	2,791,380
ii. in Other Deposit Accounts	8,240,113	17,484,282
iii. Money at call and short notice	1,037,325	456,225
Total	13,200,250	20,731,887
Grand Total (I and II)	36,308,004	40,584,274

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

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	273,508,149	244,661,804
ii. Other approved Securities	-	-
iii. Shares#	2,445,434	2,085,961
iv. Debentures and Bonds	12,028,568	10,709,634
v. Joint Venture*	2,373,419	2,023,181
vi. Others @	26,397,781	46,456,917
Total	316,753,351	305,937,497
II. Investments outside India- Shares	3,620	9,291
Grand Total (I and II)	316,756,971	305,946,788
Gross Investments		
In India	320,751,371	308,887,445
Outside India	3,753	9,291
Total	320,755,124	308,896,736
Depreciation/ Provision for Investments		
In India	3,998,020	2,949,948
Outside India	133	-
Total	3,998,153	2,949,948
Net Investments		
In India	316,753,351	305,937,497
Outside India	3,620	9,291
Total	316,756,971	305,946,788

Securities costing ₹ 48,222,203 Thousands (Previous Year ₹ 56,121,263 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

Includes Cost of Investment in Associate amounting to ₹ 68,490 Thousands (Previous Year ₹ NIL) including Goodwill of ₹ 45,582 Thousands (Previous Year ₹ NIL)

* represents investment accounted as an associate in line with AS -23 , Accounting of Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2019	As at March 31, 2018
Pass through certificates (PTCs)	4,979,229	1,452,620
Certificate of Deposits	16,768,658	30,874,436
Commercial Paper	480,833	8,409,729
Venture Capital Funds (VCFs)	654,661	268,275
Security Receipts	3,514,400	5,451,857
Others	-	-
	26,397,781	46,456,917

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	49,568,212	37,068,063
ii. Cash credits, overdrafts and loans repayable on demand	513,851,887	444,725,841
iii. Term loans	551,939,106	448,314,973
Total	1,115,359,205	930,108,877
B. i. Secured by tangible assets*	933,078,243	767,803,800
ii. Covered by Bank/Government guarantees #	19,555,065	25,094,606
iii. Unsecured	162,725,897	137,210,471
Total	1,115,359,205	930,108,877
C.I. Advances in India		
i. Priority sectors	300,456,563	265,327,553
ii. Public sector	2,731,508	803,434
iii. Banks	334,722	1,457,712
iv. Others	789,275,218	636,276,353
Total	1,092,798,011	903,865,052
C.II. Advances outside India		
i. Due from Banks	-	2,023,079
ii. Due from Others		
a) Bills purchased and discounted	899,921	-
b) Syndicated Loans	11,536,661	12,474,386
c) Others	10,124,612	11,746,360
Total	22,561,194	26,243,825
Grand Total (C I and C II)	1,115,359,205	930,108,877

* Includes Advances against book debts

Includes Advances against L/Cs issued by banks

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

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	2,419,706	2,422,650
Additions during the year	-	-
Deductions during the year	3,567	2,944
At the end of the year	2,416,139	2,419,706
Depreciation		
As at the beginning of the year	900,506	850,493
Charge for the year	48,411	51,925
Deductions during the year	2,476	1,912
Depreciation to date	946,441	900,506
Net Block	1,469,698	1,519,200
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	10,965,783	10,431,032
Additions during the year	1,354,384	1,009,170
Deductions during the year	494,717	474,419
At the end of the year	11,825,450	10,965,783
Depreciation		
As at the beginning of the year	7,967,727	7,229,177
Charge for the year	1,174,168	1,195,395
Deductions during the year	462,555	456,845
Depreciation to date	8,679,340	7,967,727
Net Block	3,146,110	2,998,056
II. Capital Work in progress (Including Capital Advances)	183,522	96,204
Total (I & II)	4,799,330	4,613,460

Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 663,428 Thousands) and Written down value of ₹ 475,256 Thousands (Previous Year ₹ 488,144 Thousands) with remaining lease period varying from 58 - 70 years.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2019	As at March 31, 2018
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	8,673,231	7,362,334
III. Tax paid in advance/tax deducted at source (Net of provision)	9,683,666	7,580,487
IV. Stationery and Stamps	3,479	52,524
V. Non-banking assets acquired in satisfaction of claims*	26,587	26,587
VI. Others#	49,687,510	44,493,521
Total	68,074,473	59,515,453
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# Includes		
(a) Priority sector shortfall deposits	39,754,250	36,113,322
(b) Deferred Tax Asset	38,030	748,229
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	10,435,047	4,355,061
II. Liability on account of outstanding forward exchange contracts**	216,818,222	199,316,212
III. Guarantees given on behalf of constituents - in India	49,831,684	52,852,889
IV. Acceptances, endorsements and other obligations	14,698,846	10,208,842
V. Other items for which the Bank is contingently liable [@]	1,696,896	1,424,137
Total	293,480,695	268,157,141
(Refer Note 1.14 of Schedule 18)		
** - Including Derivatives		
@ - includes ₹ 1,145,572 Thousands (Previous Year : ₹ 1,030,737 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD. No.DEAF Cell.BC.114/30.01.002/2013-14.		

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2019	Year ended March 31, 2018
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	93,041,226	77,009,822
II. Income on investments	20,393,592	19,172,714
III. Interest on balances with Reserve Bank of India and other inter-bank funds	734,688	958,171
IV. Others*	2,184,886	2,008,305
Total	116,354,392	99,149,012
* - Includes interest on Income tax refunds amounting to ₹ 341,251 Thousands (Previous year ₹ 229,315 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	7,812,104	6,368,002
II. Profit on sale of investments (Net)	2,291,075	2,389,659
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	182,012	(4,225)
V. Profit on foreign exchange transactions (Net)	2,356,789	1,694,807
VI. Income earned by way of dividends etc. from companies in India	-	-
VII. Miscellaneous income**	710,185	1,153,907
Total	13,352,165	11,602,150
** - Includes Recoveries in assets written off ₹ 435,841 Thousands (Previous year ₹ 1,007,774 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2019	Year ended March 31, 2018
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	67,425,806	57,219,033
II. Interest on Reserve Bank of India/Inter bank borrowings	1,137,434	712,834
III. Others	4,600,012	4,332,344
Total	73,163,252	62,264,211
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	14,256,610	12,768,236
II. Rent, taxes and lighting	2,842,977	2,562,552
III. Printing and stationery	294,436	261,899
IV. Advertisement and publicity	156,876	441,206
V. Depreciation on Bank's property	1,222,579	1,247,320
VI. Directors' fees, allowances and expenses	16,744	19,094
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	84,678	79,991
VIII. Law charges	139,020	128,586
IX. Postage, Telegrams, Telephones etc	670,527	634,066
X. Repairs and maintenance	671,458	581,537
XI. Insurance	1,196,951	1,000,456
XII. Other expenditure#	6,812,909	5,322,415
Total	28,365,765	25,047,358
# - Includes expenditure on Corporate Social Responsibility - ₹ 177,294 Thousands (Previous Year: ₹ 144,359 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

1. Background

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes..

2. Principles of consolidation

i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank'), its subsidiary companies and the Group's share of Profit in its associates. The details of subsidiary and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				March 31, 2019	March 31, 2018
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	82.59*	100
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100**	-
IDBI Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26	26
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	8.74***	-

*The Fedbank Financial Services Limited issued 4,00,42,500 number of equity shares of face value of Rs.10/- each to True North Fund VI LLP on private placement basis on November 13, 2018, pursuant which the Bank's shareholding in Fedbank Financial Services Limited decreased from 100% to 82.59%.

** The Bank floated a wholly owned subsidiary company named Federal Operations & Service Ltd (FOSL) on October 26, 2018 with the main objects of providing banking operational services, technology oriented services and support functions.

***The bank had invested in equity shares of Equirus Capital Private Limited on July 12, 2018. Pursuant to the right of proportionate representation on Board as well as power to participate in the financial, operational matters like approval of business plan, policies, budgets, managerial remuneration, change in KMP etc., the same has been treated as an associate concern as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements.

- (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, 2019.
- (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 company which have been accounted for using equity method as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. Accordingly, the share of profit of the associate company has been added to the cost of investment.
- (v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.
- (vi) Differences in accounting policies followed by the Subsidiary and associate have been reviewed and no adjustments have been made, since the impact of these differences is not significant

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3. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except in the case of interest income on Non- Performing Assets (NPAs) where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

5. Significant Accounting Policies

5.1. Revenue Recognition

The Bank

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

Fedbank Financial Services Limited

- Revenue is recognized as and when it is earned and no significant uncertainty exists as to its realization or collection. Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction,2016 " and the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.

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- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- Processing Fees & Penal Charges are recognized on receipt basis.

Federal Operations and Services Limited

- Revenue from Operations is recognised as when services are rendered, as per the terms of Master Service Agreement entered into by the company.

5.2. Advances

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non Performing advances is transferred to an unrealized interest account and not recognized in consolidated profit and loss account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

The Bank also maintains provisions on loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt Restructuring (SDR) scheme as per the RBI guidelines.

Amounts recovered against debts written off are recognised in the consolidated profit and loss account and included under "Other Income".

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time.

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

5.3. Country risk

The Bank

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

5.4. Investments

The Bank

Classification

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

- Held for Trading (HFT);

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

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- Held for Trading /Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Consolidated Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
 - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case

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the latest Balance Sheet is not available, the shares are valued at ₹ 1/- per company;

- Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.
 - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF after August 23, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
 - In case of investments in security receipts on or after 1 April, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of - provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.
- f) Investments in subsidiaries/associates are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.
- g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.
- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

- a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in consolidated the Profit and Loss account.
- b) Held to Maturity – Profit on sale / redemption of investments is included in the Consolidated Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the Consolidated Profit and Loss account.

Repo and Reverse Repo transactions

Repo and reverse repo transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

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

Fedbank Financial Services Limited

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

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5.5. Transactions involving foreign exchange

The Bank

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (IBU at GIFT city) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the consolidated profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non- Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS 11. Any realised gains or losses on such disposal are recognised in the consolidated Profit and Loss Account.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities i.e greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Consolidated Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the Consolidated Profit and Loss Account.

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

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In compliance with guidance note on Accounting for Derivative contract, company has given its effect of FCTL transaction in the books as follow:

- Translated the USD loan at closing rate and recorded the foreign exchange gain/ loss in cash flow hedge reserve.
- Recorded a derivative asset/ liability based on the fair value (Mark To Market 'MTM' value) of the CCIRS with a corresponding credit/debit in Cash Flow Hedging Reserve.
- An amount equivalent to differential interest rate (i.e. Fixed agreed IR on INR value and variable rate based on LIBOR) is debited to P&L as Provision for Swap cost.

5.6. 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 other than those designated as hedges are recognised in the Consolidated Profit and Loss Account.

5.7. Proposed Dividend

Group

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry

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of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, the Group has not accounted for proposed dividend as a liability as at March 31, 2019.

5.8. Fixed assets and depreciation

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets are availed as ITC as per GST rules.

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

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

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

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Fedbank Financial Services Limited

- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes Freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.
- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on an Straight Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

Federal Operations and services Limited

- The cost of leaseholds Improvements are amortised on a straight line basis over the lease period.
- The cost of software is capitalized as intangible asset and amortised on a straight line basis over the useful life of 5 years.

5.9. Impairment of Assets

Group

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Consolidated Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer

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exists or may have decreased, such reversal of impairment loss is recognised in the Consolidated Profit and Loss Account, to the extent the amount was previously charged to the Consolidated Profit and Loss Account. In case of revalued assets such reversal is not recognised.

5.10. Non-Banking Assets

The Bank

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realisable value.

5.11 Retirement and other employee benefits

The Bank

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to Consolidated Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the profit and loss account.

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Consolidated Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

The employees of the bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the profit and loss accounts.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

e) New Pension Scheme ('NPS')

Employees who joined the services of the Bank on or after April 1, 2010 are covered under New Pension Scheme. 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. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

f) Other employee Benefits

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the service. These benefits include performance incentives.

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Fedbank Financial Services Limited

- a) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.
- b) The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.
- c) The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

Federal Operations and Services Limited

- a) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.
- b) The company pays gratuity, a defined benefit plan, to employees who retire or resign. The company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on actuarial valuation, conducted annually using projected unit credit method at balance sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

5.12 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

5.13 Lease transactions

Operating Lease

Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Consolidated Profit and Loss Account as per the lease terms.

5.14. Earnings per Share

Group

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

5.15. Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws

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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.

The Group Offsets Deferred Tax Assets and Deferred Tax Liabilities, and advance Income tax and provision for tax, if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are adjusted in reserves and not in Consolidated Profit and Loss Account.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Group.

5.16. Provisions, contingent liabilities and contingent assets

Group

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the group; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

5.17. Debit card reward points

The Bank

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

5.18. Employee Stock Option Scheme

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options

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SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

5.19. Share issue expenses

Group

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.20 Corporate Social Responsibility

Group

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Consolidated Profit and Loss Account.

5.21 Input Credit under GST

Group

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

5.22 Priority Sector Lending Certificates (PSLC)

The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

5.23. 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).

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Amounts in Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2019 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1 Share Capital:

A. Equity Issue

During the year ended March 31, 2019, the Bank has allotted 12,905,764 equity shares consequent to exercise of ESOS which resulted in an increase of ₹2.58 Crore in Share Capital and ₹52.79 Crore in Share premium account.

During the year ended March 31, 2018, the Bank has issued 215,517,241 equity shares of ₹2 each for cash pursuant to a Qualified Institution Placement (QIP) as per the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations at ₹116.00 per share aggregating to ₹2,500.00 Crore (including share premium). This resulted in an increase of ₹43.10 Crore in Share Capital and ₹2,420.78 Crore (net of issue expenses) in Share premium account.

Further during the year ended March 31, 2018, the Bank had allotted 32,577,034 equity shares consequent to exercise of ESOS and 4,750 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹6.52 Crore in Share Capital and ₹129.03 Crore in Share premium account.

B. Subscribed and paid up capital includes:

- (i) 16,590 shares of ₹2/- each (Previous Year 16,590 shares of ₹2/- each) issued for consideration other than cash.
- (ii) 29,273,675 underlying equity shares of ₹2/- each (Previous Year 32,925,590 equity shares of ₹2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

- (i) Allotment of 6,530 shares of ₹2/- each (Previous year 6,530 shares of ₹2/- each) pertaining to the Right issue of 1993 issued at premium of ₹5/- per share.
- (ii) 262,100 shares of ₹2/- each (Previous year 262,100 shares of ₹2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹28/- per Share.
- (iii) 1,075,665 equity shares of ₹2/- each (Previous year 1,075,665 shares of ₹2/- per share), at a premium of ₹48/- per share pertaining to Rights issue of 2007.

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- a) 407,670 shares of ₹2/- each (Previous year 407,670 shares of ₹2/- each) out of the Bonus issue of 2004 and
- b) 613,505 bonus shares of ₹2/- each (Previous year 613,505 bonus shares of ₹2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

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(Number of Options)

	March 31, 2019	March 31, 2018
Outstanding at the beginning of the year	38,476,532	71,802,986
Surrendered during the year	-	-
Granted during the year	-	100,000
Exercised during the year	12,903,339	32,577,034
Forfeited/lapsed during the year	1,425,680	849,420
Outstanding at the end of the year	24,147,513	38,476,532
Options exercisable	23,640,013	35,889,722

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

(Number of Options)

	March 31, 2019	March 31, 2018
Outstanding at the beginning of the year	15,770,539	-
Surrendered during the year	-	-
Granted during the year	37,231,307	22,318,348
Exercised during the year	2,425	-
Forfeited/lapsed during the year	2,663,140	6,547,809
Outstanding at the end of the year	50,336,281	15,770,539
Options exercisable	7,766,862	-

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

iii) Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 70.36 Crore (Previous Year: ₹ 25.79 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 6.29 and ₹ 6.16 (Previous Year: ₹ 4.78 and ₹ 4.73) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry

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of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 335.03 Crore from the Profit and loss account for the year ended March 31, 2019, also the same has not been shown as an Other Liabilities (Schedule 5). However, the effect of the proposed dividend has been reckoned in determining consolidated capital funds in the computation of the capital adequacy ratios.

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. The Bank has no obligation other than the monthly contribution.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, employees who joined the services of the Bank on or after April 01, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after April 01, 2010.

The Subsidiaries

The subsidiaries have defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

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 ₹ 2.46 Crore (Previous year: ₹ 1.99 Crore) for provident fund contributions, ₹ 0.30 Crore (Previous Year ₹ 0.22 Crore) for Employee State Insurance Scheme Contributions and ₹ 30.24 Crore (Previous year: ₹ 25.35 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

1.2.2 Defined benefit plan

A. Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The Subsidiaries

The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Consolidated Profit and Loss Account for the period in which they occur.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
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. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2019.

i) Change in benefit obligations

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018
Projected benefit obligation, beginning of the year	311.55	260.48	0.64	0.46	-	-	899.64	737.39
Service Cost	17.09	88.51	0.32	0.37	*	-	131.58	164.62
Interest cost	22.99	19.33	0.04	0.03	-	-	63.99	51.07
Actuarial (gain)/ loss	9.53	(27.11)	0.14	(0.14)	-	-	40.37	108.36
Benefits paid	(31.97)	(29.66)	(0.07)	(0.08)	-	-	(152.19)	(161.80)
Projected benefit obligation, end of the year	329.19	311.55	1.07	0.64	-	-	983.39	899.64

* denotes figures less than ₹ 1 lakh

ii) Change in plan assets

(₹ in Crore)

	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31,2019	March 31,2018	March 31,2019	March 31,2018
Plan assets at beginning of the year at fair value	265.75	261.54	893.06	746.33
Expected return on plan assets	21.82	20.43	71.18	56.42
Actuarial gain/(loss)	1.83	(0.60)	0.52	3.33
Employer's Contributions	76.80	14.04	165.52	248.78
Benefits paid	(31.97)	(29.66)	(152.19)	(161.80)
Plan assets at end of the year, at fair value	334.23	265.75	978.09	893.06

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iii) Reconciliation of present value of the obligation and the fair value of the plan assets

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018
Fair value of plan assets at the end of the year	334.23	265.75	1.10	-	-	-	978.09	893.06
Present value of the defined benefit obligations at the end of the year	329.19	311.55	1.07	0.64	*	-	983.39	899.64
Liability/ (Asset) recognized in the Consolidated Balance Sheet	(5.04)	45.80	(0.03)	0.64	*	-	5.30	6.58

* denotes figures less than ₹1 lakh

iv) Gratuity / pension cost for the year ended March 31, 2019

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018
Service cost	17.09	88.51	0.32	0.36	*	-	131.58	164.62
Interest cost	22.99	19.33	0.04	0.03	-	-	63.99	51.08
Expected return on plan assets	(21.82)	(20.43)	(0.04)	-	-	-	(71.18)	(56.42)
Actuarial (gain)/loss	7.69	(26.50)	0.12	(0.14)	-	-	39.85	105.03
Employee Cost	25.96	60.91	0.45	0.25	-	-	164.24	264.31
Unamortised Gratuity expenditure of previous year expensed during current year#	53.58	-	-	-	-	-	-	-
Net Cost Debit to Consolidated Profit and Loss Account	79.54	7.33	0.45	0.25	*	-	164.24	264.31
Amount not debited to Consolidated Profit and Loss account, but carried over to be amortised#	-	53.58	-	-	-	-	-	-
Actual return on plan assets	23.65	19.83	-	-	*	-	71.70	59.75

* denotes figures less than ₹ 1 lakh

- Ministry of Labour and Employment, Government of India on March 29, 2018 has enhanced the gratuity ceiling to an employee under Payment of Gratuity Act, 1972 to ₹ 20 Lakhs from earlier limit of ₹ 10 lakhs. This change has resulted to an incremental gratuity liability amounting to ₹ 71.44 Crore. As per the RBI circular DBR.BP.9730/21.04.018/2017-18 dated April 27, 2018 the bank has an option to spread the impact of change in gratuity ceiling over four quarters beginning with the quarter ended March 31, 2018. The bank has availed the option to spread the incremental gratuity expenditure over four quarters beginning with the quarter ended March 31, 2018. Accordingly, during the quarter and year ended March 31, 2018 the bank has charged to the profit and loss account an amount of ₹ 17.86 crore and the unamortised gratuity expenditure as on March 31, 2018 is ₹ 53.58 crore.

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v) Investment details of plan Assets

(₹in Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Central and state Government bonds	-	-	-	-
Other debt securities	-	4.35	10.99	29.49
Balance in Saving bank account with the Bank	2.62	0.25	2.68	1.76
Net current assets	0.01	0.06	5.87	7.57
Balance with LIC #	331.60	261.09	963.85	860.82
Total	334.23	265.75	983.39	899.64

- In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments
a) Gratuity Plan
FBL (₹in Crore)

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit Obligations	329.19	311.55	260.48	246.09	209.34	201.26
Plan Assets	334.23	265.75	261.54	225.66	223.52	230.83
Surplus/(Deficit)	5.04	(45.80)	1.06	(20.43)	14.18	29.57
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(6.56)	(7.08)	2.18	(46.00)	(6.31)	(5.74)
Experience Adjustments on Plan Assets [Gain/ (Loss)]	0.77	1.97	(0.42)	(1.97)	1.19	1.76

FFSL (₹in Crore)

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit obligations	1.07	0.64	0.46	0.19	0.08	0.15
Plan Assets	1.10	Nil	Nil	Nil	Nil	Nil
Surplus/(Deficit)	0.03	(0.64)	(0.46)	(0.19)	(0.08)	(0.15)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.04	0.05	0.03	0.10	(0.03)	(0.02)
Experience adjustments on Plan Assets [Gain/(Loss)]	0.01	NA	NA	NA	NA	NA

NA – Not Applicable.

b) Pension Plan
FBL (₹in Crore)

Particulars	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit Obligations	983.39	899.64	737.38	637.50	587.48	531.78
Plan Assets	978.09	893.06	746.33	578.27	544.40	416.25
Surplus/(Deficit)	(5.30)	(6.58)	8.95	(59.23)	(43.08)	(115.53)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(39.39)	(33.27)	93.67	(142.49)	(79.75)	(8.18)
Experience adjustments on Plan Assets [Gain/(Loss)]	(3.14)	9.60	6.66	0.18	2.19	3.03

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vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018	March 31,2019	March 31,2018
Discount rate	7.78%	7.87%	6.85%	7.23%	7.79%	-	7.77%	7.78%
Annuity rate per Rupee	-	-	-	-	-	-	134.98313	134.98313
Salary escalation rate	5.00%	5.00%	7.97%	7.38%	5.00%	-	5.00%	5.00%
Estimated rate of return on plan assets	8.21%	7.81%	-	-	-	-	7.97%	7.56%
Attrition Rate	2.00%	2.00%	Not Available	Not Available	-	-	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	-	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

(C) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 7.10 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. During the Previous year as sum of ₹ 15.17 Crore has been reversed to profit and loss account due to reduction of the liabilities.

Federal Bank Financial Services Limited

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the year in which they occur.

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The Actuarial liability of compensated absences of accumulated privilege, sick, casual leaves and leave travel concession of the employees of the Group is given below: (₹in Crore)

	March 31, 2019		March 31, 2018	
	FBL	FFSL	FBL	FFSL
Privilege leave	149.47	0.54	142.10	0.34
Sick leave	13.36	-	17.82	-
Leave Travel Concession	18.76	-	14.28	-
Casual Leave	1.37	-	1.66	-
Total actuarial liability	182.96	0.54	175.86	0.34
Assumptions				
Discount rate	7.78%	6.85%	7.87%	7.23%
Salary escalation rate	5.00%	7.95%	5.00%	7.38%
Attrition Rate	2.00%	Not Available	2.00%	Not Available

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

The above information is as certified by the actuary and relied upon by the auditors.

1.3 Segment Reporting (AS 17)
A. Business Segments

Business of the Group is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and other banking operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads.

Retail banking

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of

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the above segments. The income from such services and associated costs are disclosed in this segment.

The operations of Subsidiary has been classified under 'Retail Banking'. The following table sets forth, for the periods indicated, the business segment results.

March 31, 2019

(₹in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,547.61	5,073.76	5,084.03	265.26	12,970.66
Result (Net of provisions)	414.69	259.69	1,250.87	66.90	1,992.15
Unallocated expense					(32.05)
Operating profit (PBT)					1,960.10
Income taxes					(677.58)
Share of Profit of associate					35.56
Minority Interest					(1.80)
Extraordinary profit/loss					-
Net Profit					1,316.28
OTHER INFORMATION					
Segment Assets	35,782.32	58,169.60	57,863.86	11.38	151,827.16
Unallocated assets					8,725.31
Total assets					160,552.47
Segment liabilities	34,761.44	56,007.30	55,518.10	0.04	146,286.88
Unallocated liabilities					686.87
Total liabilities					146,973.75

March 31, 2018

(₹in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,395.56	3,786.95	4,707.00	185.61	11,075.12
Result (Net of provisions)	256.50	(137.97)	1,250.27	52.51	1421.31
Unallocated expense					(28.11)
Operating profit (PBT)					1,393.20
Income taxes					(483.55)
Share of Profit of associate					25.79
Extraordinary profit/loss					-
Net Profit					935.44
OTHER INFORMATION					
Segment Assets	35,102.73	50,727.66	46,301.67	5.33	132,137.39
Unallocated assets					7,076.28
Total assets					139,213.67
Segment liabilities	33,485.14	48,492.17	44,251.57	0.01	126,228.89
Unallocated liabilities					710.55
Total liabilities					126,939.44

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
B. Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

1.4 Related Party Disclosures (AS 18)
a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited (From July 12, 2018)	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran, Executive Director (Upto February 15, 2019)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties
For the year ended March 31, 2019

Items/Related Party	Associates	Key Management Personnel	Total
Deposits# (₹ in Crore)	22.34 (29.35)	0.29 (0.50)	22.63 (29.85)
Advances# (₹ in Crore)	-	0.54 (2.12)	0.54 (2.12)
Investments# (₹ in Crore)	227.54 (227.54)	-	227.54 (227.54)
Interest paid (₹ in Crore)	0.45	0.01	0.46
Interest received (₹ in Crore)	-	0.05	0.05
Income from Services Rendered to (₹ in Crore)	39.78	-	39.78
Expenses for Receiving services from (₹ in Crore)	-	-	-
Remuneration paid (₹ in Crore)	-	3.12	3.12
Dividend Paid (₹ in Crore)	-	0.86	0.86
Share capital received on exercise of ESOS (₹ in Crore)	-	17.56	17.56
No. of Options granted under ESOS (in numbers)	-	900,000	900,000
No. of Options outstanding under ESOS (in numbers)	-	3,189,430	3,189,430

- Represents outstanding as on March 31, 2019

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

For the year ended March 31, 2018

Particulars	Key Management Personnel	
	March 31, 2018	
Remuneration paid (₹ in Crore)		3.61
Deposits# (₹ in Crore)		0.24
Advances# (₹ in Crore)		1.97
Interest received (₹ in Crore)		0.18
Interest paid (₹ in Crore)		0.05
Dividend Paid (₹ in Crore)		0.02
Share capital received on exercise of ESOS (₹ in Crore)		22.11
No. of Options granted under ESOS (in numbers)		1,900,000
No. of Options outstanding under ESOS (in numbers)		7,773,250

- Represents outstanding as on March 31, 2018

In accordance with RBI guidelines, details pertaining to the related party transactions, have not been provided where there is only one related party.

1.5 Operating Lease (AS 19):

The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 154.67 Crore (Previous year: ₹143.17 Crore) was charged to Profit and loss account.

Fedbank Financial Services Limited

The Company has entered into operating lease arrangement for its corporate office. The lease is non-cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

(₹in Crore)

Particulars	March 31, 2019	March 31, 2018
Future minimum lease payments:		
- Up to one year	4.06	1.26
- More than one year and upto five years	14.79	2.41
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	1.26	1.26

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for assets taken on an operating lease ₹ 5.12 Crore (Previous Year ₹ 4.19 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

1.6 Earnings per Share ('EPS') (AS 20)

Particulars	March 31, 2019	March 31, 2018
Weighted average number of equity shares used in computation of basic earnings per share (₹ in 000's)	1,980,208	1,902,184
Weighted average number of equity shares used in computation of diluted earnings per share (₹ in 000's)	1,992,628	1,926,275
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	6.65	4.92
Diluted earnings per share (in ₹)	6.60	4.86
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	13,162,891	9,354,386

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
1.7 Deferred Tax Assets / Liability (AS 22)

The major components of deferred tax assets and deferred tax liabilities are as under:

(₹in Crore)

Particulars	March 31, 2019	March 31, 2018
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	186.66	-
(ii) Depreciation on Investments	48.72	67.32
(iii) Depreciation on Fixed assets	5.73	-
(iv) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	157.59	128.24
(v) Others	14.30	23.63
Total - (A)	413.00	219.19
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	22.14	55.55
(ii) Provision for Standard Assets	184.17	152.83
(iii) Depreciation on Fixed Assets	2.00	3.04
(iv) Others	108.74	82.60
Total - (B)	317.05	294.02
Net Deferred tax liability/ (Asset) (A-B)	95.95	(74.83)

1.8 'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include:

(₹in Crore)

		March 31, 2019	March 31, 2018
i)	Provision towards NPAs	631.53	753.99
ii)	Provision for depreciation Investments (Net)	99.10	167.43
iii)	Provision for Non Performing Investments	20.28	5.51
iv)	Provision for Standard Assets	102.49	44.71
v)	Provision for Taxation	677.62	483.55
vi)	Provision towards other contingencies etc.	4.21	(20.88)
	Total	1,535.23	1,434.31

1.9 Amount of Provisions made for income-tax during the year

(₹in Crore)

Particulars	March 31, 2019	March 31, 2018
Provision for Income Tax		
a) Current Tax	702.64	479.78
b) Deferred Tax	(25.06)	3.77
Total	677.58	483.55

1.10 Draw Down from Reserves

The Bank has not drawn down from any reserves during the year ended March 31, 2019 (Previous Year ₹ 23.57 crore was drawn down from investment reserve in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks').

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

1.11 Details of Penalty imposed by RBI

(₹in Lakhs)

	March 31, 2019	March 31, 2018
a) Penalty imposed on currency chests	0.28	0.42
Dates of Payment	Various dates	Various dates
b) Penalty imposed by RBI with regard to remittance of mutilated notes, forged notes and shortage in remittance	-	0.82
Date of Payment	-	February 12, 2018
c) Penalty imposed by RBI in connection with bouncing of SGL	-	3.50
Date of Payment	-	July 07, 2017
d) Penalty imposed on deficiency in regulatory compliances#	500.00	-
Date of Payment	October 15, 2018	-

#Penalty was imposed by RBI vide letter EFD. CO. SO. 287 / 02.02.003 / 2018-19 dated 25.09.2018

1.12 Fixed Assets

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

(₹in Crore)

Particulars	March 31, 2019	March 31, 2018
Gross Block		
At the beginning of the year	209.82	178.04
Additions during the year	43.96	34.65
Deductions / Adjustments during the year	-	2.87
At the end of the year	253.78	209.82
Depreciation / Amortisation		
At the beginning of the year	157.29	124.04
Charge for the year	37.35	36.12
Deductions during the year	-	2.87
Depreciation to date	194.64	157.29
Net Block	59.14	52.53

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 valuers was credited to Revaluation Reserve. There has been no revaluation of assets during this year.

1.13 Provisions and Contingencies

a) Movement in provision for non-credit related* frauds included under other liabilities:

(₹in Crore)

	March 31, 2019	March 31, 2018
Balance at the beginning of the year	4.71	4.05
Additions during the year	0.31	1.97
Reductions on account of payments during the year	0.56	1.31
Balance at the end of the year	4.46	4.71

* Provision for credit related frauds included in Provision for Bad and doubtful debts.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
b) Movement in provision for debit card reward points:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Balance at the beginning of the year	4.60	4.08
Provision made during the year	15.61	10.25
Reductions during the year	15.02	9.73
Balance at the end of the year *	5.19	4.60

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilized towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Balance at the beginning of the year	34.33	60.06
Provision made during the year	4.28	14.92
Reductions during the year	9.58	40.65
Balance at the end of the year	29.03	34.33

d) Movement in floating provision:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Draw down from provision	-	-	-	-
Closing balance	12.75	12.75	69.18	69.18

1.14 Description of contingent liabilities:
a) Claims against the Group not acknowledged as debts

These represent claims filed against the group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the group.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund.

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

1.15 Provision for Long Term contracts

The Group has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

1.16 Small and Micro Industries

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 6.18 crore, ₹ 0.09 crore due to Micro, Small and Medium Enterprises. (previous year ₹0.01 crore) The subsidiary has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

1.17 Additional information on net assets and share of profits of the Bank, its subsidiaries, associates and joint ventures as considered in the Consolidated Financial Statements.

March 31, 2019

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	98.20%	13,273.04	94.50%	1,243.88
Subsidiary: Fedbank Financial Services Limited	1.56%	191.78	2.53%	33.28
Federal Operations and Services Limited	-	(0.29)	(0.02%)	(0.29)
Associate:				
IDBI Federal Life Insurance Company Limited	0.22%	29.34	2.66%	35.02
Equirus Capital Private Limited	0.02%	4.38	0.33	4.38
Total	100.00%	13,498.25	100.00%	1,316.27

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

March 31, 2018

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	99.48%	12,210.24	93.95%	878.85
Subsidiary: Fedbank Financial Services Limited	0.57%	69.68	3.29%	30.80
Associate: IDBI Federal Life Insurance Company Limited	(0.05)%	(5.68)	2.76%	25.79
Total	100.00%	12,274.24	100.00%	935.44

1.18. Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

1.19 Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

 Krishnakumar K
Senior Vice President

 Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

 Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

 Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

 Dilip G Sadarangani
Chairman
(DIN:06610897)

As per our report of even date

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

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

Directors:

 Nilesh S Vikamsey (DIN : 00031213)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)

 Akeel Master
Partner
Membership No.046768

 Sanjay Khemani
Partner
Membership No. 044577

 Place: Mumbai
Date : May 4, 2019

FORM AOC-I

(PURSUANT TO FIRST PROVISIO TO SUB-SECTION (3) OF SECTION 129 READ WITH RULE 5 OF COMPANIES (ACCOUNTS) RULES, 2014)

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

PART "A": SUBSIDIARIES

(₹ in Thousands)

1. Sl. No.	1	2
2. Name of the subsidiary:	Fedbank Financial Services Limited	Federal Operations and Services Limited
3. The date since when subsidiary was acquired	17/04/1995	26/10/2018
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA	NA
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA	NA
6. Share Capital	2,300,425	50,000
7. Reserves & surplus	2,321,957	(2859)
8. Total assets	21,285,345	56,968
9. Total Liabilities	16,662,963	9,827
10. Investments	125,050	-
11. Turnover	2,589,181	12,875
12. Profit before taxation	493,474	(3,354)
13. Provision for taxation	142,656	(495)
14. Profit after taxation	350,818	(2,859)
15. Proposed Dividend	NIL	NIL
16. Extent of shareholding (in %)	82.59	100

Notes:

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

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

Name of Associates/Joint Ventures	IDBI Federal Life Insurance Company Limited	Equirus Capital Private Limited
1.Latest audited Balance Sheet	31/03/2019	31/03/2019
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	3,600,000
Amount of Investment in Associates/Joint Venture (₹ '000)	2,080,000	68,490
Extent of Holding (in %)	26%	8.74%
4.Description of how there is significant influence	Investment more than 20%	Right of proportionate representation in the Board as well as power to participate in the financial/operational matters like approval of business plan, policies, budgets, managerial remuneration, change in KMP etc
5.Reason why the associate/joint venture is not consolidated	NA	NA
6.Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	2,373,419	37,488
7.Profit / Loss for the year 2018-19 (₹ '000)		
i. Considered in Consolidation	350,238	5,386
ii. Not Considered in Consolidation	977,486	35,614

- Names of associates or joint ventures which are yet to commence operations - NIL
- Names of associates or joint ventures which have been liquidated or sold during the year - NIL.

For and on behalf of the Board of Directors

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

Dilip G Sadarangani
Chairman
(DIN:06610897)

Directors:

Nilesh S Vikamsey (DIN : 00031213)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)

Place: Mumbai
Date : May 4, 2019



Federal Bank



The 16th Federal Bank Hormis Memorial Foundation Commemorative Lecture was delivered by Shri. Viral V Acharya, Deputy Governor, Reserve Bank of India on the subject 'Why less can be more: The crowding out effects of Government Finance' at Crowne Plaza, Kundannoor, Cochin. The event was attended by eminent personalities from all walks of life.



Federal Bank



The Bank donated an amount of ₹ 4.00 Crore to Chief Ministers Relief Fund as part of the support to flood victims which included contributions from staff and an equal contribution from CSR funds of the Bank.



Federal Bank



Conferred with the 1st Runner-Up award under the 'Overall Best Bank' category among Banks with asset size below ₹ 1,50,000 crore, at the 11th edition of 'Magna Awards 2019' instituted by the 'Business World'



Federal Bank



The picture shows Teacher's meet conducted at Chatrapati Shivaji High School, Dudhondi wherein the Bank's products and services were explained to the attendees.



Federal Bank



As a brand building and an employee engagement initiative, The Bank rolled out a unique activity whereby 6 lady employees of the Bank rode on Royal Enfield bullets traversing across the country to reach Delhi.



Federal Bank



As part of the Bank's CSR activities, we support various institutions by providing them essential amenities. The picture above captures the moment wherein the Bank supported Dilasa Bhavan, Miraj for purchasing a vehicle for their home for HIV affected children.



Federal Bank



Nilavarapatti Digitalization



Nilavarapatti Water ATM

The Bank embarked on a mission to digitize Nilavarapatti, a village in Tamil Nadu under Amma E Village project of Tamil Nadu Government.



Speak for India events have now evolved as a prime property for the Bank garnering popularity across the geographies. These events which portray the Bank as socially committed and youth-friendly, have now grown to be one of the sought after events for the college going community of the country. Last year we launched the event in the state of Tamil Nadu in addition to Kerala, Karnataka and Maharashtra.



FEDERAL BANK

YOUR PERFECT BANKING PARTNER

Corporate Office: Post Box No. 103, Federal Towers, Aluva-683 101, Kerala, India, Ph: 91-484 2623620-29
Fax: 0484-2623119 email: secretarial@federalbank.co.in, www.federalbank.co.in

The Federal Bank Limited, Regd. Office. Aluva.

CIN: L65191KLI931PLC000368

BUSINESS RESPONSIBILITY REPORT

FY 2018-19

FEDERAL BANK

YOUR PERFECT BANKING PARTNER

Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company	L65191KL1931PLC000368
2. Name of the Company	The Federal Bank Limited
3. Registered address	Federal Towers, P O Box No.103, Aluva, Kerala, India 683 101
4. Website	www.federalbank.co.in
5. E-mail id	secretarial@federalbank.co.in
6. Financial Year reported	2018-19
7. Sector (s) that the Company is engaged in (industrial activity code-wise)	Federal Bank is a banking company governed by the Banking Regulation Act, 1949
8. List three key products/services that the Company manufactures/ provides (as in balance sheet)	Federal Bank Limited (the Bank), incorporated in Aluva, Kerala, is a publicly held banking company engaged in providing banking and financial services including retail banking, corporate banking and treasury operations.
9. Total number of locations where business activity is undertaken by the Company	Federal Bank has got representative offices in Abu Dhabi and Dubai
i. Number of International Locations (Provide details of major 5)	
ii. Number of National Locations	As on 31st March 2019 Federal Bank had a network 1251 branches and 1669 ATMs and 269 Cash Recyclers in 25 states, Delhi NCT and 4 union territories
10. Markets served by the Company	Federal Bank serves customers in national and international locations

Section B: Financial Details of the Company

1. Paid up Capital (INR)	₹397.01 Crores
2. Total Turnover (INR)*	₹12770.05 Crores
3. Total profit after taxes (INR)	₹1243.89 Crores
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1.37%. Appropriate disclosures as prescribed under the Companies Act, 2013 have been made in the annual report for the year ended March 31, 2019
5. List of activities in which expenditure in 4 above has been incurred	a. Education b. Healthcare c. Youth engagement d. Skill development

*Total turnover represents the sum of "Interest earned" (Schedule 13 of the accounts) and "Other income" (Schedule 14 of the accounts).

Section C: Other Details

1. Does the Company have any Subsidiary Company/ Companies?	Yes. The bank has two subsidiaries
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]-	No

Section D: BR Information

1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies

- DIN Number : 05154975
- Name : Mr. Ashutosh Khajuria
- Designation : Executive Director & CFO

b) Details of the BR head

S.No.	Particulars	Details
1.	DIN Number (if applicable)	NA
2.	Name	Ms. Shalini Warriar
3.	Designation	Chief Operating Officer
4.	Telephone number	04842634030
5.	e-mail id	shaliniwarrior@federalbank.co.in

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

The NVGs on social, environmental and economic responsibilities of business prescribed by the Ministry of Corporate Affairs advocates the nine principles (detailed below) as P1-P9 to be followed:

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words) *	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Has the policy being approved by the Board?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	https://www.federalbank.co.in/shareholder-information								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

2 a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

S.No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The company has not understood the Principles									
2.	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3.	The company does not have financial or manpower resources available for the task									
4.	It is planned to be done within next 6 months									
5.	It is planned to be done within the next 1 year									
6.	Any other reason (please specify)									

P3 *	Sr No 3- In line with the general laws and regulations and sound ethical practices followed nationally, the Bank has adopted employee oriented policies covering areas such as employee benefits and sexual harassment at the workplace which endeavor to provide an environment of care, nurturing and opportunity to accomplish professional aspirations.
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3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.
Within 3 months, 3-6 months, Annually, More than 1 year
Annually
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?
The bank has started publishing of Business Responsibility Report from FY 2017 onwards

Section E: Principle-wise performance

Principle 1

- Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?
Yes, since it is whistle blower policy of the company, it deals with the Federal Bank and it's Suppliers and Contractors.
- How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.
During the year 2018-19, we have received 8 complaints under PDS. All the complaints were investigated and report submitted to MD & CEO. Two complaints were found to be without any merit and appropriate actions were taken in the remaining 6 complaints to resolve the issues involved.

Principle 2

- List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.
Federal Bank provides sustainable banking products to cater to different classes of customers through an extensive network of branches, ATMs, cash recyclers, and though technologies like mobile banking and internet banking. Bank offers many customized products include educational loans, home loans, loans for asset purchases and a wide range of savings bank products.
Federal Bank Hormis Memorial Foundation focuses on the areas of elementary education, skill development, primary healthcare and rural development.
- For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):
 - Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?
Not applicable for banking products
 - Reduction during usage by consumers (energy, water) has been achieved since the previous year?
Not applicable for banking products
- Does the company have procedures in place for sustainable sourcing (including transportation)?
Not Applicable

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Not applicable

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%,5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Not Applicable. Being a Banking service company, the bank is not generating products and waste associated with a manufacturing concern

Principle 3

1. Please indicate the Total number of employees.

The Bank had 12227 employees as on 31st March 2019

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.

The bank had 258 employees as on 31st March 2019 on temporary basis

3. Please indicate the Number of permanent women employees.

The bank had 4948 permanent women employees as on 31st March 2019

4. Please indicate the Number of permanent employees with disabilities

The bank is an equal opportunity employer and treats all employees at par. Based on the income tax declarations which enable claiming income tax deduction for self-disability, the bank had 20 such employees

5. Do you have an employee association that is recognized by management?

The bank has an association for Officers (permitted members are Officers up to Scale III) and a Union for Award Staff (permitted members are Clerks & below), recognized by the management. Association for Officers is Federal Bank Officers' Association (FBOA) and Union for Award Staff is Federal Bank Employees' Union (FBEU).

6. What percentage of your permanent employees is members of this recognized employee association?

72.08 % of employees in Officer Cadre are members of Federal Bank Officers' Association (FBOA) and 89.64% of employees in Award Staff cadre are members of Federal Bank Employees' Union (FBEU)

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

S. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1.	Child labour/forced labour/involuntary labour	Nil	Nil
2.	Sexual harassment	1	Nil
3.	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

Permanent Employees	82.07 %
Permanent Women Employees	81.47%
Casual/Temporary/Contractual Employees	Cyber security awareness programme for all outsourced employees working at head office departments
Employees with Disabilities	We have not conducted any specific trainings for this category of employees

Principle 4

1. Has the company mapped its internal and external stakeholders?

Yes

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?

The bank is guided by Reserve Bank of India (RBI) prescribed guidelines on priority sector lending, lending to small and marginal farmers,

lending to weaker section etc., and government-led initiatives to improve access to financial services, and insurance and pension cover for reaching out to disadvantaged, vulnerable and marginalized stakeholders.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

The bank has also undertaken various other schemes for integrated and sustainable economic development by adopting the best practices in the industry. The bank is also an active participant in various schemes and initiatives undertaken by the government. The bank, directly, and along with Federal Bank Hormis Foundation has been working on several initiatives for promotion of inclusive growth. CSR department of the bank in tune with the CSR policy has worked towards the advancement of the society by undertaking various measures. The CSR activities of the bank have a vast footprint touching various diverse fields like Health, Education, Environment sustainability, Inclusive Development Policies to name a few.

Principle 5

1. Does the policy of the company on human rights cover only the company or extend the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

Bank realize and respect the human rights of all its stakeholders and ensures through various policies or codes. The employees are required to follow code of ethics and business conduct, which also documents the ethical practices to be followed by them. Bank does not promote any kind of discrimination between its employees, customers and other stakeholders on the basis of race, caste, religion, sex etc. Bank follows the code issued by The Banking Codes and Standards Board of India, to ensure protection of customer's rights. There are separate mechanisms to address the grievances of employees/customers and also on the complaints of sexual harassment at workplace.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

During the year 2018-19, we have received 8 complaints under PDS. All the complaints were investigated and report submitted to MD & CEO. Two complaints were found to be without any merit and appropriate actions were taken in the remaining 6 complaints to resolve the issues involved.

Principle 6

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others. Not applicable for banking companies

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

The bank adheres to environmental laws in force. Our new branches are provided with energy efficient AC and LED lights.

3. Does the company identify and assess potential environmental risks? Y/N

The bank follows environment laws with regard to its premises and operations.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

The bank is not a manufacturing concern and does not generate waste or products or byproducts generally associated with manufacturing.

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

The bank participated in several initiatives in the area of environment sustainability

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

The bank complies with environmental regulations with respect to its operations.

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

Nil

Principle 7

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

Federal Bank has since long been associated with many trade and industry associations. The bank has through these associations been able to understand the industry and develop schemes which would be beneficial to the organization in the long run. The members of our senior management participate in various committees/ working groups constituted by the Government of India and the Reserve Bank of India

Federal Bank is a member of the following associations-

- a. Indian Banks Association
 - b. Indian Institute of Banking and Finance
 - c. Indo Austrian Chamber of Commerce and Industry
 - d. Kerala Management Association
 - e. The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry(FTAPCCI)
 - f. Indian Chamber of Commerce & Industry, Cochin
 - g. National Institute of Bank Management
 - h. Confederation of Indian Industry and CII Indian Women Network
2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

The bank, through trade bodies and associations, puts forth a number of suggestions with respect to the economy in general and the banking sector in particular. The bank has also undertaken various other schemes for integrated and sustainable economic development by adopting the best practices in the industry. The bank is also an active participant in various schemes and initiatives undertaken by the government. The bank, directly, and along with Federal Bank Hormis Foundation has been working on several initiatives for promotion of inclusive growth.

The CSR department of the bank in tune with the CSR policy has worked towards the advancement of the society by undertaking various measures. The CSR activities of the bank have a huge footprint touching various diverse fields like Health, Education, Skill Development, Environment sustainability, Inclusive Development Policies to name a few.

In the field of Health, CSR department in a tie up with Sree Chithira Thirunal Institute for Medical Science & Technology has set up a Comprehensive Center for Cognitive Rehabilitation of Children with Neuro disorders. We have provided support to various institutions, such as, Fathima Matha Mission Hospital, Kalpetta for purchasing an ICU Ambulance, M/s Swaruma Charitable Society for purchasing a vehicle to be used for palliative care purposes, M/s BeyporeMandalam Mission Charitable Trust, Cheruvannur for purchasing two Haemo-dialysis Machines for their Dialysis Centre, at Nallalam, Kozhikode and M/s DilasaBhavan, Miraj for purchasing a vehicle for their home for HIV infected children. Financial support provided for Soukhyam Medical Camp, an initiative of Sri Hybi Eden, MLA

The State of Kerala witnessed one of the most devastating natural calamities during the month of August 2018. As a responsible organization, the bank took various relief measures across the state with the involvement of our zonal offices. We have donated an amount of ₹4.00 Crore to Chief Ministers Distress Relief Fund for supporting flood victims which includes contributions from staff and from CSR funds of the bank.

We have also provided support for Gaja Cyclone affected victims belonging to affected areas of Thanjavur, Nagapattinam and Thiruvapur Districts of Tamilnadu

In the sphere of education, the bank has set up skill academies at Kochi, Coimbatore. During FY 2018-19, two more skill academies were opened, one at Kolhapur and Karnal. 813 students were trained and got placement through these centres.

The bank along with the Federal Bank Hormis Foundation is providing scholarships to the needy students for pursuing professional courses from the year 2005-06. During the year 2017-18 the trust offered assistance to 100 meritorious students, 20 students from each stream – Medicine, Engineering, BSc (Agri), BSc. (Nursing) & MBA.

The bank has also undertaken various other schemes for integrated and sustainable economic development by adopting the best practices in the industry. Your bank is also an active participant in various schemes and initiatives undertaken by the government.

Your bank embarked on a mission of digitization of Nilavarapetty, a village in Tamilnadu under Amma E Village project of Tamilnadu Government. As most of the villagers were not having identity cards, the team had set up an Aadhar Enrolment Centre attached to our branch Nilavarapetty and facilitated the generation of Aadhar cards to 1796 villagers and most of them opened account with the Branch. Digital banking awareness programs were conducted and people became familiar with various digital modes of transactions.

To ensure environmental sustainability we had provided solar power systems to various institutions, M/s Warrior Foundation Balaman-

diram, Anaketty, Dina Sevana Sabha, Pattuvam and Diocese of Faridabad for their home for disabled children, Sanjoepuram Childrens Village for installation of Solar power Systems.

To build awareness amongst student fraternity to conserve the earth's natural resources, Federal Bank joined with Mathrubhumi in the SEED Programme since 2012. SEED (Student Empowerment for Environmental Development) is an initiative aimed at spreading the message of ecological conservation.

As part of Swatch Bharat initiatives, we have provided support to M/s Kasturba Social Welfare Centre for construction of toilets to poor families

Principle 8

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

The major initiative taken up is in the area of skill development through the Federal Skill academies set up at Kochi, Karnal, Kohlapur & Coimbatore for Skill development for youth from economically backward sectors. Through Federal Bank Hormis Memorial Foundation Scholarship, bank is offering scholarships for 100 meritorious students from families deserving support.

The bank also pursues initiatives in the area of rural development, including efforts to improve financial inclusion and provide access to savings account, insurance and pension products.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

The projects/programmes are undertaken primarily through in-house teams and Federal Bank Hormis memorial Foundation, with the assistance of implementation partners as required.

3. Have you done any impact assessment of your initiative?

CSR department of the bank is undertaking the impact assessment of the major initiatives. Feedback taken from the beneficiaries, implementation partners and the same is reviewed and correcting measures are taken whenever required.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken

The bank had spent Rs.14.01 Crore in FY 2018-19 on corporate social responsibility related activities. The expenditure has been undertaken primarily on skill development and sustainable livelihoods, education, healthcare and rural development related activities like financial inclusion and financial literacy and digitization of adopted village.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

The projects undertaken by Federal Bank Hormis Memorial Foundation are designed to the needs of the target group. The foundation had taken many initiatives in community development such as Village adoption, Digitization of villages, providing housing and sanitation etc.

Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

We have resolved 98.03% of the customers' complaints/consumer cases during the fiscal 2018. We have a pending of 1.97% of complaints.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks (additional information)

NA

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.

NA

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

We are continuously conducting customer satisfaction surveys on a daily basis on the new customers added since August 2016. This is done for measuring the satisfaction level of the new customers. The feedback received from customers through these surveys forms a key input to our ongoing process improvements in ensuring a delightful experience for our customers.



THE FEDERAL BANK LIMITED

CIN:L65191KL1931PLC000368

Federal Towers, P O Box No.103, Aluva, Kerala - 683 101, India.

Phone: 0484 - 2622263 Fax: 0484 - 2623119. E-mail:secretarial@federalbank.co.in, Website: www.federalbank.co.in

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Eighty Eighth Annual General Meeting (AGM) of The Federal Bank Limited will be held as shown below:

Date : 25.07.2019

Day : Thursday

Time : 10 am

Venue : Mahatma Gandhi Municipal Town Hall, Aluva.

To transact the following items of business.

ORDINARY BUSINESS

1. To receive, consider and adopt
 - a) the audited financial statements, including audited Balance Sheet and Profit and Loss Account of the Bank for the financial year ended March 31, 2019 and the Reports of the Board of Directors and the Auditors thereon; and
 - b) the audited consolidated financial statements, including audited consolidated Balance Sheet and Profit and Loss Account of the Bank for the financial year ended March 31, 2019 and the Report of the Auditors thereon;
2. To declare a dividend.
3. To appoint a Director in place of Mr. Ashutosh Khajuria (DIN-05154975), who retires by rotation, and being eligible, offers himself for re-appointment.
4. **To appoint Joint Central Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of the next AGM and to fix their remuneration**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, the applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, from time to time and subject to the approval from Reserve Bank of India, M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, (ICAI FRN-101248 W/W-100022) together with M/s M M Nissim & Co, Chartered Accountants, Mumbai, (ICAI FRN-107122 W) who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Statutory Auditors in terms of Section 141 of the Companies Act 2013 and applicable rules be and are hereby appointed as Joint Central Statutory Auditors of the Bank, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank, at an annual remuneration / fees of ₹ 90,00,000/- (Rupees Ninety Lacs only) plus outlays and taxes at the applicable rates, for the purpose of audit including certifications, reporting on internal financial controls, of the Bank's accounts at its head office, branches and other offices, with the power to the Board including relevant Committee(s) thereof to alter and vary the terms and conditions of appointment, the remuneration, etc., including by reason of necessity on account of conditions as may be stipulated by RBI and / or any other authority, in such manner and to such extent as may be mutually agreed with the statutory auditors.

SPECIAL BUSINESS

5. **Appoint and to fix the remuneration of branch auditors in consultation with the Central Statutory Auditors for the purpose:**

To consider and, if thought fit, to pass the following resolution, with or without modification(s) as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 139 and section 143(8) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, the applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Board of Directors of the Bank be and is hereby authorised to arrange for the audit of the Bank's branches for the accounting year 2019-20 and to appoint and fix the remuneration of branch auditors in consultation with the Central Statutory Auditors for the purpose.

6. Appointment of Mr. K Balakrishnan (DIN- 00034031), as an Independent Director of the Bank.

To consider and, if thought fit, to pass the following resolution, with or without modification(s) as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Sections 149, 160 and other applicable provisions, if any, of the Companies Act, 2013, (the '**Act**') read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and subject to the provisions of the Articles of Association of the Bank, Mr. K Balakrishnan (DIN-00034031), who was appointed as an Additional Director (Independent) pursuant to Section 161 of the Companies Act, 2013, and other applicable provisions of the Act, by the Board of the Bank basis the recommendation of nomination, remuneration, ethics and compensation committee and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, proposing his candidature for the office of Independent director, be and is hereby appointed as an Independent Director of the Bank representing the sector Accountancy, Investment Banking and Finance, for a period of three (3) years with effect from the date of his appointment by the Board, not liable to retire by rotation.

7. Appointment of Mr. Siddhartha Sengupta (DIN-08467648), as an Independent Director of the Bank

To consider and, if thought fit, to pass the following resolution, with or without modification(s) as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Sections 149, 160 and other applicable provisions, if any, of the Companies Act, 2013, (the '**Act**') read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and subject to the provisions of the Articles of Association of the Bank, Mr. Siddhartha Sengupta (DIN-08467648), who was appointed as an Additional Director (Independent) pursuant to Section 161 of the Companies Act, 2013, and other applicable provisions by the Board of the Bank basis the recommendation of nomination, remuneration, ethics and compensation committee and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, proposing his candidature for the office of Independent director, be and is hereby appointed as an Independent Director of the Bank, representing the sector SSI, Banking and Risk Management for a period of five (5) years with effect from the date of his appointment by the Board, not liable to retire by rotation.

8. Appointment of Mr. Manoj Fadnis (DIN- 01087055), as an Independent Director of the Bank

To consider and, if thought fit, to pass the following resolution, with or without modification(s) as an Ordinary Resolution:

RESOLVED THAT in accordance with the provisions of Sections 149, 160 and other applicable provisions, if any, of the Companies Act, 2013, (the '**Act**') read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and subject to the provisions of the Articles of Association of the Bank, Mr. Manoj Fadnis (DIN- 01087055), who was appointed as an Additional Director (Independent) pursuant to Section 161 of the Companies Act, 2013, and other applicable provisions by the Board of the Bank basis the recommendation of nomination, remuneration, ethics and compensation committee and who holds office up to

the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, proposing his candidature for the office of Independent director, be and is hereby appointed as an Independent Director of the Bank, representing the sector Finance, Accountancy and Management for a period of five (5) years with effect from the date of his appointment by the Board, not liable to retire by rotation.

9. To take on record RBI approval for appointment of Mr. Dilip Sadarangani (DIN: 06610897) as a Non-executive (Independent) Part-Time Chairman of the Bank and to approve his remuneration.

To consider and, if thought fit, to pass the following resolution, with or without modification(s) as an Ordinary Resolution:

RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 2013 (the 'Act') and the rules made thereunder, Section 10B and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force), and the rules, circulars and guidelines issued by the Reserve Bank of India, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and subject to the provisions of the Articles of Association of the Bank, and the approval granted by the Reserve Bank of India ('RBI'), consent of the Members of the Bank be and is hereby accorded to take on record the approval received from RBI including the terms of appointment of Mr. Dilip Sadarangani (DIN: 06610897) as Non-Executive (Independent) Part-Time Chairman of the Bank w.e.f. January 25, 2019 till his retirement, and to approve the payment of remuneration to him of ₹1,50,000 per month (Rupees One Lakh Fifty Thousand only) per month (₹18,00,000/- (Rupees Eighteen Lakh only) per annum).

10. To re-appoint Mr. C. Balagopal (DIN: 00430938) as an Independent Director for the second term

To consider and if thought fit, to pass the following Resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160, Schedule IV and all other applicable provisions of the Companies Act, 2013 (the 'Act') read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force), and the rules, circulars and guidelines issued by the Reserve Bank of India, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and subject to the provisions of the Articles of Association of the Bank, and basis the recommendation of Nomination, Remuneration, ethics and compensation committee and the Board of Directors of the Bank, Mr. C. Balagopal (DIN: 00430938), who was appointed as an Independent Director and who holds office of Independent Director up to August 10, 2019, and being eligible, and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, proposing his candidature for the office of Independent Director, be and is hereby re-appointed as an Independent Director of the Bank for a period of five (5) years with effect from the date of expiry of his first term or till the date of his retirement whichever is earlier.

11. Approval for Raising of Funds through Issuance of Bonds for FY 2019-20.

To consider and, if thought fit, to pass the following Resolution, with or without modification(s) as a Special Resolution:

RESOLVED THAT pursuant to provisions of Section 42 of the Companies Act, 2013, Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, the Simplified Listing Agreement for Debt Securities, as amended from time to time and other applicable laws, if any, the provisions of the Memorandum and Articles of Association of the Bank and subject to receipt of such approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the concerned statutory or regulatory authority(ies), the approval of the Members of the Bank be and is hereby accorded to the Board of Directors of the Bank for borrowing/ raising funds in Indian currency by way of issue debt instruments including but not limited to Tier II bonds, Long Term Bonds (Infrastructure & Affordable Housing), Masala Bonds, Green bonds, non-convertible debentures or such other debt securities as may be permitted by RBI from time to time, up to ₹8,000 crore (**Rupees Eight Thousand Crore only**) in domestic market and/or overseas market, under one or more shelf disclosure document and/or under one or more letter of offers as may be issued by the Bank and in one or more tranches, on a private placement basis during a period of one year from the date of passing of this Resolution, within the overall borrowing limits of the Bank approved by way of special resolution under the provisions of Section 180(1) of the Companies Act 2013, on such terms and conditions for each series / tranches including the price, coupon, premium, discount, tenor, etc. as may be approved by the Board of Directors of the Bank, from time to time".

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorized to execute all such agreements, documents, instruments and writings, to settle, questions, difficulties or doubts that may arise with regard to the said matter as it may in its sole and absolute discretion deem appropriate and to do all such acts, deeds, matters and things as may be required to give effect to this resolution”.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorized to delegate all or any of its powers herein conferred, to any Committee of Board of Directors of the Bank or any one or more of the Directors or Executives of the Bank or any Committee of the Executives of the Bank, for giving effect to this resolution.

By order of the Board of Directors

Place : Aluva
Dated : 13.06.2019

Girish Kumar Ganapathy
Company Secretary

NOTES:

1. **A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll, instead of himself/ herself and the proxy need not be a Member of the Bank. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Bank. Further, a Member holding more than ten percent of the total share capital of the Bank carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Bank not later than forty-eight hours before the commencement of the Meeting.**
2. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. Members/Proxies should fill the Attendance Slip for attending the Meeting. Proxy shall not have a right to speak at the Meeting and shall not be entitled to vote except on a poll.
4. In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in dematerialized form are requested to write their DP ID and Client ID number(s) and those who hold share(s) in physical form are requested to write their Folio Number(s) in the attendance slip for attending the Meeting to facilitate identification of membership at the Meeting.
6. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.
7. The register of Members and share transfer books of the Bank would remain closed from – Friday, 19th July, 2019 to Thursday, 25th July, 2019 (both days inclusive).
8. Dividend on equity shares as recommended by the Board of Directors for the year ended March 31, 2019, if approved at the Meeting, will be payable to those eligible Members who hold shares:
 - (a) In dematerialized mode, based on the beneficial ownership details to be received from National Securities Depository Limited and Central Depository Services (India) Limited as on Thursday, 18th July, 2019.
 - (b) In physical mode, if their names appear in the Bank's Register of Members after giving effect to all valid transfers in physical form lodged with the Bank and its Registrar and Transfer Agents on or before Thursday, 18th July, 2019.
9. In support of the "Green Initiative" announced by the Government of India and as per the Listing Agreement executed with Stock Exchanges, electronic copy of the Annual Report and this Notice, inter alia indicating the process and manner of remote e-voting along with attendance slip and proxy form are being sent by e-mail to those Members whose e-mail addresses have been made available to the Bank / Depository Participants unless the Member has requested for a hard copy of the same. For Members who have not registered their e-mail addresses, physical copies of this Notice inter alia indicating the process and manner of remote e-voting along with attendance slip and proxy form, will be sent to them in the permitted mode. The Bank hereby request Members who have not updated their email IDs to update the same with their respective Depository Participant(s) or with M/s. Integrated Registry Management Services Private Limited, Chennai, Registrar and Transfer Agent (R&T) of the Bank. Further, Members holding shares in electronic mode are also requested to ensure to keep their email addresses updated with the Depository Participants / R&T of the Bank.
10. Shareholders holding shares in physical form are requested to immediately notify change in their address, if any, to the Registrar and Share Transfer Agents, M/s. Integrated Registry Management Services Private Limited, Chennai or to the Registered Office of the Bank, quoting their Folio number(s).
11. Shareholders holding shares in dematerialised mode are requested to intimate all changes pertaining to their Bank details, ECS mandates, email addresses, nominations, power of attorney, change of address/name etc. to their Depository Participant (DP) only and not to the Bank or its Registrar and Share Transfer Agents. Any such changes effected by the DPs will be automatically reflected in the records of the Bank subsequently.
12. Any grievance connected with e-voting should be addressed either to the Company Secretary, The Federal Bank Limited, Federal Towers, Aluva- 683101 or to the Bank's Registrar and Share Transfer Agent, M/s. Integrated Registry Management Services Private Limited, 2nd Floor, Kences Towers,1, Ramakrishna Street, North Usman Road, T Nagar, Chennai- 600017 or emailed to secretarial@federalbank.co.in/ csdstd@integratedindia.in;
13. All documents referred to in the notice are open for inspection at the Registered Office of the Bank on all working days between 10.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.
14. The route map to the venue of the Annual General Meeting also forms part of this Notice.

EXPLANATORY STATEMENT

(As required under Section 102(1) of the Companies Act, 2013)

In conformity with Section 102(1) of the Companies Act, 2013 ("the Act") the following explanatory statement set out the material facts relating to Item Nos 3,4,5,6,7,8,9,10 and 11 of the Notice.

Item No.3

Although not required, the Explanatory Statement is being given in respect of Item No. 3 of the Notice.

In terms of Section 152(6)(a) of Companies Act 2013, not less than two-thirds of the total number of directors of a public company are liable to retire by rotation. Mr. Ashutosh Khajuria retires at this AGM and is offering himself for reappointment.

Mr. Ashutosh Khajuria was initially appointed as Executive Director & CFO of the Bank w.e.f 28th January 2016 with RBI approval and as per the terms and conditions of appointment approved by RBI. The Board of Directors of the Bank at its meeting held on 16th October 2017 approved the proposal for reappointment of Mr. Ashutosh Khajuria as Executive Director of the Bank for a period of two years w.e.f 28th January 2018, based on revised terms and conditions/ compensation for which RBI approval was obtained vide its letter no. DBR. Appt No.6837/08.38.001/2017-18 dated 25th January 2018 and the revised remuneration to be made effective from 01st February 2018.

Mr. Ashutosh Khajuria took charge as the Executive Director of Federal Bank with effect from 28th January 2018 with RBI approval. Prior to that he was acting as Head of Network II & President - Treasury of the Bank and after being relieved of this responsibility, was assigned with the responsibility of Chief Financial Officer of the Bank w.e.f 16th September 2015.

Mr. Ashutosh Khajuria aged 58 years is a Graduate in Science and Law and also a Post Graduate in Economics. He has over thirty years of banking experience, having worked in SBI, IDBI Bank Ltd., and had handled forex business, international banking, corporate credit etc. there at. He is an expert in treasury operations and has featured regularly in various television channel discussions and is also a regular invitee as panelist on various topics in Industry level conferences.

Remuneration/Terms and Conditions of Mr. Ashutosh Khajuria, Executive Officer & CFO of the Bank, as approved by RBI made effective from 01st February 2018 is shown below:

Remuneration	Existing Terms and Conditions as Executive Director & CFO as approved by RBI
	3
1. Salary	i) Basic Salary ₹ 22,00,000/- per annum ii) Personal Fixed pay ₹ 46,00,000/- per annum
Total	₹ 68,00,000/-per annum
2. House Rent allowance	Leased accommodation @ ₹ 22,50,000/- per annum or own arrangement @ ₹ 18,00,000/- per annum
3. Entertainment Allowance	Bank's Corporate Membership of One club
4. Performance linked incentive	With prior approval of RBI
Perquisites	
1. Free furnished House	Nil
2. Driver's Wages	₹ 2,50,000/- per annum
3. Free Use of Bank's Car for a. Official Purposes b. For private purposes on compensating the Bank with suitable amount	Entitled to use Bank's Car for official purposes and private purposes.
4. Provident Fund	10 % of Basic Salary
5. Pension	Not eligible
6. Gratuity	As per rule/act
7. A. Travelling B. Halting Allowances	NIL
8. Medical Benefits	Reimbursement of medical expenses, including hospitalization in full for self & dependents.
Other Benefits	
9. ESOS	With prior approval of RBI
10. A. Official Travel B. Boarding and Lodging Expenses	A. Highest class in train and business class by Air for both domestic and foreign travel. B. Actual expenses incurred, supported by bills.
11. Personal Accident Insurance	Coverage ₹ 30,00,000/-
12. Telephone, Mobile and Ipad	Actual of cost and call charges.

13. Leave Fare Concession	An amount of ₹ 4,00,000/- will be paid yearly in lieu LFC, without considering whether the same is availed or not.
Casual Leave	12 days
Privilege Leave	30 days for every 11 months. Can be accumulated upto 90 days.
Leave Encashment	Once in a year maximum 30 days. Balance privilege leave is encashable on retirement

During FY 2018-19 Mr. Ashutosh Khajuria was paid an aggregate amount of ₹ 88.66 Lakh as remuneration. For breakup of remuneration paid, kindly refer to details contained in Annual Report.

Mr. Ashutosh Khajuria is a director on following other companies as on 31st March 2019

IDBI Federal Life Insurance Company Limited - Director

He is on the Committee of the Board of following Companies as on 31st March 2019

IDBI Federal Life Insurance Company Limited - Chairman (Investment Committee) Member (Business Development Committee, and Risk Management Committee)

As on the date of this notice he is a member of Special Committee of the Board for Monitoring & Follow up of cases of Fraud (SCBF), Risk Management Committee, Investor Grievance, Share Transfer & Stakeholder Relationship Committee and Corporate Social Responsibility Committee of the Board of the Bank. Mr. Ashutosh Khajuria attended nine Board meetings in Financial Year 2018-19. Mr. Ashutosh Khajuria holds 322000 shares of the Bank as on 31 March, 2019 in his personal capacity only.

Mr. Ashutosh Khajuria is not related to any other Director and Key Managerial Personnel of the Bank. A notice has been received from a member, proposing Mr. Ashutosh Khajuria as a candidate for the office of the Director of the Bank

Accordingly, your Directors recommend the adoption of the Resolution No. 3 of the Notice for the re-appointment of Mr. Ashutosh Khajuria as the Director of the Bank who is liable to retire by rotation.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution No. 3 of the Notice except Mr. Ashutosh Khajuria.

Item No. 4

Although not required, the Explanatory Statement is being given in respect of Item No. 4 of the Notice.

The Board of Directors of the Bank, vide its resolution dated May 4, 2019, based on the eligibility of the auditors as on date of such meeting, have recommended to re-appoint M/s. BSR & Co., LLP, Chartered Accountants, Mumbai (ICAI Firm Registration No. 101248W) and M/s. M M Nissim & Co., Chartered Accountants, Mumbai (ICAI Firm Registration No. 107122W) as the Joint Statutory Central Auditors of the Bank for FY 2019-20 for the fourth year subject to approval of the Reserve Bank of India and the shareholders.

Accordingly, approval of the members is requested for appointment of M/s. BSR & Co., LLP and M/s. M M Nissim & Co., who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Statutory Auditors in terms of Section 141 of the Companies Act 2013, and applicable rules, as the Joint Statutory Central Auditors of the Bank for FY 2019-20 for the fourth year at an annual remuneration / fees of ₹.90,00,000/- (Rupees Ninety Lacs only) plus outlays and taxes at the applicable rates, for the purpose of audit including certifications, reporting on internal financial controls, of the Bank's accounts at its Head Office, branches and other offices, with the power to the Board including relevant Committee(s) thereof to alter and vary the terms and conditions of appointment, the remuneration, etc., including by reason of necessity on account of conditions as may be stipulated by RBI and / or any other authority, in such manner and to such extent as may be mutually agreed with the statutory auditors.

Accordingly, your Directors recommend the adoption of the Resolution No. 4 of the Notice for the appointment of Joint Central Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of the next AGM and to fix their remuneration.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution No. 4 of the Notice .

Item No.5

In accordance with the provisions of Section 139 and Section 143(8) of the Companies Act, 2013, RBI and other regulatory requirements, the shareholders of the Bank may authorize its Board of Directors to appoint branch auditors in consultation with the Bank's(Central Statutory) auditors.

Accordingly, your Directors recommend the Resolution No.5 of the Notice.

None of the Directors, Key Managerial Personnel or relatives thereof are in any way, concerned or interested in this resolution

Item No.6

The Board of Directors had appointed Mr. K Balakrishnan as an Additional Independent Director at its Board meeting held on 25th September, 2018 under Section 161 of the Companies Act,2013. In terms of the said Section, Mr. K Balakrishnan vacates office at this meeting.

The Nomination, Remuneration, Ethics and Compensation Committee ('NRC') had assessed the profile of Mr. K Balakrishnan and having found him to be 'Fit and Proper' in terms of the Reserve Bank of India's Circular on 'Fit and proper' criteria for directors of banks, recommended his appointment to the Board of Directors. In terms of Sections 149, 152, 160 read with Schedule IV of the Act, the Board of Directors of the Bank, basis the recommendation of the NRC, have reviewed the profile of Mr. K Balakrishnan and the declarations that he meets the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Regulation 16(1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Board is of opinion that he fulfills the criteria of independence and is independent of the management. In the opinion of the Board, Mr. K Balakrishnan meets the fit and proper criteria and has the necessary knowledge and experience for being appointed as an Independent Director. Considering his vast expertise and knowledge in the field of Accountancy, Finance, it would be in the interest of the Bank that Mr. K Balakrishnan is appointed as an Independent Director on the Board of the Bank.

Mr. K Balakrishnan's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949. The terms and conditions applicable to Independent Director(s) of the Bank and hosted in the website of the Bank is applicable to Mr. K Balakrishnan also. In view of the above provisions, and as per the terms and conditions of appointment of Mr. K Balakrishnan, the proposal for the appointment of Mr. K Balakrishnan as an Independent Director, for a period of three (3) years from the date of his appointment by the Board has been put up for the approval of shareholders.

Mr. K Balakrishnan, aged 60 years is Chartered Accountant and Company Secretary by profession. Mr. K Balakrishnan has over 30 years of professional experience, of which around 25 years have been in the Financial Services business in India, providing strategic and financial advice to a variety of Indian and Multinational Corporations, Financial Sponsors and private business families.

He was the Managing Director of Lazard LLC and was responsible for building out Lazard's business in India. With excellent client relationships and domain knowledge, he was instrumental in originating and leading execution of most of these transactions. During his tenure with Lazard, he worked on advisory assignments with a variety of large Indian and multinational clients including Tata Group, Larsen & Toubro, Bharti, Infosys, GMR, AVB Group, Axiata, NTT DoCoMo, Panasonic, International Paper, Capgemini, Reuters, Sodexo, Danone, Unilever, Lafarge, Holcim, Cargill, Apollo and New Mountain Capital.

He also served as Head of Corporate Finance and Advisory for HSBC Investment Bank and was responsible for the corporate finance and advisory business of HSBC Investment Banking in India. He has also worked with Infrastructure Leasing & Financial Services Ltd, Mumbai, and led teams both on advisory and financing assignments.

Mr. K Balakrishnan is a director on following other companies as on 31st March, 2019

Kriscore Financial Advisors Private Limited - Director

The India Cements Limited - Director

Presently he is the Chairman of Credit Committee & Investment and Raising Capital Committee and Corporate Social Responsibility Committee and member of Review Committee of the Board on Non Cooperative Borrowers and Review Committee of the Board for Wilful Defaulters. Mr. K Balakrishnan was eligible to attend six (6) Board meetings during the year and has attended all those meetings. Mr. K Balakrishnan holds 38000 shares of the Bank as on 31 March, 2019 either by himself or on a beneficial basis. Mr. K Balakrishnan is not related to any other Director or KMP of the Bank.

In terms of Section 160 of the Act a notice has been received from a member, proposing Mr. K Balakrishnan as a candidate for the office of the Independent Director of the Bank. Mr. K Balakrishnan has furnished consent/declarations for his appointment as required under the Act and the Rules made thereunder. Mr. K Balakrishnan is representing the sector of Accountancy, Investment Banking and Finance as per the requirement of Banking Regulation Act, 1949 and found suitable for appointment.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution at Item No. 6 of the Notice except Mr. K Balakrishnan.

Accordingly, your Directors recommend the Resolution No.6, for the approval of the shareholders appointing Mr. K Balakrishnan as an Independent Director of the Bank, for a period of three (3) years.

Item No.7

The Board of Directors had appointed Mr. Siddharatha Sengupta as an Additional Independent Director at its Board meeting held on 13th June, 2019 under Section 161 of the Companies Act,2013. In terms of the said Section, Mr. Siddharatha Sengupta vacates office at this meeting.

The Nomination, Remuneration, Ethics and Compensation Committee ('NRC') had assessed the profile of Mr. Siddharatha Sengupta and having found him to be 'Fit and Proper' in terms of the Reserve Bank of India's Circular on 'Fit and proper' criteria for directors of banks, recommended his appointment to the Board of Directors. In terms of Sections 149, 152, 160 read with Schedule IV of the Act, the Board of Directors of the Bank, basis the recommendation of the NRC, have reviewed the profile of Mr. Siddharatha Sengupta and the declarations that he meets the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Regulation 16(1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Board is of opinion that he fulfills the criteria of independence and is independent of the Management. In the opinion of the Board, Mr. Siddharatha Sengupta meets the fit and proper criteria and has the necessary knowledge and experience for being appointed as an Independent Director. Considering his vast expertise and knowledge in the field of Banking, it would be in the interest of the Bank that Mr. Siddharatha Sengupta is appointed as an Independent Director on the Board of the Bank.

Mr. Siddharatha Sengupta's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949. The terms and conditions applicable to Independent Director(s) of the Bank and hosted in the website of the Bank is applicable to Mr. Siddharatha Sengupta also. In view of the above provisions, and as per the terms and conditions of appointment of Mr. Siddharatha Sengupta, the proposal for the appointment of Mr. Siddharatha Sengupta as an Independent Director, for a period of five (5) years from the date of his appointment by the Board has been put up for the approval of shareholders.

Mr. Siddharatha Sengupta, aged 60 years is a Science graduate and has completed post graduate diploma from XLRI. Mr. Siddharatha Sengupta has around 36 years' experience in various capacities of having worked in SBI and having been Chairman of Board of 5 overseas subsidiaries of SBI. He also has rich practical experience in Banking, SSI and Risk Management having worked in the banking sector.

Mr. Siddharatha Sengupta does not hold any other directorship as on the date of this report.

In terms of Section 160 of the Act a notice has been received from a member, proposing Mr. Siddharatha Sengupta as a candidate for the office of the Independent Director of the Bank. Mr. Siddharatha Sengupta has furnished consent/declarations for his appointment as required under the Act and the Rules made thereunder. Mr. Siddharatha Sengupta is representing the sector of SSI, Banking and Risk Management as per the requirement of Banking Regulation Act, 1949 and found suitable for appointment.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution at Item No. 7 of the Notice except Mr. Siddharatha Sengupta.

Accordingly, your Directors recommend the Resolution No. 7, for the approval of the shareholders appointing Mr. Siddharatha Sengupta as an Independent Director of the Bank, for a period of five (5) years.

Item No.8

The Board of Directors had appointed Mr. Manoj Fadnis as an Additional Independent Director at its Board meeting held on 13th June,2019 under Section 161 of the Companies Act, 2013. In terms of the said Section, Mr. Manoj Fadnis vacates office at this meeting.

The Nomination, Remuneration, Ethics and Compensation Committee ('NRC') had assessed the profile of Mr. Manoj Fadnis and having found him to be 'Fit and Proper' in terms of the Reserve Bank of India's Circular on 'Fit and proper' criteria for directors of banks, recommended his appointment to the Board of Directors. In terms of Sections 149, 152, 160 read with Schedule IV of the Act, the Board of Directors of the Bank, basis the recommendation of the NRC, have reviewed the profile of Mr. Manoj Fadnis and the declarations that he meets the criteria of independence as prescribed

both under sub-section (6) of Section 149 of the Act and under Regulation 16(1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Board is of opinion that he fulfills the criteria of independence and is independent of the management. In the opinion of the Board, Mr. Manoj Fadnis meets the fit and proper criteria and has the necessary knowledge and experience for being appointed as an Independent Director. Considering his vast expertise and knowledge in the field of Banking, it would be in the interest of the Bank that Mr. Manoj Fadnis is appointed as an Independent Director on the Board of the Bank.

Mr. Manoj Fadnis appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949. The terms and conditions applicable to Independent Director(s) of the Bank and hosted in the website of the Bank is applicable to Mr. Manoj Fadnis also. In view of the above provisions, and as per the terms and conditions of appointment of Mr. Manoj Fadnis, the proposal for the appointment of Mr. Manoj Fadnis as an Independent Director, for a period of five (5) years from the date of his appointment by the Board has been put up for the approval of shareholders.

Mr. Manoj Fadnis, aged 56 years is a Chartered Accountant by profession.

Mr. Manoj Fadnis is Founding Partner of Fadnis & Gupte, Chartered Accountants. He qualified as a Chartered Accountant in 1987 and since then is in continuous practice.

CA. Fadnis was elected as President of the Institute of Chartered Accountants of India, (ICAI) New Delhi for the year 2015-16. During 2010-13, as Chairman of the Accounting Standard Board (ASB) of the ICAI, he spearheaded the process of the formulation of the Indian Accounting Standards converged with the International Financial Reporting Standards (IFRS), The first set of 35 Ind AS were hosted by the Ministry of Corporate Affairs (MCA), Government of India in Feb. 2011. Based on the work done by the ASB of the ICAI, under his chairmanship, amendments have been made in IAS -16 and IAS 41 by the International Accounting Standards Board, (IASB) London.

He has been elected as the President of Confederation of Asian and Pacific Accountants (CAPA), a regional international organization of 32 Professional Institutes from 23 countries from Asia and Pacific region. He has been Board member since Feb. 2015. He served as Chairman of the Public Sector Financial Management Committee (PSFMC) of CAPA from Nov. 2015 to Nov. 2017.

He is also nominated as a Member of the Small and Medium Practitioners Committee (SMPC) of the International Federation of Accountants (IFAC) for the term Jan. 2016- Dec. 2018.

Presently he is nominated as a Member of the Standing Committee on Accounting Issues constituted by the Insurance Regulatory Development Authority of India (IRDA). During 2017-19 he was the Convener of the Group constituted by the ASB of the ICAI to formulate the Indian Accounting Standard converged with IFRS 17- Insurance Contracts.

He was also a member of the Company Law Committee set up by Ministry of Corporate Affairs Government of India in 2015 for the amendments required to the Companies Act, 2013. Based on the report submitted by the Committee, the Companies Amendment Act 2018 has been passed. He has presented more than one thousand technical papers in seminars and conferences within India.

Mr. Manoj Fadnis is a director on following other companies as on the date of this report.

Yes Asset Management (India) Limited	- Director
Yes Securities (India) Limited	- Director
Kriti Nutrients Limited	- Director
Kriti Industries (India) Limited	- Director
Kriti Auto & Engineering Plastics Private Limited	- Director
Confederation of Asian and Pacific Accountants, Hong Kong	- Director

Mr. Manoj Fadnis is on following Committee of other companies as on 31st March 2019

Yes Asset Management (India) Limited	- Chairman (Audit Committee) Member (Independent Directors Committee)
Yes Securities (India) Limited	- Chairman (Audit Committee, Corporate Social Responsibility Committee) - Member (Independent Directors Committee, Nomination & Remuneration Committee)

Kriti Nutrients Limited

- Chairman (Audit Committee, Nomination & Remuneration Committee)
- Member (Independent Directors Committee, Financial Committee, Stakeholder Relationship Committee)

Kriti Industries (India) Limited

- Chairman (Audit Committee)
- Member (Independent Directors Committee, Nomination & Remuneration Committee, Financial Committee)

In terms of Section 160 of the Act a notice has been received from a member, proposing Mr. Manoj Fadnis as a candidate for the office of the Independent Director of the Bank. Mr. Manoj Fadnis has furnished consent/declarations for his appointment as required under the Act and the Rules made thereunder. Mr. Manoj Fadnis is representing the sector of Finance, Accountancy and Management as per the requirement of Banking Regulation Act, 1949 and found suitable for appointment.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution at Item No. 8 of the Notice except Mr. Manoj Fadnis.

Accordingly, your Directors recommend the Resolution No.8, for the approval of the shareholders appointing Mr. Manoj Fadnis as an Independent Director of the Bank, for a period of five (5) years.

Item No.9

Mr Dilip Sadarangani was appointed as an Additional Independent Director on the Board of the Bank on 04.06.2013 and was regularized as a Director at the Annual General Meeting held on 20.07.2013. He was elected as an Independent Director on the Board of the Bank at the Annual General Meeting held on 17.07.2014 as per the Companies Act, 2013 requirement. The Board had on 04th October, 2018 appointed Mr Dilip Sadarangani as Part Time Chairman of the Bank, subject to the approval from Reserve Bank of India. The Board of Directors fixed the remuneration payable to Mr. Dilip Sadarangani as ₹1,50,000/- per month (₹.18,00,000/- (Rupees Eighteen Lakh only) per annum) in addition to payment of sitting fee for attending Board/Committees meetings. Reserve Bank of India vide its letter DBR. Appt. No.6191/08.38.001/2018-19 dated January 25, 2019 approved the appointment and the terms and conditions of appointment of Mr Dilip Sadarangani as Part Time Chairman of the Bank w.e.f January 25,2019 till September 08, 2019 (i.e. tenure as Chairman of the Bank in pursuance of approval received by the Bank from the Reserve Bank of India).

Remuneration/Terms and Conditions of Mr. Dilip Sadarangani, Non-Executive (Independent) Part-Time Chairman of the Bank, as approved by RBI made effective from January 25, 2019 is shown below:

Remuneration etc	Proposed Amount
1. Salary 2. Dearness Allowance 3. House Rent allowance 4. Conveyance Allowance 5. Entertainment Allowance	NA
6. Other allowances, if any (please specify)	₹ 1.50 lakh per month in addition to payment of sitting fee for attending Board/Committee meetings as per the existing sitting fee paid to Directors
Perquisites 1.Free furnished house 2.Free use of bank's car for i) Official purposes ii)For private purposes on compensating the bank with suitable amount 3.Provident Fund/ Gratuity/Pension 4.Travelling and Halting Allowances 5.Medical benefits Other benefits, if any (please specify)	NA
Leave: 1.Casual Leave 2.Ordinary Leave 3.Sick Leave Leave Fare Concession	NA

Mr. Dilip Sadarangani aged 69 years has wide experience in Banking/Technology/Operations, and includes management, maintenance and support of IT software projects as well as IT operations. He has developed and put in place processes and IT policies and continuity plans in three leading Banks in India, Australia and Kuwait.

Mr. Dilip Sadarangani holds a Bachelor of Science (Hons) degree from University of Bombay. He also holds a post graduate diploma in Computer Management from Jamnalal Bajaj Institute of Management, University of Bombay. He has developed Business-Technology strategies for ANZ Grindlays Bank, Standard Chartered Bank (SCB), India, Gulf Bank, Kuwait and Man Power, Asia Pacific. He was a key member of the Global Leadership team in ANZ Bank (Australia), Standard Chartered Bank (India & Global), Gulf Bank (Kuwait) and Manpower Inc (Asia Pacific & Global). He was also a Core member of the team which automated the first 50 branches of one of the largest financial institutions in the world –State Bank of India.

Mr. Dilip Sadarangani is on the Board of following other Companies as on 31st March 2019:

Fedbank Financial Services Limited - Director

He is on the Committee of the Board of following other Companies as on 31st March 2019

Fedbank Financial Services Limited - Chairman (Risk Management Committee, CSR Committee, IT Strategy Committee) Member (Audit Committee, Nomination & Remuneration Committee, Credit Committee)

Presently he is the Chairman of Investor Grievance, Share Transfer and Stakeholder Relationship Committee and member of Credit Committee & Investment and Raising Capital Committee, Nomination, Remuneration, Ethics and Compensation Committee, IT & OPS Committee, Review Committee of the Board on Non Cooperative Borrowers. He does not hold any shares of the Bank as on 31st March, 2019. Mr. Dilip Sadarangani attended all nine Board meetings held in the Financial Year 2018-19. During FY 2018-19, Mr. Dilip Sadarangani was paid an aggregate amount of ₹ 19.93 lakh as remuneration including sitting fee during FY 2018-19. Mr Dilip Sadarangani is not related to any other Director and Key Managerial Personnel of the Bank. Mr. Dilip Sadarangani does not hold any shares of the bank as on 31.03.2019.

Accordingly, your Directors recommend the Resolution No.9 for appointment of Mr. Dilip Sadarangani (DIN: 06610897) as a Non-executive (Independent) Part-Time Chairman of the Bank and to approve his remuneration of ₹ 1,50,000/- per month (₹18,00,000/-(Rupees Eighteen Lakh only) per annum) in addition to payment of sitting fee for attending Board/Committees meetings and meeting of expenses for participation in Board/Committee meetings.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution at Item No. 9 of the Notice except Mr. Dilip Sadarangani.

Item No. 10

The Board of Directors had appointed Mr. Chandrasekhar Balagopal as an Additional Independent Director at its Board meeting held on 29 June, 2015 under Section 161 of the Companies Act, 2013 and was regularised as an Independent Director for a period of three years at the Annual General Meeting of the Bank held on 11.08.2016. As such Mr. Chandrasekhar Balagopal holds office as an Independent Director of the Bank up to August 10, 2019 in line with the explanation to Sections 149(10) and 149(11) of Companies Act.

Section 149 of the Companies Act and provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') prescribe that an independent director of a company shall meet the criteria of independence as provided in Section 149(6) of the Act and clause (b) of sub-regulation (1) of Regulation 16 of the Listing Regulations respectively 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 have reviewed the declaration given by Mr. Chandrasekhar Balagopal and he meets the criteria of independence as provided in Section 149(6) read with Schedule IV of the Companies Act, and clause (b) of sub-regulation (1) of Regulation 16 of the Listing Regulations respectively and the Board is of opinion that he fulfills the conditions specified and is independent of the management. Based on the performance evaluation of Mr. C Balagopal, done by the Board of the Bank, the performance was found to be good and is eligible to continue as an independent director on the Board of the Bank.

In terms of section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. The relevant sections and rules under Banking Regulation Act, 1949 and prescribed by RBI from time to time are applicable to all Directors of the Bank. A special resolution is hence put forth at this Annual General Meeting, for the shareholders approval, for the reappointment of Mr. C Balagopal as an Independent Director on the Board of the Bank for a further period of five (5) years with effect from the date of expiry of his first term or till the date of his retirement whichever is earlier.

Mr. Chandrasekhar Balagopal, aged 66 years is a post graduate in Economics from Madras University. He then joined the Indian Administrative Service in 1977 and worked in various posts in Manipur and Kerala. He resigned from the IAS in 1983, to set up a company to manufacture indigenously developed biomedical devices for the first time in the country. This came to be known as Terumo Penpol Ltd. and is one of the biggest manufacturers and exporters of blood bag systems in the world. Mr. Chandrasekhar Balagopal, is involved in mentoring and investing in startup ventures, community development activities and writing. He is a mentor at the Medical Technology Business Incubator, SCTIMST. He is a Charter member and first President of TiE Kerala. He is also a member of Ethics Committee of Rajiv Gandhi Center for Biotechnology, and the Technology Development Council of Sree Chitra Thirunal Institute for Medical Science & Technology.

Presently he is the Chairman of Committee for Human Resource Policy and Customer Service & Marketing Strategy and Digital Banking Committee and member of Risk Management Committee and Investor Grievance, Share Transfer and Stakeholder Relationship Committee of the Board of the Bank. Mr. Chandrasekhar Balagopal attended 8 Board meetings in Financial Year 2018-19, out of total nine Board meetings held during the year. Mr. Chandrasekhar Balagopal did not hold any shares of the Bank as on 31 March, 2019. Mr. Chandrasekhar Balagopal is not related to any other Director of the Bank.

Mr. Chandrasekhar Balagopal is not disqualified from being appointed as Director in terms of Section 164 of the Act and have given his consent to act as Director. The Bank has received notice in writing from a member under Section 160 of the Act proposing the candidature of for the office of Independent Director of the Bank.

Accordingly your Directors recommend for approval, the resolution of the shareholders for reappointing Mr. Chandrasekhar Balagopal as an Independent Director of the Bank, for a further period of five (5) years with effect from the date of expiry of his first term or till the date of his retirement whichever is earlier.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution at Item No. 10 of the Notice except Mr. Chandrasekhar Balagopal.

Item No. 11

In terms of Section 42 of the Companies Act, 2013 read with Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company can make private placement of securities subject to the condition that the proposed offer of securities or invitation to subscribe securities has been previously approved by the Members of the Company, by a special resolution, for each of the offers or invitations/subscriptions. In case of offer or invitation for subscription of non-convertible debentures, it shall be sufficient if the Company passes a special resolution only once in a year for all the offers or invitation for subscription of such debentures during the year.

Accordingly, the Bank had obtained the approval of Members at the last AGM held on 10th August, 2018 for borrowing/raising funds by issue of debt securities pursuant to the relevant provisions of the applicable circulars or guidelines issued by RBI, upto ₹ 8,000 Crore (Rupees Eight Thousand Crore Only), in one or more tranches. There was no requirement for the Bank to raise any amount by way of issue of Bonds till March 31, 2019. The current approval of Members is valid upto 9th August 2019.

In order to facilitate the raising of funds by way of issue of debt securities, it would be necessary to have the fresh approval of Members in place. Accordingly, the Board of Directors in its meeting dated 13.06.2019, after assessing its fund requirements, has proposed to obtain the consent of the Members of the Bank for borrowing/raising funds by issue of debt securities including but not limited to Tier II bonds, Long Term Bonds (Infrastructure & Affordable Housing), Masala Bonds, Green bonds, non-convertible debentures etc., pursuant to the relevant provisions of the applicable circulars or guidelines issued by RBI, upto ₹ 8000 Crore (Rupees Eight Thousand Crore only), in one or more tranches and under one or more shelf disclosure documents and/or one or more letters of offer, in domestic market and/or overseas market, as per the structure and within the limits permitted by RBI and other regulatory authorities, to eligible investors on private placement basis, on such terms and conditions including the price, coupon, premium / discount, tenor etc., as the Board

of Directors or any Committee(s) thereof or such other persons as may be authorized by the Board, from time to time, determine and consider proper and appropriate for the Bank. This would form part of the overall borrowing limits as may be approved by the Members under Section 180(1) of the Companies Act,2013.

The Resolution under Section 42 of Companies Act, 2013 shall be valid for a period of one year from the date of passing of this resolution. The pricing of the NCDs / Tier II bonds/ Long Term Bonds (Infrastructure & Affordable Housing)/ Masala Bonds/ Green bonds etc. would be in accordance with the applicable statutory guidelines, for cash, either at par or premium or at a discount to face value depending upon the prevailing market conditions.

Accordingly, your directors recommend for the shareholders approval by way of special resolution as set out at Item No. 11 of this Notice for borrowing/raising funds in Indian currency by issue of debt securities on private placement basis.

None of the directors/key managerial personnel of the Bank or their relatives are concerned or interested in the resolution.

By order of the Board of Directors

Place : Aluva
Dated : 13th June 2019

Girish Kumar Ganapathy
Company Secretary

FOR THE ATTENTION OF SHAREHOLDERS

Proxy Form and Attendance Slip

A blank proxy form with an attendance slip is sent along with the Notice. Shareholders are requested to detach the attendance slip and produce it for verification at the venue of the meeting.

Queries at the AGM

Shareholders wishing to make queries at the AGM on the published accounts, Directors' Report or any aspect of the working of the Bank may write to:

The Company Secretary
The Federal Bank Limited
Federal Towers, P.B. No.103, Aluva – 683 101

so as to reach him latest by 05th July 2019 specifying the point/s requiring clarification.

Correspondence

All correspondence relating to shares and dividend should be addressed to the Bank's Registrars and Share Transfer Agents, viz:

Integrated Registry Management Services Private Limited., 2nd Floor, Kences Towers,
1, Ramakrishna Street, North Usman Road, T Nagar, Chennai – 600 017.
Phone No: (044) 28140801, 28140802 Fax: 28142479
email : csdstd@integratedindia.in

Unclaimed Dividends

Members wishing to claim unclaimed dividends are requested to correspond with the Company Secretary of the Bank, at the Bank's registered office. Members are requested to note that dividends which are not claimed within seven years from the date of transfer to the Bank's Unpaid Dividend Account, will, as per the provisions of Section 124 of the Companies Act, 2013 and rules made thereunder, be transferred to the Investor Education and Protection Fund. The Bank has uploaded the details of unpaid and unclaimed amounts lying with the Bank on the website of the Bank (www.federalbank.co.in). Shareholders who have not encashed their dividend warrants for any of the years 2011-12 to 2017-18 are requested to get the warrants revalidated by the Bank, since the outstanding dividend will be transferred to Government of India.

Change of Address and information on Bank mandate

Where shares are held in the physical mode, change in the shareholder's address(along with proof of address) may be notified to the Registrars and Share Transfer Agents, at the address noted above, by a separate communication showing share folio number. Holders of share in the demat mode may send such requests to their depositories concerned including changes, if any, in the mandate for issue of dividend.

Voting through electronic means.

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44(1) of the (Listing Obligations and Disclosure Requirements) Regulation 2015, the Bank is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- III. The remote e-voting period commences on 22nd July 2019 (9:00 am) and ends on 24th July 2019 (5:00 pm). During this period members of the Bank, holding shares either in physical form or in dematerialized form, as on the cut-off

date of 18th July 2019, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently. A person who is not a Member as on the cut off date should treat this Notice for information purposes only.

IV. The process and manner for remote e-voting are as under:

A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:

- (i) Open email and open PDF file viz; "FBL.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder - Login
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- (vii) Select "EVEN" of "Federal Bank".
- (viii) Now you are ready for remote e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPEG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to sivarkn@gmail.com with a copy marked to evoting@nsdl.co.in

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:

- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM
EVEN (Remote e-voting Event Number) USER ID PASSWORD/PIN
- (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

V. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.

VI. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.

VII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

VIII. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 18th July 2019.

IX. Any person, who acquires shares of the Bank and become member of the Bank after dispatch of the notice and holding shares as of the cut-off date i.e. 18th July 2019, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or to csdstd@integratedindia.in

However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and

password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details/Password” option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

- X. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XI. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XII. The contact details of the official responsible to address the grievances connected with voting by electronic means is Mr. Girish Kumar G. Company Secretary, The Federal Bank Limited, Aluva, Phone- 0484 2622263, email: secretarial@federalbank.co.in;
- XIII. Mr. P. Sivakumar, Practicing Company Secretary and Chief Executive Partner, M/s SEP Associates, Company Secretaries, has been appointed as the Scrutinizer for providing facility to the members of the Bank to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of Ballot Paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Bank and shall make, not later than two days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVI. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.federalbank.co.in and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai and National Stock Exchange Limited, Mumbai.

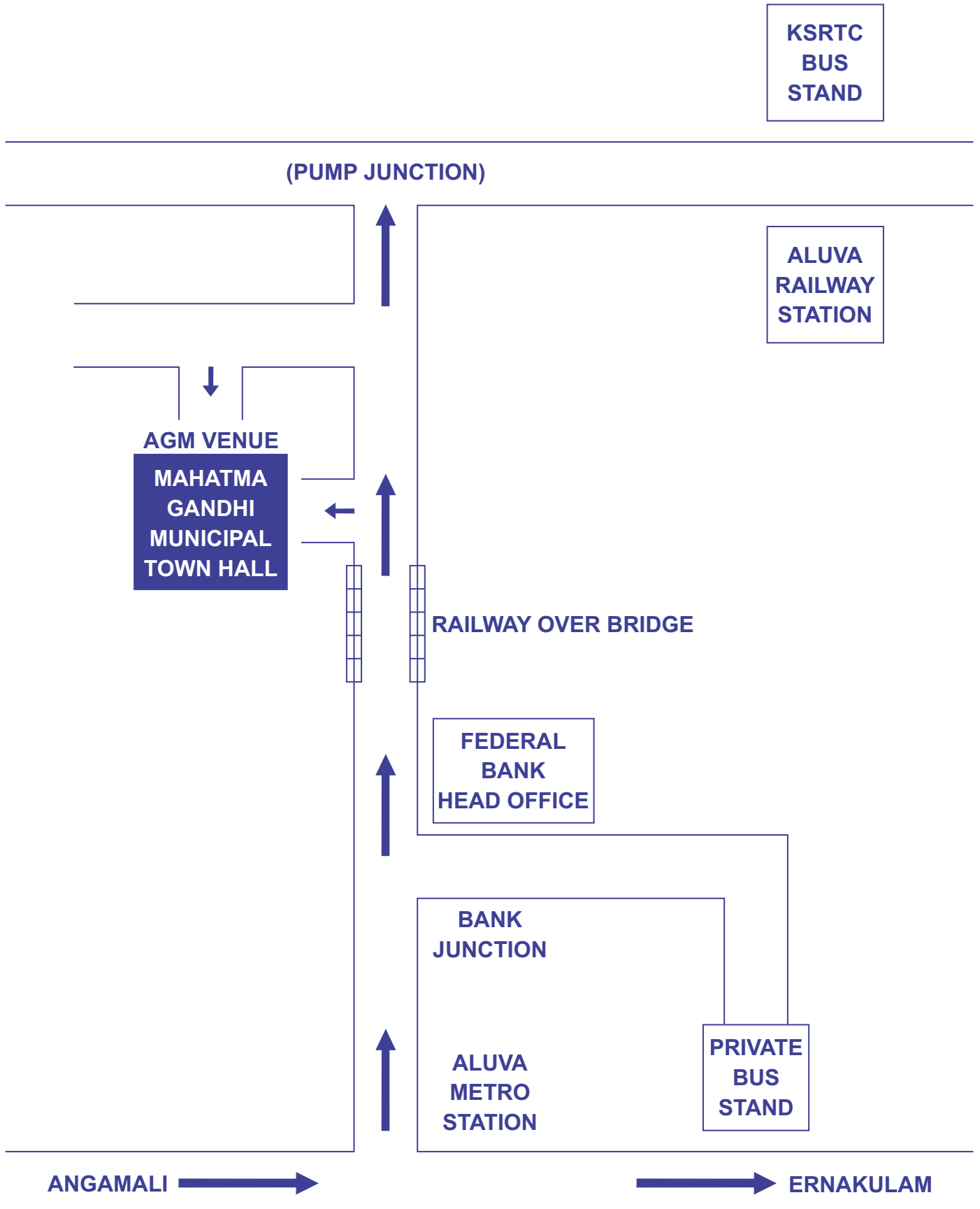
By order of the Board of Directors

Place : Aluva
Dated : 13th June 2019

Girish Kumar Ganapathy
Company Secretary

ROUTE MAP

Venue of the 88th Annual General Meeting of the Federal Bank Ltd
to be held on Thursday, July 25, 2019 at Mahatma Gandhi Municipal Town Hall, Aluva.





THE FEDERAL BANK LIMITED

CIN:L65191KL1931PLC000368

Regd. Office: Federal Towers, P B NO 103, Aluva, Ernakulam - 683 101, India.

Tel: + 91(484) 2622263 Fax: +91(484) 2623119.

Email: secretarial@federalbank.co.in, Website: www.federalbank.co.in

ATTENDANCE SLIP

88TH ANNUAL GENERAL MEETING - JULY 25, 2019

Large empty rectangular box for member details.

I certify that I am a member / proxy for the member of the company.

I hereby record my presence at the 88th Annual General Meeting of the Bank, at Mahatma Gandhi Municipal Town Hall, Aluva - 683 101 on Thursday, July 25, 2019 at 10.00 A.M.

Folio No.: DP ID No: _ Client Id No.: Shares held

Name of the Member / Proxy (In Block Letters)

Signature of the Member / Proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the AGM.

ELECTRONIC VOTING PARTICULARS

EVEN (Electronic Voting Event Number)	USER ID	PASSWORD



THE FEDERAL BANK LIMITED

CIN:L65191KL1931PLC000368

Regd. Office: Federal Towers, P B NO 103, Aluva, Ernakulam - 683 101, India.

Tel: + 91(484) 2622263 Fax: +91(484) 2623119.

Email: secretarial@federalbank.co.in, Website: www.federalbank.co.in

PROXY FORM (Form No. MGT-11)

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member (s):

Registered address:

E-mail Id:

Folio No/ DP ID No. _ Client Id No.:

I/We, being the member (s) of shares of the above named Bank, hereby appoint

1. Name:..... 2. Name:..... 3. Name:.....

Address:..... Address:..... Address:.....

E-mail Id:..... E-mail Id:..... E-mail Id:.....

Signature:....., or failing him/her Signature:....., or failing him/her Signature:.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 88th Annual General Meeting of the Bank, to be held on Thursday, July 25, 2019 at 10.00 A.M. at Mahatma Gandhi Municipal Town Hall, Aluva - 683 101 and at any adjournment thereof in respect of such resolutions as are indicated below:

No.	Resolution	Optional*	
		For	Against
Ordinary Business			
1.	a) Adoption of the audited financial statements of the Bank for the financial year ended March 31, 2019 and the Reports of the Board of Directors and the Auditor's thereon; and (b) Adoption of the audited consolidated financial statements of the Bank for the financial year ended March 31, 2019 and the Report of the Auditor's thereon.		
2.	Declaration of Dividend		
3.	Re-appointment of Retiring Director, Mr. Ashutosh Khajuria (DIN-05154975)		
4.	Appointment of Joint Central Statutory Auditors, M/s. B S R & Co. LLP, Chartered Accountants, Mumbai together with M/s M M Nissim & Co, Mumbai, Chartered Accountants as Auditors and fixation of remuneration thereof		
Special Business (Ordinary Resolution)			
5.	Appoint and to fix the remuneration of branch auditors in consultation with the Central Statutory Auditors for the purpose.		
6.	Appointment of Mr. K Balakrishnan (DIN- 00034031), as an Independent Director of the Bank.		
7.	Appointment of Mr. Siddhartha Sengupta (DIN-08467648), as an Independent Director of the Bank.		
8.	Appointment of Mr. Manoj Fadnis (DIN- 01087055), as an Independent Director of the Bank		
9.	To take on record RBI approval for appointment of Mr. Dilip Sadarangani (DIN: 06610897) as a Nonexecutive (Independent) Part-Time Chairman of the Bank and to approve his remuneration.		
Special Business (Special Resolution)			
10.	To re-appoint Mr. C. Balagopal (DIN: 00430938) as an Independent Director of the Bank for the second term.		
11.	Approval for Raising of Funds through Issuance of Bonds for FY 2019-20		

Signed this day of 2019.

Signature of shareholder

Signature of Proxy holder(s)

Affix Re 1/-
Revenue
Stamp
Here

Note:
1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank, not less than 48 hours before the commencement of the Meeting.
2. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Bank. Further, a Member holding more than ten percent of the total share capital of the Bank carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.
* It is optional to put a (✓) in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.