Secretarial Department

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

SDF-24/ /2018-19 30th August 2018

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 2017-18.

As required under Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements Regualtions,2015), we hereby submit the Annual Report approved and adopted in the Annual General Meeting of the Bank held on 10th August 2018.

Kindly take the same on record.

Thanking you,
Yours faithfully,

Girish Kumar G
Company Secretary

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ANNUAL REPORT 2017-2018

STRONG FUNDAMENTALS SOARING AMBITIONS



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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ANNUAL REPORT 2017-18



WHEN THE ROOT IS DEEP,

there is no reason to fear the wind. At Federal Bank, we have always drawn inspiration from this axiom. Our bank has got a solid foundation, painstakingly built over a period of more than 70 years, with building blocks as diverse as consistent Credit Growth, thriving Retail Franchise, rising NR share and enduring Customer Rapport. This year's annual report cover reflects our Bank's strong foundation and our unshakeable faith in the future.

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:

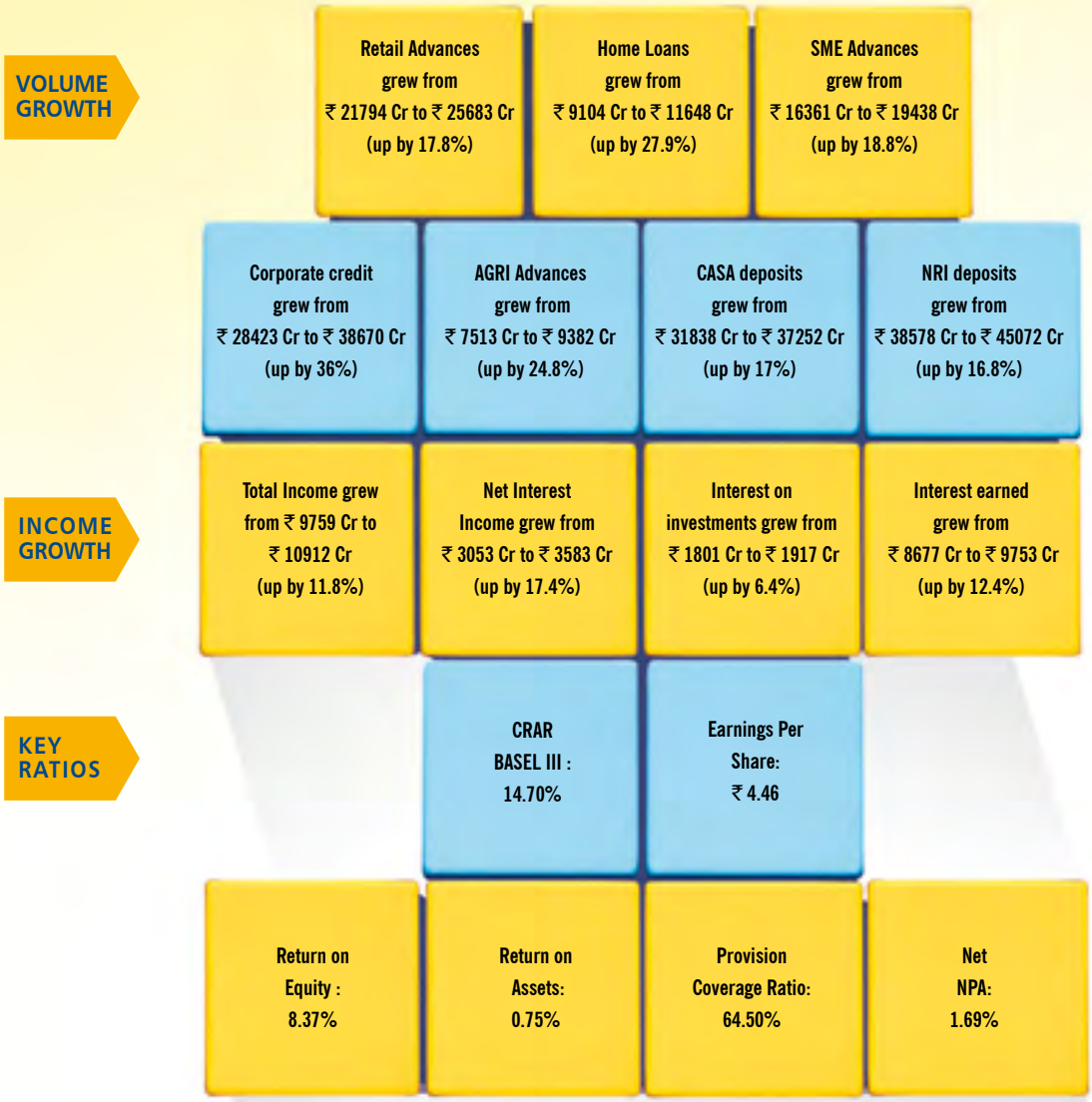
Shareholders: Achieve a consistent annual post-tax return of 18% on net worth.

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'.



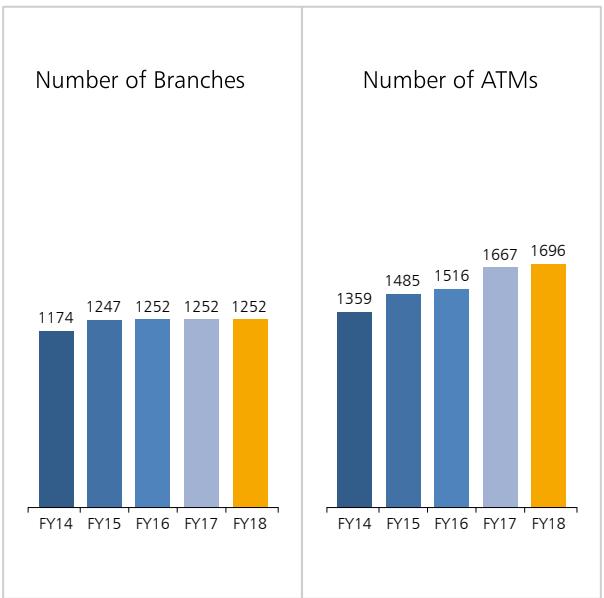
PERFORMANCE DASHBOARD



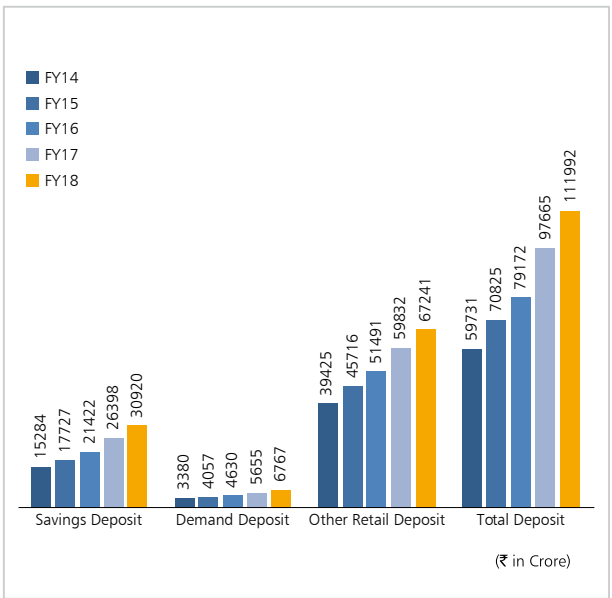
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Performance Dashboard

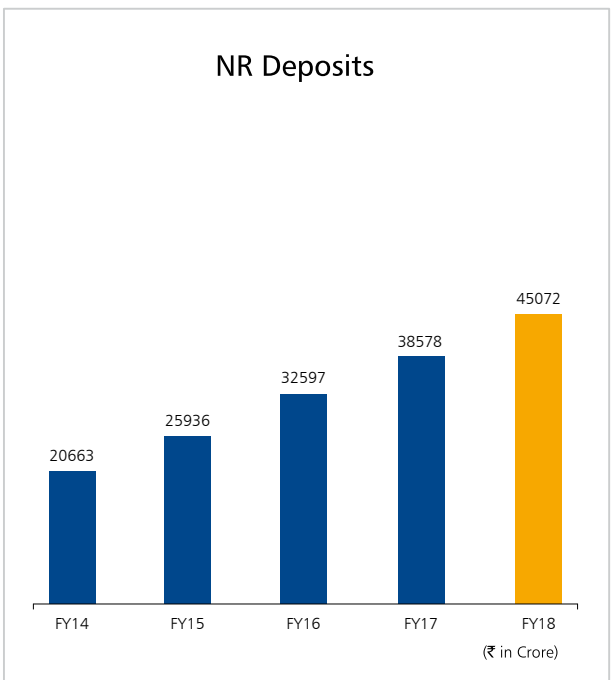
Footprint Coverage



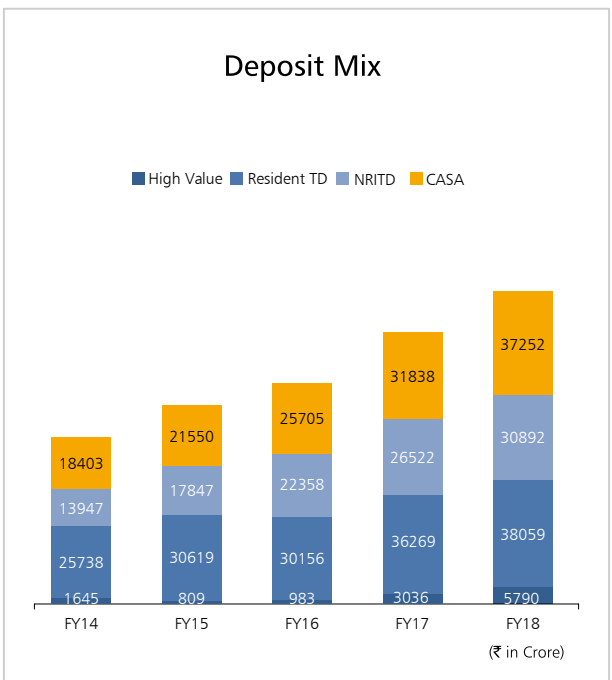
Retail Deposit



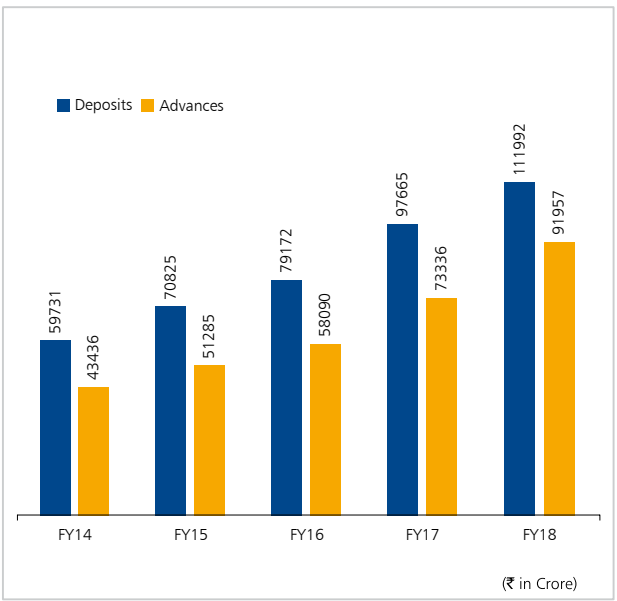
NR Deposits



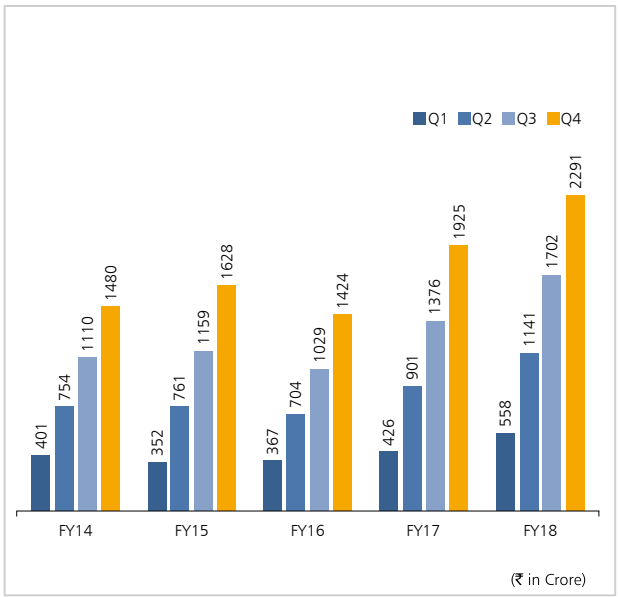
Deposit Mix



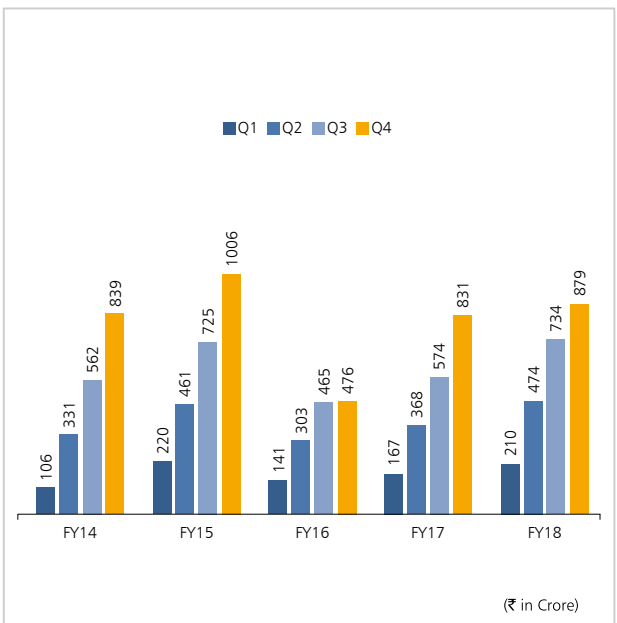
Business



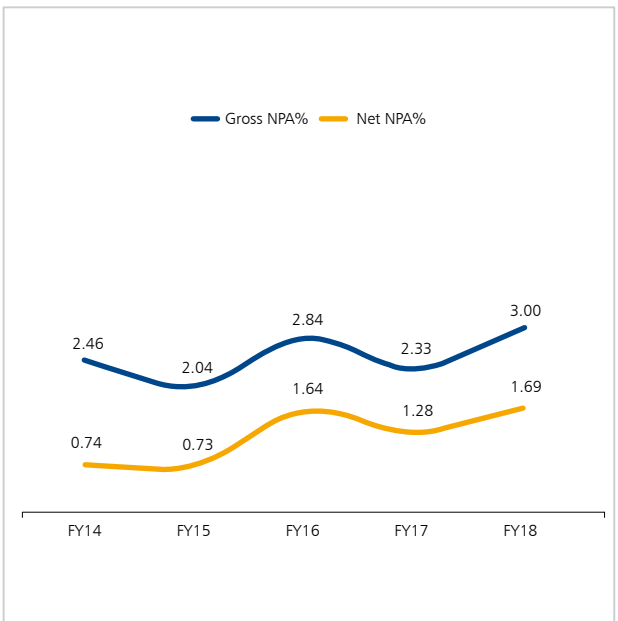
Operating Profit



Net Profit



Asset Quality



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MESSAGE FROM THE **CHAIRMAN***



Shri NILESH S VIKAMSEY

It is a privilege to write to you as the Chairman of the Board of Federal Bank. It is no exaggeration to say that, your bank has been talked about as the "perfect" example for effortlessly combining old world values with the innovative chutzpah of the millennial generation. Thanks to the guiding philosophy of your Bank, in being 'Digital at the Fore, Human at the Core'. So, it's with much pride and confidence that I am addressing you all.

Banking Industry, in India, is shaping up quite materially through what I believe are some of the megatrends today. Though the industry is passing through choppy waters, with asset quality deterioration and capital constraints, there are several structural enablers that are being put in place, which will eventually ensure balance. Prompt Corrective Action (PCA) by RBI is one among many measures, which is reflective of the changing times that we are part of. These headwinds and the governance related issues have impacted the pace of growth of the banking sector.

The system is continuously optimistic of a revival scenario with enablers like the Insolvency and Bankruptcy Code (IBC) which in turn would help improve the NPA resolution and thereby release capital for the banks. The setbacks reported by many banks in Q4 of 2017-18 were mainly on account of acceleration in terms of bad loan recognition in line with the RBI's revised framework on stressed assets. However, these reforms have resulted in several positive outcomes including the chunky recognition of vintage bad loans.

Despite the global economy witnessing another year of missed outcomes in terms of economic performance, in the year under consideration, India stood tall amongst its global peers and continues to have a significant growth promise in the future. During the last Financial Year, there were several structural reforms implemented in the country including the Goods and Services Tax (GST) and

*approval awaited from RBI

the Insolvency and Bankruptcy Code amongst others. These structural initiatives are important for enhancing the country's future competitiveness and in the long run, place India, much higher among the Global economies.

Today, India is seen as one of the fastest growing economies recording a quarterly growth rate of 7.20% p.a. for December 2017 as against China's 6.80%. At a nominal GDP of US $ 2.6 Trillion, India is the sixth largest economy after US, China, Japan, Germany & U.K. In terms of purchasing power parity, we are the third largest economy with GDP of US $ 9.5 Trillion. Bouncing back from the twin disruptions of demonetization and GST implementation; growth is picking up fast and is poised to attain 7.40% in FY 2018-19.

I am happy to report to you that despite such uncertain environment both in India and global markets, your Bank remained on its track with its robust operating performance. The bank, like many of its peers had to battle headwinds in the environment and readjust to revised regulatory environment. The resultant decisions have had a bearing on the street. However, your bank remained amongst the very few Banks in the country which continue to practice very high standards of governance and adherence to regulatory requirements. Federal Bank with its strong fundamentals is confident of tiding over these hiccups and emerge stronger.

Federal Bank recognizes the principles and importance of Corporate Governance and has been complying with not only the statutory requirements, but also has voluntarily formulated and adhered to a set of strong Corporate Governance practices. The Bank has always strived hard to best serve the interest of all its stakeholders including Shareholders, Customers, employees / people, Government and Society at large. The philosophy of the Bank enables to maintain a high level of business ethics to maximize the shareholders' value and to protect their interest. It is a matter of great pride that our success over the years has come without ever compromising on integrity or social obligations. In trying times as these, when Corporate Governance of Banks are being extensively discussed and debated, your Bank, with its upright principles and well laid out practices, has carved out a unique space for itself.

The composition of the Board of the bank is a testimony to the importance that the Bank accords to maintaining the highest level of Corporate Governance. The members of the Board of your bank are best representatives of their respective fields, both in knowledge and experience. In the last Financial Year, the Board of the Bank was strengthened with the addition of Mr. A P Hota, who earlier headed the National Payments Corporation of India. Recently, a highly seasoned Banker, Mr. Deepak Maheshwari has also joined the Board of the Bank. I take this opportunity to place on record the valuable contribution of Mr. K M Chandrasekhar, the past Chairman and Independent Director, for the overall growth of the bank. He laid down the directorship of the Bank on attaining his retirement age. We take this opportunity to wish him very happy years ahead.

As we embark upon a new transformation phase, with the Indian economy on the path of recovery, I am confident that the Bank will step into even happier times in the FY 2018-19. Our focus is to make the Bank ready for sustainable and inclusive growth with improved quality of assets and earnings. Strategic focus on people, processes, products and technology will help to overcome the business challenges and provide a strong foundation for growth in the years to come.

As we continue our journey to create long-term value for our stakeholders, I would like to thank all the shareholders for reposing confidence in Federal Bank's strategy and overwhelmingly supporting us through the Bank's ups and downs. I would also like to thank the governments, customers and investors for their relentless support to the Bank. The employees and the Management team have worked very hard during the year and I would like to thank them for their tireless commitment to Federal Bank. Finally, I look forward to your continued and valuable support in the years to come.

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MESSAGE FROM THE MANAGING DIRECTOR & CEO



Shri SHYAM SRINIVASAN

Dear Shareholders,

I am happy and privileged to share our Annual Report for the Financial Year 2018. Over the years, Individuals, Institutions, Industries and Economies, have all been driven by mega events arising out of disruptive forces; and the year that went by was no exception! Banking sector, in particular, went through several structural changes that have profound impact on the way banks operate.

The macroeconomic indicators, at a global level, were encouraging for most part of the last financial year. Synchronization of growth across nations has enabled a more sustainable global growth recovery. Here, in India, however, it was a mixed bag with an initial slowdown due to the short-term disruptions caused by the structural reforms like GST. The slowdown was thankfully modest which was followed by significant structural reforms that nudged the economic growth back on to its track.

It was an eventful year for us Bankers, as well. It has been trying times for the industry and majority of its players, with elevated level of stressed assets, concerns around Corporate Governance, and of course, the rising anxiety over fugitive offenders and banking frauds. Despite these headwinds, two themes that clearly outlined the contours of Banking last year were around Digital and Structural enablers. Technology continues to dominate all the new initiatives and has emerged clearly as the differentiating factor amongst peers. The introduction of IBC is again a welcome move. Though the immediate impact was confined to a few cases, I am quite convinced that with the ongoing steps to improve the reforms, the scope of resolutions would improve substantially. I would like to elaborate on the performance of the Bank for the Financial Year 18, through the following:

Banking on Strong Fundamentals

Despite an environment that had significant headwinds, both regulatory and operational, our Bank was able to deliver a robust performance, on the back of strong fundamentals. **The underlying operating performance continues to be strong and it is backed by noteworthy improvements across various operating metrices.** The total business of the Bank crossed a milestone of two trillion INR for the year ended 31st March 2018, growing at 19.27 % over the last Financial Year. The same period witnessed the total deposits of the Bank crossing one trillion INR.

The inherent strengths of the Bank continued to play a key role in driving quality growth and gaining market share, across products, segments and geographies. The growth of the core business franchise was broad-based and robust across all segments - Retail, Business Banking, Commercial and Corporate, with net advances growing at a blended rate of 25.39 % for the FY. The granularity of the liability profile (94%) holds testimony to the stickiness of our retail customer base, and by derivation, the warm customer engagement and improved levels of service delivery. We continue to dominate the Non-Resident business, growing 16.83 % and gaining share in the overall NR remittances to India. Our Bank is well capitalized with an overall CRAR of 14.70% for the period ended March 31, 2018.

Though the Operating Profit for the Financial Year hit an all-time high of INR 2291.03 Cr; the Net Profit figures were recorded at INR 878.85 Cr. As an outcome of our accelerated recognition of the sensitive stressed assets portfolio, the Bank recorded a Gross NPA figure of 3 % and Net NPA figure of 1.69 % for the Financial Year ending March 31st, 2018. However, the resultant positive outcome is that our stressed book (Net NPA + Standard Restructured + Security Receipts) fell to its lowest in the last 12 quarters. We are

committed to build on the strong fundamentals and are confident of meeting the expectations of all our stakeholders.

Digital at the Fore, Human at the Core!

Today, we are at the forefront of Technology and Digital Banking space in our country. With a gamut of class leading digital offerings, we witnessed consistent growth in customer adoption of our digital channels; which reflected an exponential rise in Digital transactions. There was a significant growth of 80 % in transaction volume through our Mobile Banking Channel alone, in the FY 18.

We launched a Cross-Border Remittance Solution using Block Chain technology, envisioned as a one stop solution for payments and financial services for our Non-Resident clients and partners. It was declared as a remarkable winner under "Emerging Blockchain Technology Solution of the Year" at the BFSI Innovative Technology Awards 2018. Automation is crucial in our digital journey and to reiterate our focus, the Bank has launched the Instant Account Opening (IAO) through Tab and Web based account opening modes in branches. Two lakh accounts were opened through these channels in the FY 2018. The display of our capabilities at the Digital Experience Theatre at #FUTURE event organized by the Government of Kerala, garnered a lot of attention from delegates, national and international, for its ingenuity and futuristic imagination, driving home our ethos – Digital at the fore, Human at the core.

As much as the Bank has invested in Technology, it has been keen in empowering the team and strengthening the verticals through specialized and talented resources. **The well laid out business architecture of our Bank has enabled placement of a trained pool of Relationship Managers across verticals and this has resulted in improved profiling of our customer base and best-in-class service delivery.**

Growth with Governance

The chatter is not so pleasing around Banks, and in particular, Bankers! Bankers find themselves at the receiving end of questions on practices beyond the permitted. Our Bank has ensured highest level of corporate governance practices and maintained the sanctity across all practices and policies. The Board of the Bank, with members of high repute from multiple domains, has been instrumental in guiding the Bank through these stormy times. The Bank is positively recognized by the regulators for ensuring compliance and the entire team is relentlessly on a mission to continuously deliver highest levels of compliance, equally, as we pursue quality business growth. The Board, at every juncture, had been supportive to all the endeavors of the Bank and has guided us with constructive inputs. I would like to thank the past Chairman of the Board, Mr K M Chandrasekhar, for leading us in the right direction and for all his support.

The Bank has also accorded priority to ensure responsible growth. The last financial year saw tremendous efforts from the Bank on Corporate Social Responsibility as the Bank celebrated the Founder's centenary year by adopting his birth village 'Mookkannoor'.

'Nayi Soch' for Soaring Ambitions

In spite of delivering a strong operating performance and robust business growth, we are mindful of the expectations of every shareholder, in particular on shareholder return metrics. We are committed to deliver maximum value to all our stakeholders. As we progress through Financial Year 19, we will be guided by the learnings from the past year and of course have a sharp focus on key parameters that need improvement.

Our plan in ensuring high returns for our stakeholders is constructed around definite ambitions (rather Soaring Ambitions) in improving the financial outcomes and otherwise. To achieve this plan, we have internalized a philosophy of what we call - the ***'Nayi Soch'*** on our way forward. This would mean that our efforts will be to continuously reinvent ourselves and stay relevant for all the markets we serve.

We are energised by the potential opportunities around us and with specific focus on FY 19, several new initiatives are being planned that would have a telling impact on our various key metrics. The Bank plans to invest in relevant domains, to favorably impact the return ratios. With advanced Business Architecture and a capable blend of seasoned and specialist talent, we commit for an agile execution of the plan.

The current financial year will see material progress in 'new-to-bank' business portfolio including sharp and targeted thrust on unsecured lending, two-wheeler financing, select government businesses as well as foray into commercial vehicles. We have onboarded specialist talent, to drive these portfolios along with grooming homegrown talent. The returns will also be positively impacted by the thrust on high yielding products.

With the ***'Nayi Soch'*** - the new thinking combined with all the right efforts and execution capabilities, we are confident in delivering a good Financial Year and coming back to you with marked progress and returns.

The Bank would soon roll out the revamped Retail Customer segmentation, entirely driven based on Data Analytics. It will help provide bespoke solutions to the various segments of our customers and ensure cross sell opportunities, in turn, leading to improvement in fee-income business. Also, we have devoted focus on successful value discovery from our existing investments in the fully owned subsidiary and joint-venture Life Insurance partnership. We aim to report positive feedback on these efforts by the end of Financial Year 19.

With the ***'Nayi Soch'*** - the new thinking combined with all the right efforts and execution capabilities, we are confident of delivering a good Financial Year and coming back to you with marked progress and returns.

We are thankful to our Board of Directors and all our stakeholders for continued support and for the trust bestowed upon us as we strive through challenging yet exciting market situations.

As always, I remain Proud to be a Federal!

BOARD OF DIRECTORS



FEDERAL BANK
YOUR PERFECT BANKING PARTNER

MANAGEMENT TEAM



Shyam Srinivasan



Ashutosh Khajuria



Ganesh Sankaran



Shalini Warrier



Sumit Kakkar



Harsh Dugar



Sampath D



Jose V Joseph



Jose K Mathew



Girish Kumar Ganapathy



Ajith Kumar K K



Baby K P



Sunny N V



Satheesh P K



Varghese T A



Nandagopalan G



Johnson K Jose



Krishnakumar K



Wilson Cyriac



Harikrishna Pisharady R



Sathyamoorthy S



Srinivasan K



Babu K A



Divakar Dixit

CONSISTENT CREDIT GROWTH

Federal Bank has been recording consistent credit growth in excess of over 20% over the past several quarters. The Bank has continuously lent strong support to individuals and institutions as they pursue their dreams and aspirations.



DIRECTORS' REPORT

Your Board of Directors has immense pleasure in presenting this 87th Annual Report of The Federal Bank Limited, along with the audited financial statements for the year ended 31 March, 2018.

Financial Results

(₹ in Crore)

Financial Parameters for the year ended	March 31, 2018	March 31, 2017
Net Interest Income	3,582.81	3,052.64
Fee and Other Income	1,159.12	1,081.81
Net Revenue	4,741.93	4,134.45
Operating Expense	2,450.90	2,209.53
Operating Profit	2,291.03	1,924.91
Net Profit	878.85	830.79
Profit brought forward	1,451.27	1,056.98
Total Profit Available for appropriation	2,330.12	1,887.77
Appropriations:		
Transfer to Revenue Reserves	97.07	131.43
Transfer to Statutory Reserves	219.71	207.70
Transfer to Capital Reserves	26.83	65.85
Transfer to/(from) Investment Reserve Account	-23.57	-14.49
Transfer to Special Reserve	57.00	46.00
Dividend pertaining to previous year paid during the year	174.97	0.02
Tax on dividend	35.62	0.00
Balance Carried over to Balance Sheet	1,742.49	1,451.27
Financial Position (as on 31.03.2018)		
Deposits	111,992.49	97,664.56
Advances	91,957.47	73,336.27
Total Business (Deposits + Advances)	203,949.96	171,000.83
Other Borrowings	11,533.50	5,897.32
Investments	30,781.08	28,196.09
Total Assets (Balance Sheet Size)	138,313.95	114,976.93
Equity Capital	394.43	344.81
Ratios		
Return on Total Assets (%)	0.75	0.84
Return on Equity (%)	8.39	9.89
Earnings Per Share (₹)	4.62	4.83
Book value per share (₹)	61.28	51.37
Operating cost to Income (%)	51.69	53.44
Capital Adequacy Ratio (%) Basel (III)	14.70	12.39

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

Highlights of performance

During the year 2017-18, your Bank has delivered robust growth in all the business segments. Total business of your Bank improved by 19.27% to reach at ₹ 203,949.96 Cr as on 31 March 2018. 14.67% growth in deposits and 25.39% growth in advances (net) helped your Bank to clock this number. Total deposits reached ₹ 111,992.49 Cr and advances (net) reached ₹ 91,957.47 Cr and on averages, deposit portfolio of your bank grew by 13.34% to reach ₹ 98,038.12 Cr and advance portfolio grew by 25.97% to reach ₹ 79,094.18 Cr.

On the NR side, NRE deposits had a growth rate of 16.97% to reach ₹ 42,586.31 Cr and NRE Savings clocked a growth of 17.44% to reach ₹ 12,386.81 Cr. The total NR business of your Bank stood at ₹ 45,071.86 Cr with a growth of 16.83%.

Growth in Business

On CASA front, Savings deposit touched ₹ 30,919.83 Cr with 17.13% growth and Current deposits stood at ₹ 6,332.01 Cr with a growth of 16.40%. Your bank registered a healthy CASA growth of 17.01% to reach ₹ 37,251.84 Cr. CASA ratio of your bank stood at 33.26%.

The investment portfolio of your Bank has reached ₹ 30,781.07 Cr as on 31 March 2018. The average investment as on 31 March 2018 is ₹ 28,809.53 Cr.

Profitability

The Operating Profit of your Bank increased by 19.02% to ₹ 2,291.03 Cr and Net Profit of your Bank is up by 5.78% to ₹ 878.85 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 17.37% to ₹ 3,582.81 Cr while the Non-Interest Income rose to ₹ 1,159.12 Cr, showing a rise of 7.15%.

Total income of your Bank during the fiscal year 2018 recorded 11.81% growth to reach ₹ 10,911.98 Cr. Income from advances increased by 15.17% to reach ₹ 7,538.78 Cr. The yield on advances stood at 9.53% and the yield on Investments at 7.48 %. The Net Interest Margin for the fiscal year is at 3.21% as against 3.31%, in the previous year.

Return on Average Equity and Return on Average Total Assets stood at 8.37 % and 0.75% respectively. Earnings per Share (face value of ₹ 2 each) of the Bank, as on 31 March 2018 was ₹ 4.46. Book value per share had increased to ₹ 61.55 during FY 18.

Expenditure

Higher revenue growth and better cost management resulted in Cost / Income Ratio improving to 51.69% in 2017-18 as against 53.44% last year. The total expenses of your bank increased by 10.04%,to reach at ₹ 8,620.95 Cr and by an increase of 9.69%, interest expenses increased to ₹6,170.05 Cr in FY 18.Operating Expenses of the Bank during the fiscal year grew to ₹2,450.90 Cr.

The cost of deposits of the Bank has come down during the year. The cost of deposits of the Bank is 5.84% as on 31 March 2018. The Interest expenses as percentage to total income stood at 56.54%.

Spread

During the fiscal year the Bank's spread on advances (gross) decreased to 3.69% and spread on investments (gross) decreased to 1.64%. The Spread (net of provisions) on advance decreased to 2.74% from 3.53% of last year.

Asset Quality

The Gross NPA of your Bank as on 31 March 2018 stood at ₹ 2,795.62 Cr. Gross NPA as a percentage to Gross Advances is 3% which is higher than 2.33% as at the end of FY17. The Net NPA stood at ₹1,551.96 Cr and this as a percentage to Net Advances is 1.69%. The Provision Coverage Ratio (including technical write-offs) stood at 64.50%.

Net worth and Capital Adequacy

The Net Worth of your Bank grew by 37.06% to ₹12,138.49 Cr as against ₹ 8,856.47 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 14.70% which is considerably higher than the 9% stipulated by RBI. Of this, Tier 1 CRAR is at 14.18%.

Business Overview

Your Bank continued its consistent performance during FY 2017-18 with the total business of the Bank increasing by 19.27% to ₹ 203,949.96 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 ₹17.21 Cr, an improvement of 17.39% for the year and the profit per employee of the Bank stood at ₹ 7.415 Lakh during the fiscal.

Expansion of Network

The Bank has 1252 branches and 1696 ATMs as on 31 March 2018. The Bank also has its Representative Office at Abu Dhabi and 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 declined from 4.82 to 4.46 during the year under review. Return on Equity

reached 8.37% in the fiscal year ended 31 March 2018.

Dividend

Continuing the Bank's policy of striking a fine balance between retained earnings and dividend distribution, the Board of Directors have recommended a dividend of 50% i.e. ₹1.00 per Equity Share on face value of ₹ 2/- each for the year 2017-18 (previous year 45% i. e ₹ 0.90 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 2017-18	FY 2016-17
Transfer to Revenue Reserve	970,732	1,314,286
Transfer to Statutory Reserve	2,197,114	2,076,971
Transfer to Capital Reserve	268,319	658,459
Transfer to/(from) Investment Reserve Account	(235,721)	(144,930)
Transfer to Special Reserve	570,000	460,000
Dividend pertaining to previous year paid during the year	1,749,634	201
Tax on dividend	356,184	41
Balance carried over to Balance Sheet	17,424,864	14,512,668
TOTAL	**23,301,126**	**18,877,696**

Material changes and commitment affecting financial position of the Bank

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

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

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

Dividend Distribution Policy

In accordance with the Regulation 43A of securities and exchange board of india (listing obligations and disclosure requirements) regulations, 2015, the Bank has formulated a dividend distribution policy and the same is annexed herewith as **Annexure VIII**. The Policy is hosted on the website of the bank and can be viewed in the following link *https://www.Federalbank.Co.In/documents/10180/45777/dividend+distribution+policy/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 your bank.

Increase Of Capital

In FY 2017-18,the paid up capital of the bank was increased by an amount of ₹ 431,034,482 by allotment of 215,517,241 equity shares of ₹ 2/- each raised by way of qualified institutional placement and ₹ 65,154,068 by allotment of 32,577,034 esos shares of ₹ 2/- each and ₹ 9500 by allotment of 4750 shares by way of release of rights abeyance shares. The paid up capital of the bank as on 31 March 2018 is ₹ 3,944,284,628 consisting of 1,972,144,439 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 04th October 2017 the bank had transferred ₹ 6,269,885/- to the above fund, being the unclaimed dividend for the year 2010.

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 Compensation Committee from time to time in its sole discretion and is approved by the Board of Directors.

The Bank's shareholders had approved the 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 & Compensation Committee granted 34,720,200 options during the year 2011-12, 24,484,750 options during the year 2012-13, 26,094,250 options during the year 2013-14, 11,156,450 options during 2014-15, 1,025,000 options during the year 2015-16, 965,000 options during the year 2016-17 and 100,000 options during the year 2017-18. The options granted which are non transferable, with vesting period of 1,2,3 and 4 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on 31 March 2018, 32,577,034 options had been exercised and 38,476,532 options were in force.

Under ESOS 2017, the Compensation Committee granted

22,318,348 options during the year 2017-18, the options granted which are non transferable, with vesting period of 1, 2 and 3 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on 31 March 2018, no options had been exercised and 15,770,539 options were in force.

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

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has been an inherited and 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 and 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 2017-18 is 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 2017-18 as per Section 135 of the Companies Act, 2013, comes to ₹23.88 Crores. Amount spent by the Bank this year towards CSR was ₹14.01 Crores. Through various projects which are already sanctioned, your Bank will be thoughtfully spending the CSR funds earmarked for the purpose. The ratio adopted was 80:20, wherein 80 % of the CSR funds will be utilized for long term sustainable projects and 20 % of the funds will be utilized to meet location specific requests. The Bank had also embarked on some major projects last year in the field of education, youth engagement, skill development, support to differently abled individual/persons etc. By choosing long term sustainable projects, Bank has taken an approach which brings steady and long lasting impact on the society.

The details of the CSR activities of FY 2017-18 are mentioned in Annexure IV to this report.

Risk Management

The Board of Directors oversees the enterprise wide risk management functions of the Bank. A separate Risk Management Committee of the Board supervises the risk management functions, thereby bringing in a top to down focus on risk management. Integrated Risk Management Department co-ordinates and administers the risk management functions in the Bank. The Department has three dedicated divisions for managing Credit risk, Market risk and Operational risk. Dedicated teams within the Divisions are responsible for assessment, monitoring and reporting of risks across the Bank. The Bank has established an independent Mid Office as a part of Market Risk Division to monitor the Treasury activities. Business Continuity Plans & Information Security Plans also form part of risk management functions in the Bank. Risk Management policies are approved by Board of Directors, and reviewed from time to time. Executive level risk management committee, such as Credit Risk Management Committee, Asset Liability Management Committee, Operational Risk Management Committee and Information Security Committee regularly assess the functional efficiency of the Bank in risk management and refine the policies and processes. Responsibility for identification, measurement and controlling of risk in various spheres of activities of the Bank is vested with a Senior Executive designated as Chief Risk Officer, who reports directly to the Managing Director & CEO. All material risks of the Bank emerging in the course of its business are identified, assessed and monitored. In our opinion presently there are no material risks which threaten the current functioning of the Bank.

Internal control systems and their adequacy

The Bank has through the years developed and stabilized an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the internal audit function is defined in the Audit and Inspection Policy of the Bank, duly approved and recommended by the Audit Committee of the Board and approved and adopted 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 committee 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 committee 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 is 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 of 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

Bank has a comprehensive Fraud Risk Management Policy that speaks on various control systems, monitoring and surveillance mechanism so as to prevent, detect and investigate frauds both internal and external. 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 industrious Preventive Vigilance Workshops, Preventive Vigilance Audits 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. Suspected frauds/complaints/ internal irregularities are promptly investigated by the Vigilance Department. Crucial factors of investigation like the methodology, investigating officer from the Vigilance Department, scope of investigation, etc are under the discretion of Chief Vigilance Officer and he/ she reports to MD & CEO directly.

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 complaints/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

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

Subsidiary of the Bank

As on 31 March 2018, the Bank has one unlisted fully-owned subsidiary named Fedbank Financial Services Limited. Fedbank Financial Services Limited is a diversified Non-Deposit-Taking & Systemically Important (ND-SI) NBFC offering multiple loan products such as Loan against Property (LAP), Structured Finance and Loan against pledge of Gold ornaments. It also distributes loan products of The Federal Bank Limited.

The total loan portfolio of Fedbank Financial Services Limited as on 31 March 2018 is ₹ 1413 Crores as against ₹ 962 Crores as on 31 March 2017. The Profit After Tax of the company for the year ended 31 March 2018 increased to ₹ 30.80 Crores from ₹ 22.53 Crores for the year ended 31 March 2017.

The Bank and Fedbank Financial Services Limited (Fedfina) have entered into definitive agreements for Fedfina, to issue fresh equity shares constituting 26% of the post issue paid up share capital of Fedfina, to a fund managed by True North Enterprise Private Limited subject to statutory and regulatory approval.

Joint Venture in Life Insurance Business

The Bank's Joint Venture Life Insurance Company, in association with IDBI Bank Limited and Fortis Insurance International N.V. (now Ageas), 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 Crore 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 2018 is ₹ 1783 Crores.

Consolidated Financial Statements

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014, the Bank has prepared its consolidated financial statement including its subsidiary, Fedbank Financial Services Limited and associate IDBI Federal Life Insurance Company Limited, which is forming part of this Annual report. The financial position and performance of its subsidiary/ Associate is given in the statement containing salient features of the financial statements of the subsidiaries/Associate Companies/Joint Venture, (Given as **Annexure VII**) which forms part of the consolidated financial statements.

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

The documents/details available on the Bank's website (www.federalbank.co.in) will also be available for inspection by any Member at its Registered Office. Further, pursuant to the provisions of Accounting Standard ('AS') 21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013, read together with Rule 7 of the Companies (Accounts) Rules, 2014 issued by the Ministry of Corporate Affairs, the Consolidated Financial Statements of the Bank along with its subsidiary for the year ended March 31, 2018 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 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. 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 the 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

During FY 2017-18 RBI approval was obtained vide letter DBR. Appt No.6837/08.38.001/2017-18 dated 25th January 2018 for reappointment of Mr. Ashutosh Khajuria, Executive Director of the Bank for a further period of 2 years w.e.f 28th January 2018 based on the revised terms and conditions to be made effective from 01st February 2018. The Board had on 16.04.2018 approved the reappointment of Mr. Ganesh Sankaran as Executive Director with a seat on the Board of the Bank, for a period of two years with effect from completion of his present term based on the revised terms and conditions approved by the Board at its meeting held on 19 October 2017, subject to RBI approval.

Mr. A P Hota who was appointed as an Additional Independent Director on 15 January 2018 and Mr Deepak Maheshwari who is appointed as an Additional Independent Directors as on date of this report will be regularized in this AGM. The Bank has also proposed the confirmation of reappointment of Mr Ashutosh Khajuria as Executive Director of the Bank as approved by RBI and also reappointment of Mr. Ganesh Sankaran as Executive Director of the Bank for which RBI approval is awaited, in this AGM.

The detailed profile of all the directors recommended for appointment/ reappointment 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. Nilesh Vikamsey was appointed by the Board as the Chairman of the Bank, subject to RBI approval w.e.f 01st March 2018 on the stepping down of Mr. K M Chandrasekhar as Director from the Board of the Bank.

Mr. K M Chandrasekhar, Independent Director and past Chairman of the Bank retired as Director from the Board of the Bank w.e.f 01st March 2018 on attaining seventy years of age, as per the regulatory requirements. The Board places on record their appreciation for the commendable contribution made by Mr. K M Chandrasekhar, as Independent Director during his tenure in the Bank.

Excluding the MD & CEO, Executive Director & Chief Financial Officer, Mr. Ashutosh Khajuria and Executive Director, Mr. Ganesh Sankaran, all other members of the Board are Non-Executive and Independent Directors. Necessary declarations were obtained from the Independent Directors as required under the RBI Regulations, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act. The remuneration and other benefits paid to MD & CEO of the Bank and Executive Directors during the year are disclosed in **Annexure I** to this Report and in Corporate Governance Report. The Non Executive Independent Directors, except Chairman of the Board, are paid only sitting fees for attending every meeting of the Board/ Committee of the Board within the limits as prescribed under the Companies Act, 2013. During the year Mr. K M Chandrasekhar the Chairman of the Board, till 28th February 2018 was an paid an amount of ₹ 1.25 lakhs per month(₹ 15,00,000/- per annum) as remuneration, as approved by the Board and RBI in addition to sitting fee for attending Board / Committee meetings. The Board had in its meeting dated 22nd February 2018 approved the appointment of Mr. Nilesh Vikamsey as the Chairman of the Board of the Bank from 01st March 2018 and also approved the payment of remuneration of an amount of ₹1.50 Lakh per month in addition to payment of sitting fee for attending Board/Committeemeetings for which the RBI approval is awaited. 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. Ganesh Sankaran, 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. Ganesh Sankaran, 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 three Non Executive, Independent Directors, chaired by Ms. Grace Koshie, a Non-Executive Independent Director. The Committee was reconstituted once in the financial year 2017-18. The other members of the Committee are Mr. Nilesh S 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. Nilesh S Vikamsey (DIN- 00031213)
2. Mr. Dilip G Sadarangani (DIN- 06610897)
3. Mr. Harish H Engineer (DIN- 01843009)
4. Ms. Grace Elizabeth Koshie (DIN- 06765216)
5. Ms. Shubhalakshmi Panse (DIN- 02599310)
6. Mr. C Balagopal (DIN- 00430938)
7. Mr. A P Hota (DIN- 02593219)
8. Mr. Deepak Maheshwari (DIN- 08163253)

A meeting of Independent Directors was conducted on 10 April 2018 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.

Woman 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 judgement 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 and 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/documents/10180//63602//Terms+and+conditions+of+Appointment+of+Independent+Directors/4e33ba77-1cc5-42b4-aa02-ab4b84a62324

Policy on remuneration to Non-Executive Directors/Independent Directors

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

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

As per the Policy during FY 2017-18, Non- Executive Independent Directors of the Bank are paid only sitting fee for attending Board/Committee 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/Committee meetings and reimbursement of expenses for participation in Board/ Committee meetings, with the approval of RBI.

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

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

Grander Compensation Package to Executives in Level IV and above

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. The annual increment is based on seniority under IBA pattern, whereas it is linked to performance rating in competitive organizations. Hence, 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 (AVP) and above with effect from 01.05.2017. The Grander Pay structure is expected to bring more performance focus and greater productivity. Compensation under the "Grander Compensation Package" will depend on the annual performance rating of the Executive concerned.

Compensation paid to employees on IBA package

The compensation paid to Award Staff and Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks' Association. The scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package has been revised consequent to the 10th Bipartite Settlement.

Policy on Board Diversity

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

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

Board Diversity enhances the quality of performance of the Board, usher in independence in the performance of the Board; eradicate the gender bias in the Board; achieves sustainable and balanced performance and development; support the attainment of strategic objectives and also ensures compliance of applicable laws and good corporate practices.

The Nomination, Remuneration, Ethics & 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.

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 2018.

Management Discussion and Analysis

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

Loans, Guarantees or Investments in Securities

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

Internal Complaints Committee

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

a) No. of complaints received for the year FY2018 : 2

b) No. of complaints disposed of during FY 2018 : 2

c) No. of cases pending for more than 90 days : Nil

d) No. of workshops/ awareness program against sexual harassment carried out : 09

e) Nature of action taken by the employer/ District Officer: Administrative/disciplinary action taken/initiated.

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 Committee 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 Committee, Board culture, execution and performance of specific duties, obligations and governance.

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

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

Criteria for Evaluation include:

i) Achievements of performance against targets set ii) Appraises the Board regarding the organization's financial position and operational budget so as to enable the Board to make informed financial decisions iii) Provides Leadership in developing strategies and organizational plans with the management and the Board of Directors iv) Ensures that the Board is kept informed about all issues concerning the Bank v) Media interaction and ability to project positive image of the Company vi) Effectively pursue the performance goals in relation to mission and objective of the organization vii) Motivating employees, providing assistance & directions viii) Supervising & Safeguard of confidential information ix) Establishment of internal control processes, monitoring policies and encouraging suggestions x) Cultivates effective Relationship with Industry Forums, Community and business leaders, Regulatory Bodies and Public Officials.

Evaluation outcome

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

II) Performance Evaluation of Independent Directors including Chairman

Criteria for evaluation include:

i) Attendance at the Board and Committee meetings ii) Study of agenda papers in depth prior to meeting and active participation at the meeting iii) Contributes to discussions on strategy as opposed to focus only on agenda iv) Participate constructively and actively in the 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

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

III) Performance Evaluation of Board and Committee

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 get educated 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 Committee 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

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

IV) Assessment of flow of information

Criteria for Evaluation include:

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

Evaluation Outcome

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

Evaluation of Senior Management Personnel in the Bank

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

The variable compensation for Managing Director & CEO and Senior Executives (Non-Grander Compensation Package) to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based

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

Meetings

During the year ten 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 2017-18 your Bank focused extensively on Digital Banking. Growth in the number of digital transactions has been exponential since November 2016 and continuing the same till date. In line with the country's drive to Digitalize India, the Bank introduced a range of innovative products this year; and below are a few to mention.

Federal Bank Cross Border Remittance Solution

Declared as Winner under the category "Emerging Blockchain Technology Solution of the Year" for BFSI Innovative Technology Awards 2018, Federal Bank caters to the cross border remittance solution using Block Chain Technology. Federal Bank envisions a one stop solution for payments and financial services, Non-resident customers and partners. The concept which makes the service unique is, its one of the very few Blockchain solutions that are fully functional and Federal Bank is one of the first Indian bank to develop an in house blockchain solution. The Blockchain code is designed in such a way that the basic architecture can be used to deploy further user cases such as Loyalty points, KYC database, etc. which will further showcase the power of blockchain technology and real-time settlement of remittance process across multiple parties, which helps exchange houses to achieve considerable efficiency.

BYOM Flexi-EMI

Federal Bank's completely digital loan series- Be Your Own Master (BYOM) introduced BYOM- Flexi EMI loan, a unique product to its variants of digital loans, which reach out to a million customers of our bank every year. Through this service customers can convert their online purchases made using Federal bank's debit cards to EMI options offered by the bank, completely online.

API Banking Platform

Federal bank has developed an API marketplace to collaborate

with various FinTechs and Corporates to offer seamless banking experience. With our API banking platform, FinTechs would now be empowered to innovate banking services including wallets, apps, cards, payments, and accounts. Corporate houses can easily utilize various banking services by directly integrating with their internal ERPs. We are onboarding mByom Consultancy as our first merchant in the platform, who is developing a micro procurement app for agriculture produce.

PayLite

Federal Bank introduced a comprehensive web based solution for processing bulk transactions of corporate clients. Corporate customers being an integral part of the bank's customer base, bank caters to their need for processing daily bulk transactions with this product.

Partner in Digital India Mission- First Bank to enroll as Issuer to DigiLocker

Federal Bank is the first bank in the country to become an issuer of documents through Digi locker. Now, the bank issues documents such as TDS certificates, interest certificates, bank account statements, etc. directly to the DigiLocker account of the customers and they can access the documents by logging in to their digilocker account, which is linked to their aadhaar number.

FASTag

Federal Bank started issuing Fastag, a product from NPCI. FASTag is linked to a prepaid account from which the applicable toll amount is deducted. The tag employs Radio-Frequency Identification (RFID) technology and is affixed on the vehicle's windscreen after the tag account is active. FASTag is a perfect solution for a hassle free trip on national highways.

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 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 Operational Risk Management Committee (ORMC), the Information Security Committee (ISC) and the Project Steering Committee (PSC).

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

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

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

The Bank is conducting employee and customer awareness on cyber frauds, vishing/phishing attacks etc through SMS, eMails and popup messages in banks' website and mobile banking applications. Bank has done separate awareness workshops for Directors on the cyber frauds and its impacts. 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.

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.

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 2017-18. 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 87th Annual General Meeting till the conclusion of 88th Annual General Meeting is placed in the Notice to shareholders for AGM.

Secretarial Audit

The Board had in its meeting dated 13 March 2018, appointed M/s. SVJS & Associates, Practicing Company Secretaries, to undertake the Secretarial Audit of the Bank during the Financial Year ended 31 March 2018, in compliance with the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report is annexed herewith as "**Annexure V**".

Awards and Accolades

Your Bank has won various awards and accolades in the Financial Year 2017-18 also. The Bank continues its thrust on technology and digital with an impetus on innovation.

For the innovative BYOM (Be Your Own Master) Flexi EMI product, your Bank has won the Finnoviti Award for 2018. Your Bank successfully rolled out instant account opening through the branches and has won SKOCH Smart Technologies for Growth Award 2017', Process Innovation at the Finacle forum 2017 by Infosys for it. As a recognition for your Bank for use of technology, bank has won the IBA Banking technology Conference, Expo & Awards 2017 for best use of Digital and Channels Technology among Small Banks. For innovative HR Policies, your bank has won the KMA Excellence Awards 2017.Your Bank was adjudged the winner in Outlook Money Award in Banks category for the year 2017. Your Bank was also bestowed with 'The Bank of the Year Award instituted' by Dhanam Business Magazine and Golden Leaf Award as `Trusted National Financial (Banking) Brand of Kerala` instituted by Future Kerala Business and Financial Daily.

Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo

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

Extract of Annual Return

Pursuant to sub-section (3) of Section 92 of the Companies Act,2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the details forming part of the extract of the Annual Return as at March 31,2018 in form MGT 9 is annexed herewith as "**Annexure III**".

Particulars of Employees

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

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

Stock Exchange Information

The Bank's Equity Shares are listed on:

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

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

Director's Responsibility Statement

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

(a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(b) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at the end of financial year March 31, 2018 and profit and loss account for that period.

(c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.

(d) the directors have prepared the annual accounts on a going concern basis.

(e) the directors have laid down the internal financial controls followed by the Bank and that such internal financial controls

are adequate and are operating effectively.

(f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgement

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

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

For and on behalf of the Board of Directors

Aluva **Mr. Nilesh Vikamsey (DIN- 00031213)**

22 June 2018 **Chairman of the Board**

Annexures

Annexure I

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

Name,Qualification and Age (in years)	Designation	Remuneration* (in ₹)		Experience (in years)	Date of commencement of employment, And Nature of Employment, whether contractual or otherwise	Last employment
		Gross	Net#			
Mr. Shyam Srinivasan%, B.E.,P.G.D.M (IIM, Kolkata), 56 years	Managing Director & CEO	15939608	7942400	32 years	23rd September 2010	Head (Consumer Banking-India), Standard Chartered Bank
Mr. Sumit Kakkar, BE (Mechanical), Master of Finance Control,46 years	Chief Credit Officer	11450573	5513294	20 Years	29th August 2016	Group President – Risk, Yes Bank
Mr. Ganesh Sankaran%, B.E. Electronics (Honours), MBA-Finance, 48 years	Executive Director	10205383	5275538	23 years	16th September 2015	Co-Head, Corporate Banking, HDFC Bank Limited
Mr. Ashutosh Khajuria%, B.Sc (Physics),LL.B,M.A. (Economics),CAIIB,DTIRM,57 years	Executive Director & Chief Financial Officer	9907089	2541109	39 years	28th January 2016.	CGM & Head of Treasury, IDBI Bank Limited
Ms. Shalini Warrier, B.Com,CA,52 years	Chief Operating Officer	8241265	4924955	28 Years	02nd November 2015	Regional Service Delivery & Head of Consumer Banking, Standard Chartered Bank
Mr. Jose V Joseph% B.Com, CAIIB, 60 Years	Executive Vice President	7921126	5836541	42 Years	19th July 1976	Federal Bank Only
Mr. Harsh Dugar (B.Com, CWA, CFA), 45 Years	Country Head - Corporate & Institutional Banking	7914617	4640239	22 Years	25th October 2016	Executive Vice President – Corporate Banking
Mr. Sampath D (M.Sc., CAIIB) 61 Years, Retired on 30.04.2018	Executive Vice President	6855902	5379430	37 Years	4th November 1981	Federal Bank Only
Diwakar Dixit B.Com ICWA, 46 Years	Senior Vice President (Credit)	4248645	2981940	17 Years	18th May 2017	HDFC Bank LTD – Credit Risk
Jose K Mathew, B.Com, CAIIB, 57 Years	Executive Vice President (Retail Business)	3924808	2062583	38 Years	18th August 1980	Federal Bank Only
Mr. Sunny N V, (B. Com, LLB), 59 years	Senior Vice President and Zonal Head	3590159	2068664	40 years	15th February 1978	Federal Bank Only
Mr. Ajith Kumar K K (B.Sc. (Agriculture), MBA),55 Years	Country Head - Commercial Banking	3500804	2097391	31 Years	10th September, 1987	Federal Bank Only
Mr. Satheesh P K, (B. Com, LLB), 59 years	Senior Vice President and Head - HR	3399685	2277970	31 Years	01st September, 1987	Federal Bank Only

Net of Taxes paid. Perquisite Value of ESOS, if any Not included.
% These persons are employed on contract basis. other employees listed above are permanent employees who will continue till age of superannuation
Note: 1. None of the employees listed above hold 2% or more of the paid-up share capital of the Bank as at March 31, 2018.
2. None of the employees listed above is a relative of any director of the Bank.

ESOS DETAILS

Annexure II

Sl. no.	Particulars	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 02,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On Nov 05,2012	ESOP 2010 Granted On Sept 12,2013	ESOP 2010 Granted On Sept 12,2014	ESOP 2010 Granted On Sept 18,2015	ESOP 2010 Granted On Nov 16,2015	ESOP 2010 Granted On Aug 29,2016	ESOP 2010 Granted On Oct 25,2016	ESOP 2010 Granted On Nov 03,2016	ESOP 2010 Granted On Nov 03,2016	ESOP 2010 Granted On May 20,2017	ESOP 2017 Granted On Aug 14,2017	ESOP 2017 Granted On Aug 14,2017	ESOP 2017 Granted On Aug 14,2017	ESOP 2017 Granted On Sep 19,2017	ESOP 2017 Granted On Jan 29,2018
1	No. of options Granted	33,120,200	1,000,000	600,000	24,484,750	26,094,250	11,156,450	625,000	400,000	225,000	200,000	240,000	300,000	100,000	1,625,000	200,000	160,000	20,208,348	125,000
2	No. of options issued	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3	Pricing Formula	The exercise price considered is the closing market price as on the day preceding the date of the grant, at the stock exchange which has had the maximum trading volume of the Bank's share for all options granted other than the Options granted on Nov 03, 2016 and Aug 14, 2017 which was priced using closing price on the date of completion of one year of service by the employee.																	
4	No. of options vested & Exercisable	3,675,675	0	300,000	12,324,882	12,236,060	6,655,605	312,500	200,000	0	50,000	60,000	75,000	0	0	0	0	0	0
5	No. of Options exercised	23,948,185	1,000,000	300,000	8,750,648	9,890,440	2,195,915	0	0	56,250	0	0	0	0	0	0	0	0	0
6	No. of shares arising as a result of exercise of Options	23,948,185	1,000,000	300,000	8,750,648	9,890,440	2,195,915	0	0	56,250	0	0	0	0	0	0	0	0	0
7	Options lapsed	5,496,340	0	0	3,409,220	3,967,750	1,054,370	0	0	0	0	0	0	0	0	0	0	6,547,809	0
8	Variation in terms of Options	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9	Money realized by exercise of options	1,007,500,143	44,970,000	13,641,000	414,780,715	283,163,297	136,146,730	0	0	3,743,438	0	0	0	0	0	0	0	0	0
10	Total Number of Options in force	3,675,675	0	300,000	12,324,882	12,236,060	7,906,165	625,000	400,000	168,750	200,000	240,000	300,000	100,000	1,625,000	200,000	160,000	13,660,539	125,000
11	Employee wise details of Options granted to																		
	a) Senior Managerial Personnel																		
	MD & CEO - Shyam Srinivasan	5,131,000			1,282,750	1,282,750	1,282,750												
	Executive director - P C John	101,250			150,000														
	Executive director - Abraham Chacko		1,000,000		650,000	650,000													
	Executive director - Ashutosh Khajuria			600,000	400,000	400,000												600,000	
	Executive director - Ganesh Sankaran							625,000					300,000		500,000	200,000		600,000	
	Chief operating officer - Shalini warrier								400,000			240,000			400,000		160,000	350,000	
	Chief credit officer - Sumit Kakkar									225,000					225,000			350,000	
	Head Corporate Banking - Harsh Dugar										200,000				200,000			350,000	
	b) Any other employee who receives a grant in any one year of Options amounting to 5% or more of the options granted during the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Sl. no.	Particulars	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 02,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On Nov 05,2012	ESOP 2010 Granted On Sept 12,2013	ESOP 2010 Granted On Sept 12,2014	ESOP 2010 Granted On Sept 18,2015	ESOP 2010 Granted On Nov 16,2015	ESOP 2010 Granted On Aug 29,2016	ESOP 2010 Granted On Oct 25,2016	ESOP 2010 Granted On Nov 03,2016	ESOP 2010 Granted On Nov 03,2016	ESOP 2010 Granted On May 20,2017	ESOP 2017 Granted On Aug 14,2017	ESOP 2017 Granted On Aug 14,2017	ESOP 2017 Granted On Aug 14,2017	ESOP 2017 Granted On Sep 19,2017	ESOP 2017 Granted On Jan 29,2018
	c) Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
12	Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	₹ 4.56 per share																	
13	Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	Had the Bank adopted the fair value method (based on Black-Scholes pricing method) for pricing and accounting options, Net profit after tax would have been lower by ₹ 2579.25 lacs for FY 2017-18.																	
		Basic EPS – ₹ 4.48 per share																	
		Diluted EPS – ₹ 4.43 per share																	
14	Weighted average exercise prices of options																		
	i. whose exercise price equal to market price	₹ 65.11																	
	ii. Exercise price is greater than Market price	Nil																	
	iii. Exercise price is lower than Market price	₹ 74.15																	
	Weighted average fair value of options																		
	i. whose exercise price equal to market price	₹ 20.49																	
	ii.Exercise price is greater than Market price	Nil																	
	iii. Exercise price is lower than Market price	₹ 40.29																	
15	The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions																		
	i. Risk Free interest rate	7.50%	8.25%	8.25%	8.00%	8.50%	8.50%	7.50%	7.50%	7.00%	7.00%	7.00%	7.00%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
	ii. Expected life	3 years to 4.5 years	3 years to 4 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4 years	3 years to 4 years	3 years to 4 years	3 years to 4 years	3 years to 4 years
	iii. Expected volatility	20.00%	20.00%	20.00%	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
	iv. Expected Dividends	1.50%	1.50%	1.50%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	v. The price of the underlying share in market at the time of grant of option (in Rs.)	42.07	44.97	45.47	47.40	28.63	62.00	60.35	53.70	66.55	75.00	79.45	72.45	112.35	105.65	72.45	79.45	116.85	101.15

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

Annexure III

Extract of Annual Return
as on the financial year ended 31.03.2018

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

FORM NO. MGT - 9

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF SUBSIDIARY AND ASSOCIATE COMPANIES –

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

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

(i) Category-wise Shareholding

	Category of Shareholder	No. of shares held at the beginning of the year (as on 01.04.2017)				No. of shares held at the end of the year (as on 31.03.2018)				% 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		

Category of Shareholder		No. of shares held at the beginning of the year (as on 01.04.2017)				No. of shares held at the end of the year (as on 31.03.2018)				% Change during the year
	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	447,733,466	95,780	447,829,246	25.980	471,569,965	68,750	471,638,715	23.920	
b	Financial Institutions/Banks (Including Foreign Banks)	43,000,105	129,500	43,129,605	2.500	47,955,939	95,500	48,051,439	2.440	
c	Central Government/State Government(s)	10	0	10	0.000	10	0	10	0.000	
d	Venture Capital Funds									
e	Insurance Companies	29,440,000	0	29,440,000	1.710	36,910,880	0	36,910,880	1.870	
f	Foreign Institutional Investors	660,589,152	330,250	660,919,402	38.340	766,556,319	203,500	766,759,819	38.880	
g	Foreign Venture Capital Investors									
h	Any other(specify)									
	Alternative Investments	2,447,081	0	2,447,081	0.140	16,024,921	0	16,024,921	0.810	
	SUB TOTAL B (1)	**1183209814**	**555530**	**1183765344**	**68.660**	**1339018034**	**367750**	**1339385784**	**67.920**	**-0.740**
(2)	**Non-Institutions**									
a	Bodies Corporate (Including NBFCs)	64,987,702	644,520	65,632,222	3.810	60,610,301	378,320	60,988,621	3.090	
b	Individuals(Resident/NRI/Foreign National)	0	0	0						
(i)	Individual shareholders holding Nominal share Capital upto Rs.1 Lakh	178765,791	32,760,402	211,526,193	12.270	265,605,241	25,986,679	291,591,920	14.790	
(ii)	Individual shareholders holding Nominal share Capital above Rs.1 Lakh	183,143,176	3,371,130	186,514,306	10.820	197,845,380	3,133,350	200,978,730	10.190	
c	**Any other(specify)**									
a	Limited Liability Partnership	1,533,928	0	1,533,928	0.090	3,366,838	0	3,366,838	0.170	
b	Trust	10,665,453	67,800	10,733,253	0.620	12,111,248	58,800	12,170,048	0.620	
c	Overseas Corporate Bodies	0	6,000	6,000	0.000	0	6,000	6,000	0.000	
d	Investor Education and Protection Fund	0	0	0		5,056,858	0	5,056,858	0.260	
e	Foreign Body Corporate	25,122,386	0	25,122,386	1.460	3,367,241	0	3,367,241	0.170	
f	Clearing Member	8,005,921	0	8,005,921	0.460	17,183,809	0	17,183,809	0.870	
g	Directors					5,123,000	0	5,123,000	0.260	
	SUB TOTAL B(2)	**472224357**	**36849852**	**509074209**	**29.53**	**570269916**	**29563149**	**599833065**	**30.42**	**0.890**
	Total Public Share Holding (B)=B(1)+B(2)	1655434171	37405382	1692839553	98.19	1909287950	29930899	1939218849	98.33	
	TOTAL (A)+(B)	**1655434171**	**37405382**	**1692839553**	**98.19**	**1909287950**	**29930899**	**1939218849**	**98.33**	
C	**Shares held by Custodians for GDRs and ADRs**	31205861	0	31205861	1.810	32925590	0	32925590	1.670	
	Grand Total (A)+(B)+(C)	**1686640032**	**37405382**	**1724045414**	**100.00**	**1942213540**	**29930899**	**1972144439**	**100.000**	

(ii) Shareholding of Promoters

Sl No.	Share holders 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

Sl 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)

Sl No.		Shareholding at the beginning of the year (1 April, 2017)		Shareholding at the end of the year (31 March, 2018)	
	For Each of the Top 10 Shareholders	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Amansa Holdings Private Limited	73,000,000	4.23	58,001,055	2.94
2	HDFC Trustee Company Limited	71,971,600	4.17	71,340,720	3.62
3	Reliance Emergent India Fund	69,287,309	4.02	42,660,864	2.16
4	Yusuffali Musaliam Veettil Abdul Kader	63,153,640	3.66	74,828,640	3.79
5	Franklin Templeton Investment Fund	52,382,941	3.04	45,558,116	2.31
6	Birla Sun Life Trustee Company Private Limited	51,941,389	3.01	41,943,687	2.13
7	East Bridge Capital Master Fund Limited	48,345,447	2.80	48,345,447	2.45
8	Government Pension Fund Global	46,111,582	2.67	24,365,185	1.24
9	DSP Blackrock 3 Years Close Ended Equity Fund	40,910,400	2.37	34,368,357	1.74
10	Rakesh Jhunjhunwala	39,331,060	2.28	34,771,060	1.76
11	Life Insurance Corporation of India	37,934,760	2.20	37,934,760	1.92
12	Bank Muscat India Fund	33,351,210	1.93	33,351,210	1.69

Note:

1. The shares of the Bank are substantially held in dematerialized form, and are traded on a daily basis and hence the date wise increase/decrease in shareholding is not indicated.

2. The top ten shareholders after consolidation of shares held by the institutions/individuals based on the PAN, as on 31st March 2017 is considered for the above purpose.

V. Shareholding of Directors and Key Managerial Personnel

Sl No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	**Mr. Shyam Srinivasan, MD & CEO**				
	Shareholding at the beginning of the year (as on 01.04.2017)	**200,000**	**0.011**	**200,000**	**0.011**
	Increase(purchase of ESOS shares on 11.08.2017)*	218,000	0.010	418,000	0.021
	Increase(purchase of ESOS shares on 27.09.2017)*	4,713,000	0.24	5,131,000	0.26
	Decrease(Sale of shares on 30.03.2018)	250,000	0.013	4,881,000	0.25
	Shareholding at the end of the year(as on 31.03.2018)	**4,881,000**	**0.25**	**4,881,000**	**0.25**
2.	**Mr. Ashutosh Khajuria, ED & CFO**				
	Shareholding at the beginning of the year(as on 01.04.2017)	**42,000**	**0.002**	**42,000**	**0.002**
	Increase(purchase of ESOS shares on 05.10.2017)	300,000	0.015	342,000	0.017
	Decrease (Sale of shares on 12.02.2017)	10,000	0.001	332,000	0.0167
	Decrease (Sale of shares on 14.03.2017)	15,000	0.001	317,000	0.0157
	Decrease (Sale of shares on 21.03.2017)	75,000	0.003	242,000	0.012
	Shareholding at the end of the year(as on 31.03.2018)	**242,000**		**242,000**	**0.012**
3.	**Mr. Girish Kumar G, Company Secretary**				
	Shareholding at the beginning of the year (as on 01.04.2017)	**7,000**	**0.00041**	**7,000**	**0.00041**
	Decrease (Sale of shares on 04.05.2017)	7,000	0.00041	0	0
	Increase(purchase of ESOS shares on 20.05.2017)	6,500	0.0003	6,500	0.0003
	Decrease (Sale of shares on 09.06.2017)	6,500	0.0003	0	0
	Increase(purchase of ESOS shares on 01.07.2017)	6,550	0.0003	6,550	0.0003
	Increase(purchase of ESOS shares on 31.08.2017)	5,000	0.00029	11,550	0.00059
	Decrease (Sale of shares on 22.09.2017)	7,000	0.00036	4,550	0.0002
	Increase(purchase of ESOS shares on 05.10.2017)	11,740	0.0008	16,290	0.001
	Shareholding at the end of the year (as on 31.03.2018)	**16,290**	**0.001**	**16,290**	**0.001**

NOTE:

1. Executive director Mr. Ganesh Sankaran and none of the Non-Executive Independent Directors of the Bank hold shares of the Bank as at beginning and at end of the year
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 Crores)

	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	919.77	3,643.18	4,562.95
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	0.24	42.53	42.76
Total (i+ ii+ iii)	920.00	3,685.71	4,605.71
Change in Indebtedness during the financial year			
• Addition	156,690.36	32,764.96	189,455.32
• Reduction	155,006.94	30,162.26	185,169.20
Net Change	1,683.42	2,602.70	4,286.12

	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the end of the financial year			
i) Principal Amount	2,603.19	6,245.88	8,849.07
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	7.93	64.61	72.54
Total (i+ii+iii)	**2,611.12**	**6,310.49**	**8,921.61**

VII. Remuneration of directors and key managerial personnel

A. Remuneration to Managing Director, Whole – time Directors and / or Manager:

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount (in ₹)
		Mr. Shyam Srinivasan (MD & CEO)	Mr. Ashutosh Khajuria (ED & CFO)	Mr. Ganesh Sankaran	
	Gross salary				
	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12,000,000	2,033,338	2,000,004	16,033,342
	Value of perquisites u/s 17(2) Income-tax Act, 1961	1,439,608	1,065,417	620,857	3,125,882
	Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
	Stock Option *** (perquisite value of ESOS)	364,753,180	20,566,500	NIL	385,319,680
	Sweat Equity	NIL	NIL		NIL
	Commission As % of profit Others, specify…	NIL	NIL		NIL
	Others, please specify				
	i) Leave encashment and LFC		791,667		791,667
	ii) Leave travel concession			184,517.58	184,517.58
	iii) Performance Linked Incentive	2,500,000	1,500,000	1,500,000	5,000,000
	iv) House Rent Allowance			1,400,004	1,400,004
	v) Personal Fixed Pay		4,516,666.66	4,500,000	9,016,666.66
	Total**	**15,939,608**	**9,907,088.66**	**10,205,382.58**	**35,552,079.24**
	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 being the last year for exercise of option.

Note: 1. In addition to above Provident Fund of ₹ 1,200,000.00 was paid to Mr. Shyam Srinivasan, MD & CEO, ₹ 203,336.00 was paid to Mr. Ashutosh Khajuria, Executive Director & CFO and ₹ 200,004.00 to Mr. Ganesh Sankaran, Executive Director during FY 2017-18

1. During FY 2017-18, 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 ₹ 364,753,180.00 and ₹ 20,566,500.00 respectively relating to perquisite for ESOS.

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of Directors								Total Amount (in ₹)
		CA. Nilesh Vikamsey	Mr. Dilip Sadaran-gani	Mr. Harish Engineer	Ms. Grace Koshie	Ms. Shub-halakshmi Panse	Mr. C Balagopal	Mr. A P Hota	Mr. K M Chan-drasekhar#	
	1. Independent Directors									
	• Fee for attending board and committee meetings	1240000	1980000	1370000	2090000	1940000	1170000	160000%	3070,000@	**13,020,000**
	• Commission									
	• Others, please specify									
	(Remuneration with RBI ap-proval)									
	Total (1)	**1240000**	**1980000**	**1370000**	**2090000**	**1940000**	**1170000**	**160000%**	**3070000@**	**13,020,000**
	Sweat Equity									
	2. Other Non – Executive Directors									
	• Fee for attending board com-mittee meetings									
	• Commission									
	• Others, please specify									
	Total (2)									
	Total (B) = (1+2)	**1240000**	**1980000**	**1370000**	**2090000**	**1940000**	**1170000**	**160000%**	**3070000@**	**13,020,000**
	Total Managerial Remuneration									
	Overall Ceiling as per the Act									

Note: @ Includes an amount of ₹ 15 lakhs paid as remuneration with the approval of Board and RBI during the year to Mr. K M Chandrasekhar, who was the Chairman of the Board of the Bank w.e.f 01 March 2017 till 28th February 2018.
% Mr. A P Hota joind as independent director on the Board of the Bank w.e.f 15 January 2018
# - Mr. K M Chandrasekhar retired from the Board of the Bank w.e.f 01st March 2018.

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

Sl. No	Particulars of Remuneration	Name of Key Managerial Personnel	Total Amount
		Girish Kumar Ganapathy(SVP CUM Company Secretary)	
1.	a) Gross salary		
	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2,694,173.17	
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	32,400	2,726,573.17
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2.	Stock Option *** (perquisite value of ESOS)	2,231,413.30	2,231,413.30
3.	Sweat Equity	-	-
4.	Commission	-	-
	As % of profit	-	-
5.	Others , please specify Performance Linked Incentive	275,000	275,000
	Total**	**3,001,573.17**	**3,001,573.17**

** 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 ₹4.74 lakhs(aggregate amount of ₹2.11 for Year FY 2016-17) for various regulatory issues such as penalty on currency chest, penalty relating to remittance of mutilated/ forged/counterfeit notes, penalty in connection with bouncing of SGL during FY 2017-18.

Annexure IV

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 two independent directors, MD & CEO and Executive Director of the Bank. The Committee consists of the following member as on 31 March 2018:

- Mr. Harish H Engineer (Chairman & Independent Director)
- Mr. A. P Hota (Independent 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

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

Core CSR activities of the Financial Year 2017-18

Existing	New Additions
Youth engagement	Women empowerment
Education	Prevention of child abuse and child labor
Promoting Vocational Skills	Support to Swachh Bharat Mission
Healthcare	

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

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

Year	Net Profit (Before Tax)
2015	₹1,521.04 Crores
2016	₹719.65 Crores
2017	₹1,341.97 Crores

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

Average Net Profit calculated for three preceding financial years is ₹1194.22 Crores. Out of this 2% of Average Net Profit for three preceding financial years comes to ₹23.88 Crores.

Details of CSR spent during the financial year

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program wise (in crores)	Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (in crores)	Cumulative expenditure up to the reporting period (in crores)	Amount Spent direct or through implementing agency
1	Education, & Skill Building	Promoting Education, Vocational Skills, Youth Engagement	Pan India	17.98	9.26	28.83	Direct
2	Scholarships through Federal Bank Hormis Memorial Foundation	Promoting Education	Kerala, Tamilnadu, Maharashtra, Gujarat	1.80	2.01	4.53	Federal Bank Hormis Memorial Foundation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl.No	**CSR project or activity identified**	**Sector in which the project is covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) project or program wise (in crores)**	**Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (in crores)**	**Cumulative expenditure up to the reporting period (in crores)**	**Amount Spent direct or through implementing agency**
3	Health Care & Safety	Healthcare, Preventive Healthcare	Pan India	1.52	0.59	3.21	Direct
4	Welfare & Poverty Alleviation	Eradicating hunger, poverty, setting up homes	Pan India	0.25	0.39	1.15	Direct
5	Environment Sustainability/ Swachh Bharat	Environment Conservation Swachh Bharat	Pan India	0.50	0.50	1.70	Direct
6	Rural Development	Rural & Social Development, welfare of SC/ST	Pan India	1.73	1.19	2.19	Direct
7	Miscellaneous			0.10	0.07	0.12	
	Total			**23.88**	**14.01**	**41.73**	

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 Mookkannoor Village, the birth place of the founder and undertaking many infrastructural developmental activities at the village, setting up of a Plastic Exchange Counter at Pamba in Sabarimala to collect the plastic covers and used bottles from them and handing over to them Eco Friendly bags specially designed for their use, free of cost. 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 100000 students in Kerala, Karnataka and Maharashtra and gave a platform for many students to develop their communication skills and confidence levels. Bank started the Federal Skill Academy at Ernakulam and Coimbatore aimed at up skilling hundreds of youth in alignment with the Skill India Mission of the Government. In line with our commitment to conserve environment and natural resources we did a plastic free campaign in the ecologically sensitive Sabarimala and also partnered with Mathrubhumi for the SEED project. Apart from this we also supported several organizations across India who are engaged in Philanthropic/social activities. Our objective remains to associate with projects that help to uplift the downtrodden and the needy sections in the society and to passionately involve in such activities that bring about obvious positive change in the society that will nurture and nourish the future generations and aim at creating significant difference in the overall socio-economic development and environment sustainability. Having spent 58.66% (amount spent ₹14.01 Crore) 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. 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. Harish Engineer (Chairman CSR Committee)

Annexure V

Form No. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31.03.2018

[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
Aluva-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 31.03.2018, 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 31.03.2018 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 there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under 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 (Issue of Capital and Disclosure Requirements) Regulations, 2009

d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (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.

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 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.	Qualified Institutions Placement	Shareholders' approval by way of special resolution through postal ballot	07.06.2017	Shareholders' approval obtained for issuing securities for an amount not exceeding ₹ 2,500 Crore; and allotted 215517241 Equity Shares of ₹2 per share at a premium of ₹114/- aggregating to ₹25000 Million on 29.06.2017 under Qualified Institutions Placement
2	Employees Stock Option Scheme 2017	Shareholders' approval by way of special resolution at Annual General Meeting	14.07.2017	(1) Shareholders' approval obtained to introduce and implement a scheme for grant of stock options to employees of bank not exceeding in aggregate 5% of the paid up equity share capital of the Bank in aggregate (equal to 86202270 as on 31.03.2017) (2) Shareholders' approval obtained to cover Employees Stock Option Scheme 2017 to persons who are in employment of the subsidiary (ies) of the Bank not exceeding in aggregate 5% of the issued, subscribed and paid up capital of the Bank on 31.03.2017)
3	Issue of Debt Securities	Shareholders' approval by way of special resolution at Annual General Meeting	14.07.2017	Shareholders' approval obtained for borrowing/raising funds in Indian currency by way of issue of debt instruments upto ₹4000 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 14.07.2017 increasing the borrowing powers to ₹7,000 Crore over and above the paid up capital and free reserves.

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

Kochi

22.06.2018

Annexure A

ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To
The Members
The Federal Bank Ltd.
Federal Towers, P.B. No. 103
Aluva-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 2018 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.

Kochi
22 June 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

Annexure VI

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

Sr. No	Requirements	Disclosure
1.	the ratio of remuneration of each Director to the Median Remuneration of Employees for the Financial Year@	Mr. Shyam Srinivasan, MD & CEO 22.71 Mr. Ashutosh Khajuria, ED & CFO 14.11 Mr. Ganesh Sankaran, ED 14.54
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 - 40.12 (refer note 1 & 2) (Salary of MD& CEO Revised) Mr. Ashutosh Khajuria, ED & CFO - 22.75 Mr. Ganesh Sankaran, ED - 20.63 Mr. Girish Kumar Ganapathy – 38.58 (GCP) (The increase in the remuneration includes increase given for salary alignment with Whole Time Directors both internally and externally.)
3.	the percentage increase in the median remuneration of employees in the financial year	The percentage increase in the median remuneration of employees in the Financial year was 10.58 per cent.
4.	the number of permanent employees on the rolls of company	As on March 31, 2018 the number of permanent employees on the rolls of the Bank was 12112.
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 35.56%, while the average increase in the remuneration of KMP's are as follows MD& CEO 40.12% (Salary of MD & CEO revised) (refer note 1 & 2) ED & CFO - 22.75% ED - 20.63
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. The salary of MD & CEO was first increased after a period of 6 years, joining as MD & CEO of the Bank, w.e.f.01.09.2017.
2. The Bank have considered fixed pay for the computation of ratios, as the performance bonus for the previous year for Whole Time Directors is subject to RBI approval.
3. Fixed Pay portion includes Salary, Allowances, Retirement benefits as well as the value of perquisites, excluding ESOS. The above includes all employees of the Bank.

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

Annexure VII

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

HIGHLIGHTS OF PERFORMANCE OF SUBSIDIARIES, ASSOCIATES/JOINT VENTURE COMPANIES AND THEIR CONTRIBUTION TO THE OVERALL PERFORMANCE OF THE COMPANY AS ON MARCH 31, 2018

PART "A": SUBSIDIARIES

(₹ '000)

1.	Sl. No.	1
2.	Name of the subsidiary:	Fedbank Financial Services Limited
3.	The date since when subsidiary was acquired	17/04/1995
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA
6.	Share Capital	1,900,000
7.	Reserves & surplus	696,807
8.	Total assets	14,796,836
9.	Total Liabilities	12,200,029
10.	Investments	92,859
11.	Turnover	1,976,638
12.	Profit before taxation	493,407
13.	Provision for taxation	185,420
14.	Profit after taxation	307,987
15.	Proposed Dividend	NIL
16.	Extent of shareholding (in %)	100%

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

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

Name of Associates/Joint Ventures	IDBI Federal Life Insurance Company Limited
1. Latest audited Balance Sheet	31/03/2018
2. Date on which the Associate or Joint Venture was associated or acquired	23/11/2006
3. Shares of Associate/Joint Ventures held by the company on the year end	
Number of shares held	208,000,000
Amount of Investment in Associates/Joint Venture (₹ '000)	2,080,000
Extent of Holding (in %)	26%
4. Description of how there is significant influence	Investment more than 20%
5. Reason why the associate/joint venture is not consolidated	NA
6. Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	2,023,181
7. Profit / Loss for the year 2017-18 (₹ '000)	
i. Considered in Consolidation	257,942
ii. Not Considered in Consolidation	751,483

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

Annexure VIII

DIVIDEND DISTRIBUTION POLICY

I. OBJECTIVE:

Securities and Exchange Board of India (SEBI) has, on July 08, 2016, notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016. Through this notification, SEBI has inserted Regulation 43A after Regulation 43 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations). As per the regulation, the top five hundred listed entities based on market capitalization, as on March 31, 2018 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, shareholder expectations including individual shareholders, tax regulations including the treatment of deferred tax assets etc. as may be applicable at the time of declaration of the dividend.

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

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

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

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

7. Review of Policy

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

8. Disclosure of Policy

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

Annexure

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

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

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

For and on behalf of the Board of Directors

Aluva
22 June 2018

Mr. Nilesh Vikamsey (DIN- 00031213)
Chairman* of the Board

*approval awaited from RBI

THRIVING RETAIL FRANCHISE

Traditionally, one of Federal Bank's major strengths has been its robust retail customer base. Retail deposits composition stands at 94% of the total deposits, which is one of the highest in the industry and showcases the Bank's negligible dependency on bulk deposits. Federal Bank clocked a healthy CASA ratio of 33.26%, which underscores the granular nature of the Bank's liability portfolio.



Management Discussion & Analysis

Global Economic Scenario:

The upswing in the global economy which began around mid-2016 has further expanded in coverage with more economies turning around. The advanced economies are expected to show improved numbers closer to their potential growth rates in next two years. The growth rates in the emerging and developing markets are expected to rise further before smoothing off.

The global economy seems to be leaving behind the legacy of the global financial crisis of the past decade. About half the world's countries are experiencing an increase in growth. The synchronized recovery may lead to even faster growth in the near term, as stronger growth in, say, China or the United States spills over to other parts of the world. The global growth continues to firm up with an estimated 3.8 percent by IMF, suggesting brighter prospects and optimism. Global growth in 2017 was the fastest since 2011. Advanced economies like Germany, Japan, Korea, and United States have shown firm growth trends. Emerging market and developing economies, including Brazil, China and South Africa, also posted a growing trend. More so, some of the countries that had high unemployment rates, several in the euro area, are also participating in the growth surge. World trade has grown strongly, supported by a pickup in investment, particularly among advanced economies. This broad based expansion has not been this visible since the world's initial sharp bounce back in 2010 from the financial crisis of 2008–09 due to the injection of excessive liquidity through quantitative easing by all major economies/economic zones. This is expected to dispel some of the remaining legacies of the crisis if any. Scenarios like U.S. tax reform and associated fiscal stimulus is also expected to induce growth.

On the challenges side, the higher oil and commodity prices and rise of non-financial corporate debt in emerging markets, uneven pace in global economic recovery etc. can result in buildup of financial vulnerability. The trade wars and the protectionist policies by the global economic majors like United States could create turmoil in the market. Moreover, Non-economic factors like geopolitical tension, notably in the Middle East could be cause for uncertainty. Weak growth in per capita income poses setbacks to sustainable development targets in several regions. The acceleration in economic growth also bears an environmental cost. The frequency of weather-related shocks continues to increase, highlighting the urgent need to build resilience against climate change and contain the pace of environmental degradation.

The current momentum and recovery trend offer a real opportunity to advance economic reforms. Stability in financial market conditions and the absence of negative shocks such as commodity price dislocations has set the stage for more durable recovery and growth. At the global level, growth is expected to remain steady in 2018 and 2019, opening up a window of opportunities for strengthening the potential for higher and more inclusive growth, building financial resilience to absorb market risks and stability concerns, advocating Global Cooperation

Indian Scenario:

The Indian economy witnessed slowdown of growth in the initial part of FY 18, after the short term disruptions caused by major structural reforms such as the Goods and Services Tax (GST) and Demonetization. The uncertainties receding in the later phase of the year, the Indian economy is on the right track to achieve higher growth targets and to reclaim the position of fastest growing economy.

There is a sharp uptick in economic activity seen in the quarter ended March 2018, which has improved the real GDP growth for fiscal 2018 to 6.7%. The economy continued its growth momentum as real GDP growth spurted to an eight-quarter high of 7.7% in Q4 FY18 and regained "numero uno" position among the large economies. It is a broad based growth with both investment and consumption showing improvement.

Fiscal Deficit, Revenue Deficit as well as the Primary Deficit have been declining, accounting for greater macroeconomic stability. With the implementation of transformational Goods and Services Tax (GST), there has been a significant increase in direct and indirect tax payers. The upgrade of India's rating by the US based credit rating agency Moody's (Baa2 from Baa3) in recognition of the reforms agenda paved way for a major boost to investor confidence. The implementation of the Insolvency and Bankruptcy Code, recapitalization to strengthen the public sector banks, further liberalization of FDI and the export uplift from the global recovery contributed to the growth trend in the second half of the year .The economy also got benefited from increased foreign inflows during the latter half of 2017. India for the first time moved into the top 100 in the World Bank's Ease of Doing Business global rankings, showcasing the positive impact of the reforms carried out.

The global crude oil prices saw a three-year high; higher oil prices in Saudi Arabia could have a drastic effect on the prices in India, increasing the trade deficit affecting the valuation of the rupee. Adverse global conditions like an abrupt tightening of global financial conditions and escalating trade protectionism, money laundering, raising global cyber security threat could also pose

challenge to the country. Surging inflation, Asset quality issues in the banking system and series of scams etc. are worries for Indian growth.

India's economy is predicted to grow 7.4% in the current fiscal as per the IMF's forecast. The growth for fiscal 2019 is expected to be consumption-led, with mild support from investments. A normal monsoon in 2018, benign interest rates, return of pent-up demand and implementation of house rent allowance revisions at the state government level would support growth, together with the government's thrust on rural and infrastructure sectors. Quick resolution of GST related glitches and faster trade growth, supported by cyclical recovery in the global economy is expected to lift India's exports, too. Recapitalization of banks will allow funding support from banks and support growth.

Indian Banking Industry

Banking across the globe is undergoing a major transformation over the last few years, and this evolutionary trend is expected to continue well into 2019 FY as well. The global economy has picked up steam and the growth momentum appears sustainable. The financial conditions in the advanced economies remain accommodative and the key drivers being a favorable monsoon season, ongoing public investment, continued growth in foreign direct investment will stabilize the Indian economy. Further new Insolvency and Bankruptcy code (IBC) is helping in improving the health of banking sector despite the fact that the growth in the banks, especially public-sector banks (PSBs), has remained subdued in the current financial year. As predicted by Moody's, the pace of bad loan formation is predicted to be slower, resulting in a stable outlook for the Indian banking sector for FY19.

To sustain India's high growth rate and spread its benefits more evenly, the financial sector has a crucial role to play in mobilizing resources and channelising them to productive uses. Addressing asset quality concern and robust credit growth are essential to support capital formation and economic activity. Challenges like impairment in the asset quality remains considerably high, and thereby constraining banks' capacity to lend. Consequently, it has adversely affected profitability and capital positions of banks have faced some erosion. As per the Financial Stability Report, Non-Performing Assets (NPA) of Indian banks will rise further even though the financial system as a whole remains stable. The recent scams have raised serious concerns in the regulatory and supervisory frameworks. The economy needs a safe and efficient banking system to service the growing needs in the fast-changing financial landscape. Eventhough Government and financial sector regulator is implementing steps to ensure cyber resilience, fast evolving nature of the operating environment poses a serious risks on the cyber front.

As technologies continue to mature, whole host of additional technologies are bound to feature heavily within the banking industry. Application programming interfaces (APIs) and Artificial intelligence (AI) will be the distinctly transformative technologies during the next few years. Strengthening resolution mechanisms and addressing capital and governance needs for a reformed banking sector will pave for new opportunities and stable growth in the coming years.

Review of Bank's Business Performance:

Despite slow paced growth prevalent in the economy, your Bank recorded steady growth during FY 2017-18 .The total Business of the Bank crossed the land mark 2 lakh crore, increased by 19.27% to 203949.96 Cr for the year ended 31st March 2018.

The Bank's CASA has shown growth trend and the retail deposit forms the 93.6% of the total deposit of the Bank. The Bank's SME segment has grown by 18.8% during the year. The Bank's focus on robust credit growth is evident with corporate advances now forming 41.5 % of total advances. The Net Worth of the Bank increased to ₹12138.49 Cr as on 31.3.2018. The Capital Adequacy Ratio (CRAR) of the Bank, computed as per Basel III guidelines, stands at a very comfortable position of 14.70 % as on 31.3.2018.

The Bank has posted a net profit of ₹878.85 Cr for the year ended March 31, 2018. Total income for the year grew by 11.81% to ₹10911.98 Cr and Other Income stood at ₹1159.12 Cr. Net Interest Margin (NIM) of the Bank stood at 3.21%The total deposits of the Bank increased by 14.67 % to ₹111992.49Cr and advances of the Bank stood at ₹93172.6 Cr. CASA of your Bank increased by 17 % from ₹31838 Cr to ₹ 37252 Cr. The NRI business of the Bank witnessed overall growth of 16.83% to reach ₹45071.86 Cr on 31.03.2018.

In advance front, agriculture lending increased from 7513 Cr to 9382 Cr accounting to a growth rate of 24.8%. Retail advance has shown a growth rate of 17.84 % amounting to 25683Cr. SME has grown from ₹16361 Cr to ₹19438 Cr showing a growth of 18.8%. Return on Average Assets stood at 0.75% and return on Equity of the Bank is 8.37% .

Gross NPA stood at 2795.62 Cr and Net NPA stood at 1551.96 Cr as on 31.03.2018. Gross NPA as percentage to Gross Advances was 3% and Net NPAs as a percentage to Net Advance was 1.69%. PCR (Provision Coverage Ratio) including written off assets stood at 64.50%. With 1252 branches and 1696 ATMS, bank is expanding, announcing its strong presence in major centers of the country. 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).

Driving the growth across the operating turf have ensured well balanced and robust growth in credit with eight consecutive quarters of ≅ 20% Y-o-Y growth

Corporate and Institutional Banking

Corporate and Institutional Banking (CIB) division offers comprehensive suite of banking products and services, both locally and overseas, to Large Business Houses and Corporates, Multinational entities, Mid & Emerging Corporates, Capital Market clients, Financial Institutions covering Public and Private sector entities. This division of your bank offers customized products and services across working capital, term funding, structured finance, cash management, trade finance and forex management backed by comprehensive electronic banking solutions which will ease day to day operations of our clients.

During FY18, this business grew strongly with a closing asset position of INR 38670 crores as compared to INR 28423* crores at the end of FY17. This represents 36% growth during FY18 against 34%* growth achieved during FY17. Our focus in wholesale banking will continue to be the preferred banking partner to its clients with well-designed client selection strategy and robust credit underwriting process

During FY18, client engagement under this division has deepened with bank's foray into Investment Banking which facilitated offering comprehensive financial solutions to its clients in Debt and Equity Capital Markets, Advisory Services and Wealth Management. The bank intensified its focus on strengthening its partnership with clients through tailor-made transaction banking and digital banking solutions.

*Post reclassification of assets

The distribution is further augmented with Relationship Management structure, which are unleashed at potential locations to finance the entire value chain across business verticals.

Commercial Banking

The Relationship Managers led Commercial Banking vertical enabled the Bank to strengthen the relationship structure with appropriate supervisory layering for meeting the requirements of high-end SME clients. Focused attention is being given to supply chain finance, wholesale product finance categories like gold metal loan etc. by forging tie ups with existing and new clientele. The clients are continuously onboarded into various digital platforms for ease of doing transactions and enhancing the value of business.

The Department was formed during the second quarter of FY 18 and registered a growth of 20% in Commercial Banking portfolio. The Relationship Manager model has ensured that the end to end needs of the customers are taken care of professionally. With an array of tailor-made products forming part of this crucial segment, the Bank is continuously on the lookout for high-end SME clients. The traditional products in this segment are well augmented by the various technology products of the Bank which ensures a seamless banking experience for the customers.

Business Banking

The most important development in SME business segment in your bank was forming of specialized verticals to sharpen our market focus. Business Banking Department was formed in early FY 18 to exclusively focus on small value SME loans below 5 Crs. While big ticket SME loans are driven by Relationship Managers, Business Banking portfolio is exclusively driven by our traditional strong hold, the branches. Your bank focuses on further developing the neighborhood banking, and ensure granular growth through Business Banking department.

It is worth mentioning that in the inception year of this specialised vertical; your bank was able to surpass the budgeted figures with wide margin. Your bank could register a growth of 23% against budgeted 19% in Business Banking vertical.

In an endeavor to further empower the branches to perform in business banking, delegation to selected branch heads to sanction and renew small value business loans were enhanced, ensuring strict compliance to our loan policy

FY 18 witnessed a robust growth in the dealer funding segment. Your bank has joined hands with the 5 new prestigious Industries with an aim to diversify the portfolio.

This FY your Bank has also ventured into Metal Gold Loan business, which facilitates supply of physical gold to the jewelry manufacturers. Your bank could mark its presence in this segment and the market had positively welcomed the move.

Onboarding on Trade Receivable Discounting System (TReDS) was yet another noteworthy achievement of your bank, to support MSME financing. Your bank could on board in all the three exchanges in the TReDS platform. Your Bank was front runner in getting on boarded on these exchanges and has successfully carved out its processes for taking a limit on corporate client and online discounting their vendor invoices. Within one month of participating, your Bank has grabbed the 11% market share among the other financiers on boarded on TReDS exchange.

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

Retail Business

The low-cost CASA segment reached ₹ 37,252 Cr, up by 17% pushing the CASA ratio from 32.60 to 33.26% of total deposits. The Non Resident deposit portfolio of your bank posted a growth of 17% during FY 18 to reach ₹ 45071.86 Cr. Retail Deposit portfolio increased by 14% from ₹ 91885 Cr as on 31st March 2017 to ₹ 104928 Cr as on 31st March 2018. 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. We created a separate vertical for corporate salary accounts and the team could mobilise 1.56 lakh accounts in FY 18. Your bank has leveraged its commercial / institutional banking client's employee salary account in a big way. Your bank introduced two more digital channels for account opening – IAO (Instant Account Opening) and Tab Banking. 62% of the savings accounts in your bank are now opened digitally.

The Retail loan book of your bank grew by 18% reaching Rs.25683 Cr forming 27.57% of the total advances of your bank. Housing loans continue to be the major component of the retail loan book, with a 45.35% share. During the year the Housing Loan portfolio crossed Rs. 10000 Cr, registering a growth of 26%. Sourcing of Retail Loans through Outbound Alternate Channels like Sales team and Fedfina has gained prominence resulting in the acquisition of a large number of fresh customers. 43 % of the Mortgage and Car Loans was sourced through the alternate Channels this year and your bank is looking at increasing this to at least 60% during the next fiscal. Your bank's mantra of driving business through technology has been successfully deployed, through the digital platform "Be Your Own Master". Several pre-approved Personal and Auto Loan programs have been successfully run through the BYOM platform. 39% of retail personal loans are being opened digitally by your bank. The personal car loan portfolio grew by 71% to reach 1436 Cr and unsecured personal loan grew by 159% to reach 394 Cr during FY 2017-18. Associating with Fintechs to reach out to 'New To Credit' and 'New To Bank' segment was identified as a strategy by your bank, and accordingly 3 new engagements were operationalized during the year for sourcing small value but high yielding unsecured personal loans – a prominent one being the tie-up with Airtel for the 'Airtel Device Finance' facility.

Your bank has constituted a specialised team of relationship managers to offer personalised services to HNI clients. Through offer of Investment products like Mutual Funds, your bank has been able to grow its AUM by 102.24 % to reach ₹451 Crores. Your bank was able to launch an online Mutual Fund platform by the name 'InstaInvest', which is gaining considerable traction among customers. Health insurance registered a growth of 44% and General Insurance has shown a growing trend of 15% during the year. Your bank had sold an aggregate quantity of 7.98 Kgs IGC worth ₹2.61 Crore through our arrangement with MMTC. Your bank participated in all the 14 Sovereign Gold Bond tranches launched by Government of India through RBI during the financial year. Your bank could canvass an aggregate quantity of 9.69 Kgs of Sovereign Gold Bonds worth ₹2.46 Crore. Your bank could canvass 52881 applications of different IPO/Rights issue worth ₹432.62 Cr under ASBA portfolio.

Cards and Payment Solutions

Government of Kerala has chosen your bank for offering card payment gateway services for its e-Treasury payment portal. Your bank's payment gateway services are also being availed by institutions like Tirumala Tirupathi Devasthanam (TTD), Kerala Devaswom Recruitment Board etc.

As part of Government of India's cashless initiatives, your bank has taken many initiatives in the payment front to drive digital transactions. Your bank has enhanced its merchant acquiring capabilities by introducing additional payment acceptance modes like Mobile POS (M-POS), Digital POS, Bharat QR etc. This has helped bank's SME clients to offer multi-mode of payments to their end-customers and thereby enhancing bank's CASA portfolio.

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. 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'.

Strengthening liability side acumen has always been a top priority in the bank. We have deployed many customer level insights for the field teams to derive value and improve the wallet share. Consistently stable deposit franchise with more than 93.7% of retail deposits, one of the best within the banking system, is a testament for it.

International Banking Business

During FY 18, NRI business of your bank grew by 17% and the NR CASA portfolio grew by 17.6 %. While the remittances from Indian diaspora increased by 11% Y-O-Y, your bank's share of remittance grew by 15%. Your Bank started 7 new Rupee remittance tie ups during FY 17, of which 5 were from GCC and 2 from Non GCC locations. Your bank has also partnered with a reputed international money transfer company based in USA for receiving money under Money Transfer Service scheme (MTSS). Your bank has enabled online remittance facility for all Rupee remittance arrangements from Non GCC countries. Your bank has pioneered in Block chain technology for remittance to India in association with a prominent money transfer company based in UAE. Your bank strengthened its position as a significant player in remittance business by continuing the process of adding new remittance partners and bringing-in innovation in remittances.

The overseas Representative Offices, the officers in GCC countries and the NR virtual desk continue to play a major role of your bank's NRI customer acquisition. In FY 18, your bank entered into Portfolio Investment Scheme (PIS) tie up with three prominent broking firms for NRIs to invest in Indian Equity market. PIS business of your bank has grown by 30.35 % in profit and has registered 35% growth in number of new accounts compared to FY17.

In the coming financial year, in its endeavour to achieve higher

growth in geographies outside Kerala and beyond GCC, your bank is strengthening the Relationship Model. 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 present a swath of opportunity for the bank. The dominance in the remittance share 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 Business

Your Bank offers a bouquet of Agri loan products which suit to the needs of the farmers of the country. These products are designed to support the farmer borrowers in optimum utilization of their farm assets. Agri credit grew from ₹ 7513 Cr to Rs.9382 Cr thereby registering a growth of 24.8% in the FY18. Your Bank has also achieved its mandatory target of 18% of ANBC under agriculture lending. Relationship Manager model in Agri business got stabilized and it contributed substantially towards the higher growth achieved in the FY. Bank's share in commodity financing is gradually increasing. During the year Bank had partnered with Supplyco, Kerala in financing the paddy growers in Kerala and the arrangement facilitated association with large number of small & marginal farmers and the Bank.

In the coming financial year also, Bank is determined to maximize the benefit from Relationship manager model. Implementation of new solution for commodity financing will boost the Agri lending with better controls.

Priority Sector Advances

Lending to the vital players of the economy such as farmers, and 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 ₹24304.5 Cr as on 31.03.2017 to ₹ 30339.24 Cr as on 31.03.2018. Your bank has also achieved the regulatory targets under advances to weaker section.

Micro and Rural Banking

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. With 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.

Your Bank is giving adequate thrust in various schemes promoted / sponsored by the Government and the Bank has surpassed the targets allocated by the Govt. under PMMY (MUDRA) for the financial year ended 2018.

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. Also it 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: 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. Our Financial Literacy scheme has the following variants devised for different categories of people in the society:

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

Financial Literacy Campaigns: Your bank has implemented Financial Inclusion as per various models, of which, providing Financial Literacy is the first and foremost one. Financial Literacy programmes intend to provide basic banking knowledge to people across various corners of the life. The Financial Literacy classes are organized and conducted by the branches in the rural 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): FAFLCs are your Bank's initiative to provide free, unbiased, fair and coordinated financial education through Financial Literacy classes and credit counselling. With wide extensive support, FAFLCs seek to help the public understand finance and banking needs in a better way so that they become completely equipped to face any financially challenging moments/ crisis in their lives. Guidance is also given on the dangers of incurring excessive debt and borrowing from the informal sources of credit. Special thrust is given to 'Digitization' programmes which enabled large number of individuals migrated to digital banking platform.

Ashwas Centres have turned out to be effective Financial Literacy and credit counselling centres in rural and semi urban areas. The Financial Literacy campaigns are targeted at imparting knowledge to the following segments:

1. Farmers
2. Self Help Groups
3. Micro and Small Entrepreneurs
4. Senior citizens
5. School children

6. Other segments identified by FLCs.

Around 1278 literacy camps were undertaken by these centres during the financial year 2017- '18 which has benefitted more than 58894 people.

Your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the general public (mainly to weaker section & low-income household groups), with OD facility up to Rs.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 4.83 Lakhs accounts with an outstanding balance of ₹19689 Lakhs. Aadhaar and Mobile seeding in PMJDY accounts with your Bank is 84% and 96% respectively as on 31.03.2018.

Your Bank is also actively participating in the Social Security Schemes (Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana) launched by the Government of India. The PMSBY and PMJJBY schemes provide low cost insurance benefits to the general public for the death or disability due to accident and for death due to any reason respectively. Atal Pension Yojana (APY) is the Government backed pension scheme provided to unorganised sector. Your Bank could help 263 families of our deceased customers who joined the low-cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹525Lakhs.

Your Bank is one of the first movers in implementing Atal Pension Yojana (APY) through online platform viz. APY@eNPS.

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 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 have been strengthened by inducting additional resources during the year. The team is offering various Forex and Domestic treasury products to the customers and are working intensely to offer Derivative Products. This segment of business will help the Bank in increasing its market presence in specialized area 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 is in the process of implementing an enhanced software system to scale up the treasury operations. This will ensure 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, 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 2018, 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. During FY 18, your Bank introduced the concept of Trade Hubs in all metro cities and other major centres to bring more efficiency in handling trade transactions. Apart from this, a dedicated Sales team is functioning under Treasury Department with Relationship Managers posted in all major centres.

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 opening of International Banking Unit (IBU) Branch in GIFT City (Gujarat International Financial Tec City), your bank is extending Buyer's Credit to importers at concessional terms from the IBU.

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. During FY 18, in association with Federation of Indian Exporters Organizations (FIEO), your bank conducted 15 seminars across the country on topics relevant to the Exporter community. Updates on daily forex rates and market movements are sent to clients on a regular basis.

Your Bank has been giving much thrust to the development of forex business and is continuously 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. Your Bank periodically updates and codifies the RBI/ FEDAI instructions applicable for forex business, in the form of comprehensive guidelines/ circulars for the benefit of its operating staff. Your Bank has published a Citizen Charter for forex facilities and publishes the exchange rate of various currencies daily in bank's website for the benefit of the public.

Your 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.

Gujarat International Finance Tec-City (GIFT)

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

Federal Bank – IFSC Banking Unit (IBU)

Your Bank has started its IFSC Banking Unit (IBU) in India's first International Financial Service Centre (IFSC) in GIFT City (Gujarat) in November 2015. The various products offered by Federal Bank – IBU are

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

Federal Bank IBU enables your bank to raise Foreign Currency resources from various overseas Financial Institutions through Bilateral Term loans. With the opening of IBU, your Bank caters both its Domestic and International Clients foreign currency funding requirements and also boost the Balance Sheet by participating in various Loan syndications along with extending 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, Electricals, Food, Construction, Auto Components etc. For the financial year, total Loan Portfolio of Federal Bank – IBU stands at USD $ 402 Million.

Digital Centre of Excellence

Technology is fast changing; all industries are impacted by digital. The banking industry is at the cusp of a digital disruption. In a way to embrace the ensuing digital wave, the Bank pivots all its services on the theme "Digital at the Fore & Human at the Core". We are at the forefront in adopting new digital technologies/ advancements, benefitting our customers. We are witnessing a steady growth in customer adoption of digital channels and services. Mobile Banking adoption has peaked its all-time high, evidencing the increased popularity & patrons. Our Merchant & Corporate solutions have received an overwhelming response & more such services is on the anvil. 63% of the transactions in the Bank as on March 2018 happen through digital channels. (Excluding ATM Cash withdrawals)

Automating and digitalizing the account opening and on-boarding process for customers to various digital channels is crucial. The most important aspect is to simplify the process for customers to open a new account using digital channels and to efficiently onboard digitally. As the first touch point for a customer to bank is their SB account opening, we have completely made the account opening process digital by introducing Instant Account Opening which facilitates to open accounts in 8 minutes, Tab and web based account opening in branches. The total number of accounts opened through digital mode has crossed more than 2 Lakhs in the previous financial year.

Latest technology and service offerings in the new age Digital Payments space 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 have created a revolution by themselves, and we are one among the very few banks to launch all the services to our customers introduced by NPCI during the year.

New payment initiative such as 'Bharat QR', an integrated payment system using the customers' mobile phone to pay using debit or credit card by scanning a QR code at the merchant's place and exclusive feature for E-fee payments and religious offering was introduced in the year.

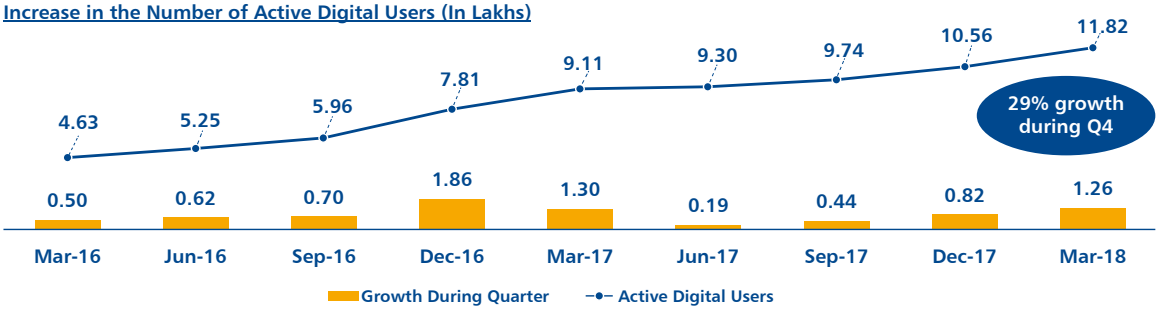
Recent demonetization exercise of higher denomination notes by the government has really accelerated the transformation of digital banking. Growth in the number of digital transactions has been exponential since November 2016 and continuing the same till date. Backed by Government thrust, people of India finally seem to have accepted/embraced digital economy.

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

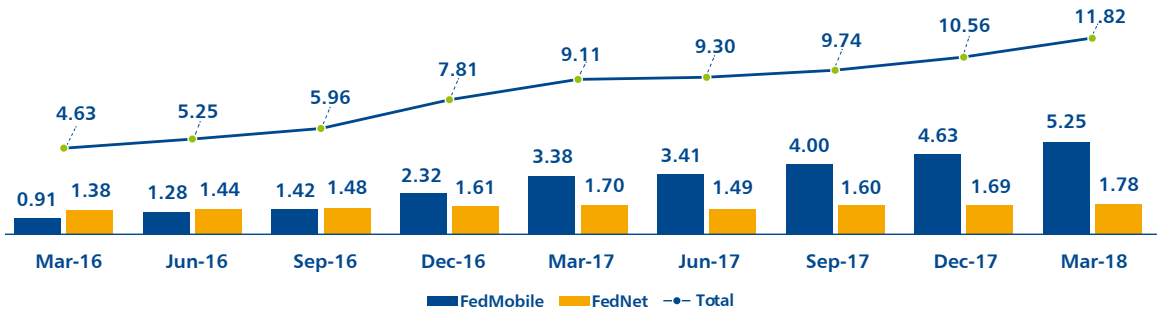
Creating capabilities is in the DNA of the Bank. As technology and digital take centre stage, we continue our obsession on customer convenience. The bank is a front runner in launching many of the new innovations which will have a positive influence in the way we do business.

Growth in active digital customers: YoY growth of 29%

Increase in the Number of Active Digital Users (In Lakhs)

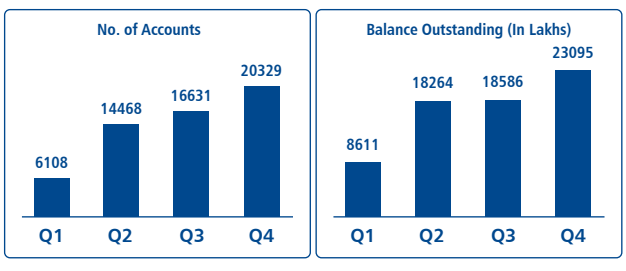


Active Digital Users for Mobile Banking (FedMobile) and Internet Banking (FedNet) (In Lakhs)

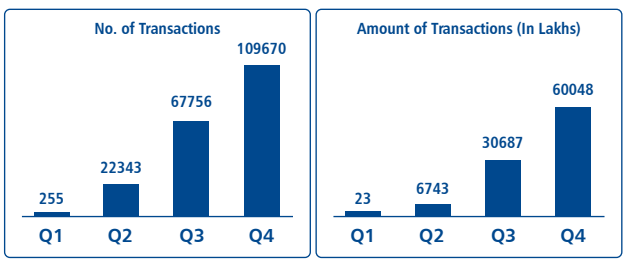


BYOM / Mobile Banking

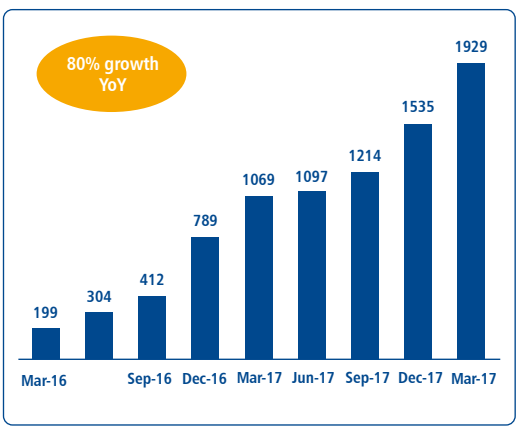
BYOM Personal Loans



Corporate Mobile Banking

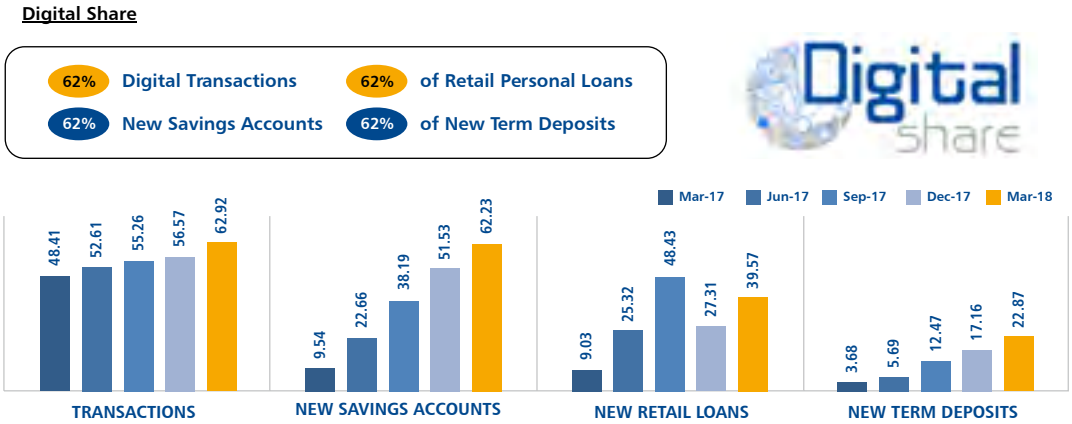


FedMobile Transaction Volume (per month in Cr)



5 Lakh active customers in Mobile Platform
80% growth in transaction volume

Digital share and migration to digital has shown steady progress



This financial year, Federal Bank achieved of 62% Y-o-Y growth in digital transactions, compared to branch transactions. The total digital share of transactions includes 62% new savings accounts opened through digital modes, 39% of retail personal loans from digital side and 22% of new term deposits are opened via digital mode. FedMobile app has 5 lakh active customers and there is 80% Y-o-Y growth in the transaction volume.

FY 17-18 witnessed the launch of various innovative products and services by Federal Bank. Federal bank is a part of the bank consortium for developing Block chain technologies, which can be applied in the financial sector. Bank has developed a Block Chain solution for inward remittance & launched Blockchain Cross Border Remittance arrangement with Lulu International Exchange. Federal bank is the first bank to tie-up with BSNL for UPI based payments online. FedCorp - mobile banking app for our corporate customers was introduced to empower them with the ease of banking at the fingertips. Bank has partnered with Airtel Seynse to finance purchase of mobile handsets. The e-Maintenance services offered by the bank- for apartment/flats/ resident associations maintenance payments, is now given a face lift by adding more features, by partnering with Unity Living. Web based application 'Paylite' was launched to process bulk payments for corporate clients. Federal bank has partnered with TamilNadu Electricity Board (TNEB) enabling Electricity Bill Payments through Federal Banks ATMs. We have partnered with Confirmation.com for Automating the 'Balance Confirmation' process for corporate clients. Federal bank was the online ticketing Partner for India vs New Zealand T20 match in Thiruvananthapuram. GST payment facility was introduced in Retail FedNet. Integrated with FlexMoney to launch Digital checkout loans on E- Commerce websites.

Federal bank has developed an API marketplace to collaborate with various FinTechs experimenting on innovative banking services including wallets, apps, customer data, cards, payments, and accounts. The first stakeholder for the services was Cointab App powered by Lotza- API Lotza Merchant SDK is integrated in CoinTab application. FedMobile- bank's mobile banking app is loaded with lot more exciting features such as online AAD, UPI services, Chat facility, Mutual funds online, and with new and improved User interface.

Credit Health Management

Credit Administration Department ensures efficiency in credit delivery through better compliance of pre-and post-disbursal covenants and error free documentation, thus contributing towards the upkeep of the health of the portfolio. Your Bank places high importance on the administration of the portfolio's routine activities ensuring the compliance of prescribed covenants as well as the compliance of statutory and Regulatory norms.

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

Your Bank actively participates in Consortium Meetings, Joint Lenders Forum (JLF), meetings and other Industry level gatherings.

Collection and dissemination of information to Credit Information Bureaus are properly utilized for administration of credit at all levels. Your Bank has put in place a system based Loan Management System (LMS) for real time management of the credit portfolio and for making the entire exercise of credit monitoring a more system oriented one.

Stressed Asset Management

Gross NPA as a percentage of gross advances ratio of the Bank stood at 3.00 % and Net NPA as a percentage of net advances ratio of the Bank stood at 1.69 %.

The Provision coverage ratio (including technical write offs) stood at a healthy 64.50%.

Information Technology

1. Payment Gateway Integration in Kerala E-Treasury System

Your bank has crossed another milestone with the integration of Federal Bank's Payment gateway in Govt. of Kerala's E-Treasury system. Government of Kerala had introduced Federal Bank's Debit card & Credit card based Payment Gateway in their E-Treasury System on 15th March 2018. Federal Bank is the only bank permitted by the Govt. of Kerala to integrate the Payment Gateway Services for Debit card & Credit card based transactions vide G.O (P) No 117/2017/Fin dated 30th Aug 2017.

Prior to the implementation of Federal Bank's payment gateway in E-treasury portal, customers having net banking account with 13 designated banks only could make online payments in favour of Govt for availing various services in E-Treasury portal. Now, using the facilities of our system, other bank customers also started remitting payments through Federal Bank's gateway, which directly increased our fee income and CASA balance.

2. Debit card PIN setting through IVR

Debit card Pin generation through IVR was introduced to reduce the timespan to activate the debit card by customer. The IVR process enabled the customer to activate the debit card instantly eliminating the requirement of paper pin mailers and reducing the cost and TAT.

Customers who wish to activate the debit card or to reset the PIN can dial the dedicated IVR number 0484 -2866700. Using the IVR self-service, customer can generate a soft PIN after successful authentication. Soft PIN will be sent to the customer by SMS and, also by a voice message in case SMS delivery do not happen within 15 minutes.

Customer can call back the IVR number set debit card PIN. Customer will have to use the soft PIN to set the debit card PIN after proper validations. The IVR application does necessary customer validations and identification before allowing the customer to set the PIN

Benefits for the customers

- Time taken for ATM PIN setting is brought down to almost real time.
- Automated activation of all digital/mobile services related to the account for the customer.
- Improved customer satisfaction as the ATM PIN is set instantly

3. Enrolment of Tirumala Tirupati Devasthanams in Federal Bank Payment Gateway

Tirumala Tirupati Devasthanam (TTD) proudly announced their new portal, integrated with Federal Bank Payment Gateway, for availing services viz Special Entry Darshan, Seva, Hundi, Donation and Accommodation, to provide pilgrims with better user experience. TTD's online portal is integrated with a fully customized platform of Federal Bank Payment Gateway, which is exclusively designed for TTD. Your bank provided all three modes of payments in the portal like Federal Bank's internet banking, Other bank's internet banking and Credit & Debit Card based payments, with support on all Visa, Master & Rupay card types. A fully automated transaction settlement system is also provided to settle the transactions to all pool accounts maintained by 10 different trusts under TTD, minimizing the workload of manual interaction.

4. Bank Guarantee, Letter of Credit and Packing Credit Limit Processing Portal

Corporate customers have been given facility to request for Bank Guarantee (BG), Letter of Credit (LC) and Packing Credit Limit (PCL) online through corporate FedNet. Corporate customers can upload the duly filled and signed BG/LC/PCL application form through this portal. Customers will have the convenience to request for these trade finance facilities without visiting the branches.

Once the request is processed, the status of request submitted by the customer will be sent to the branch (selected by the customer) and customer via SMS and E-mail. Individual SMS & Emails alerts will be sent to the customer and concerned branch on each phases of the process.

5. TAB and WEB Banking Solution

For making account opening process (Savings and Current) more efficient, your bank has implemented a fully digital process

TAB Based Account Opening solution for SB Resident Individual Accounts using e-KYC

a. Customers can walk into a branch or can request the Bank's representative to visit their place to open the account.

b. Average time for Account opening – 7 – 10 Minutes.

Web/Desktop version of the application is also implemented, which can be used for Account Opening of all CASA products.

6. Online submission of form 15G/15H

A facility to submit 15G or 15H online for the internet banking customers has been introduced, without customer visiting the branch for submission of physical papers.

7. Following services were added to Debit Card /ATMs

- Features to secure your debit cards through Card ON/OFF, ECOM ON/OFF and International ON/OFF through SMS/Fed Net/Fed Mobile.
- Enabling Aadhaar number updation through ATMs.
- Debit card PIN reset can now be initiated through FedMobile.
- Tamil Nadu electricity bill payments enabled in our ATMs at Tamil Nadu.

Risk Management

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

Risk management framework is subjected to review and upgradation on an ongoing basis, in tune with Regulatory guidelines and best practices in the industry. Integrated Risk Management Department controlled by a 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) Score Cards for assessing credit risk under different exposure segments. Your Bank is continuously reviewing and validating the credit rating models / score cards for its appropriateness and predictiveness. Migration studies and default rate analysis based on the credit risk rating provide input for policy decisions on credit deployment, pricing and monitoring of credit portfolios. Credit risk management in your Bank, through its various policies, risk assessing tools and risk mitigating measures ensures robust credit growth with superior asset quality. Currently, credit risk capital is computed using the Standardized Approach. RBI Guidelines on Basel III Capital Regulations have been implemented and your Bank is sufficiently capitalized as per the current requirements under Basel III.

Market Risk Management

Your Bank has a well-developed framework, comprising of Board approved policies and established practices, for management of market risk. Your Bank is using various tools like stress testing, duration, modified duration, VaR, etc to measure and control interest rate risk, liquidity risk and other market related risks. Your Bank has established an independent Mid Office, as part of Market Risk Division, which reports directly to the Head of the Risk Department and functions as the risk control unit for

its Treasury activities. The Mid-Office scrutinizes the treasury deals and transactions from the point of view of market risk and operational risk management. Detailed policies are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking book, trading book and off balance sheet exposures.

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

Liquidity Risk Management & Interest Rate Risk Management

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

Operational Risk Management

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

Compliance with Basel framework

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

Capital Adequacy Ratio of your Bank as on 31/03/2018 under Basel III norms stood at 14.70%. Your Bank's common equity capital level of 14.18% 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 14.88%. RBI guidelines on Basel III demands building of capital and liquidity buffers in phases and seeks to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Bank has complied with the guidelines for regulatory capital under Basel III norms and is fully prepared for moving on to complete Basel III compliance as per the implementation schedule prescribed by RBI. Your Bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel III norms. The LCR ratio of your Bank as on 31/03/2018 stood at 161.81%.

Capital Management Framework

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

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

Business Continuity Management

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

Information Security & Cyber Security

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

Customer Delight

Your Bank is always keen on Customer Convenience and Delight. Your Bank, with the purpose of enhancing Customer experience in branches, provided fine interiors that are on par with all good banks in the country and standardized furnishing with spacious elegant customer lobbies & centralized air-conditioning. The security aspect has been given utmost importance with modern equipment like Close Circuit TV, 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 231 Cash Deposit Machines 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.

Human Resources

In your Bank, HR ensures to have a well-trained, well-informed and inspired workforce with strong work ethics who only can deliver the best to be the most admired bank. HR Department in your Bank supports the employees to lead a career with best possible wellbeing, productivity and engagement at work. The HR function encourages an environment of innovation, where success is not only measured by the profit generation, but also on how effectively our stakeholders are engaged to keep us better in our strides towards excellence.

Vision of HR

HR Department of your Bank has the concrete vision to be the Best Place to Work in where people are passionate and proud about the work they do. The role of HR is to be a Strategic HR Partner wherein the goals include quality, compliance, digital awareness and business goals of the bank. The HR function in your Bank is dynamic in nature with an objective to constantly refine HR system in sync with market demands and bring changes that are futuristic and align them with the broader organisational theme of "Human at the Core, Digital at the Fore". Your Bank strives to identify, invest & groom right personnel at right position and to continuously recognize and reward their performance.

HR Configuration

To be an enabler for top performance, we continuously develop our own human resource capabilities strongly set on the pillars of Meritocracy, Entrepreneurial Culture and Federal Family. Competitive reward and compensation along with continuous skilling and learning interventions, challenging assignments both in cross functional and specialised roles enrich the Federal Talent Pool. The well-defined career path aligned with the business goals keep the employees well engaged and involved. The total Human Capital of the Bank is 12112 for the financial year under consideration. The average age of the employees of your Bank is 37 years. The current male female ratio of the Bank is 60:40.

Employee Empowerment

Your Bank as an employer is committed in creating a healthy, safe, secure work environment for employees to work. Bank promotes work life balance and believes that the quality time spent with family and friends will rejuvenate the spirit and replenish the people. A well-defined career path and career progression plan aligned with business goals to address the changing demographics of the workforce. Fast Track Career paths are offered for employees based on the performance and potential exhibited by the employees. A well organised scheme of initiatives with a holistic approach on employee enrichment and engagement ensures a balanced work

life for Federals and keep them happy and productive.

Maternity Connect

A thoughtful program for supporting and handholding the moms-to-be and those who are in the early stages of motherhood. This programme is designed to empower the young lady employees to take forward their career while shouldering family responsibilities.

Going Digital, the HR Way

Your Bank has been in the forefront of Digital Evangelisation and have won several accolades for technology enabled products and services. Bank has Zonal Digital Ambassador, techie officers in branches, digital angels, support teams and the branch teams who work round the clock to achieve maximum migration of customer transaction to online channels. Bank has Learning Strategy which also focuses on enhancing the digital awareness and drive innovation in the organisation, bringing in entrepreneurial spirit among Federals. The rigorous skilling mechanism equips Federals to tune themselves to any challenging scenario encountered on business front.

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 is restructured and made to be very realistic and justifiable.

Communication

Communication defines the basic functions of management like Planning, Organising, Motivating and Controlling which your Bank does effectively through various media. HR believes that communication is the chain of understanding the organisation from vertically and horizontally. Various platforms within the organisation enables effective communication within the shortest possible time with a wider reach. The digital platforms like Yammer could create a close knit community in your Bank that shares the pulse of the personnel. The newly formed Federal Broadcasting and Communication Centre is a trendy platform that takes care of Big Calls and centralised communications that will evolve in the days to come.

Administration & Welfare

Your Bank has an attractive compensation structure, continuous talent development, numerous opportunities to work on challenging assignments, employee engagement programs, best in class welfare measures, employee benefits and job rotation which are part of the strategy to retain and develop the employees. The Bank is amongst the very few employers in the country who have offered ESOS to employees at all levels in the organization based on performance differentiation. You Bank is guided by the philosophy that the employees are the greatest asset to the organisation and we have got one of the most trusted Talent Management strategy to attract, develop and retain both fresh and experienced talent in the institution. The robustness of the employee remuneration structure and career prospects is reflected in the low attrition rate of 2.33% in the year ended 31st March 2018 in your Bank.

The Bank is always in the forefront with thoughtful measures for the benefit of its employees with a number of measures including loans at concessional rates for various needs. Fed Cradle, the crèche facility for the kids of employees, Gymnasium, Cafeteria at Corporate Office, Talent time – recognition program for children of Federals, Sparsh – grooming programs for Federal kids and Family meets to engage their family are some other thoughtful ways of exhibiting that the Bank cares for its employees. Insurance programs for Federals among other initiatives include a limitless health insurance coverage for individual and dependent, accident insurance covering death and injuries, Group Savings Linked Insurance, Diya – an employee- employer driven corpus for deceased employees and Deepti – insurance to cover loan assets. Programs like Health insurance scheme, Odyssey – workshop on retired life for retiring Federals are also instituted for retirees of the bank.

Talent Management

Your Bank has structured an integrated Talent Management Systems to align strategic human resources with the organizational goals and to attract and retain the best talent in the organization. Your bank has a clear and well defined Career Path Policy which not only ensures 'right person at right place' but also fulfils the competency matrix. Well defined roles and Career path in each specialised areas create opportunities for employees to develop and grow. Your Bank has also ensured adequate and timely support to the newly formed business verticals with both internal and external talent.

Performance Management System

Your Bank cultivates a performance culture in its DNA by implementing a performance management system which promoted overall Business enhancement and self-learning aspects of individuals. The Talent management along with the strong performance culture integration ensures right talent is nurtured and developed. The performance cycle involves setting clear and specific expectations, goals, periodic assessment, providing ongoing feedback to focus on elements of overall performance of individuals as well as Business objectives. PRMC (Performance Review Management Committee) consisting of reporting authority, reviewing authority and senior HR personal runs through the year end performance assessment of all its officers, awards the grade which is used by HRD for all its interventions like compensation, placements and Training.

Learning & Development activities 2017-18:

Your Bank has a well-established 70:20:10 learning model of learning; which focuses on Contributing training to business development by linking to the business needs of the organization, and taking inputs from the Business Departments during the beginning of the year. Individual learning efforts are linked to Performance Management System to nurture a culture of continuous learning in the organization. 3.11L E Learning man hours created during FY 18 which is equivalent to 3.5 days of average training to its employees in addition to normal class room programs.

Certification Programs-Internal & External:

Learning is fundamental and remains at the core of all functions and processes that we do. Internal Certification Programme – bank's certification programme in Credit & General Banking were conducted. Keeping up with RBIs Capacity Building Policy bank has tied up with external institutes and also incentivised certifications in various domains like Credit, Trade Finance, Compliance, Treasury etc to name a few. Learning support is also provided to employees who were taking up Certification Course in Foreign Exchange by way of classroom training, video conferences, access to learning materials and mock assessment tests.

E-Learning

In its quest to keep up with the latest developments in the learning methods, Bank has continuously strived to make learning an ongoing mechanism with access to anywhere anytime learning. The bank has built its learning strategy to facilitate learning process across all levels through weekly online quizzes, audio visual puzzles, internal assessment tests, internal/external classroom trainings, internal certification programs and customized e learning modules for various subjects/topics. Role based learning programmes were also launched for all roles in the bank to help them acquire knowledge to do their jobs better. Compulsory pre-induction e-Learning programme is mandated for all fresher's before on- boarding to equip probationers to have an overall idea about banking. E-learning course on Information/cyber security awareness is a compulsory program for all employees in the bank. Cyber security awareness is also created through info graphic posters and screen savers to protect the interest of the customers and also the organisation against possible cyber threats. Cyber security awareness program is conducted for senior executives by industry experts. Cyber security awareness programs are also extended to our channel partners / vendor representatives.

Training Activity Highlights 2017-18

- 8511 employees were trained during FY 2017-18 in 290 Programmes.
- 252 employees were sent to external institutes for various trainings
- Atithi Devo Bhava-A sales oriented programme, 133 Programme were conducted in different locations PAN India and 3002 clerical staff have attended the programme.

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 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.

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. 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.

Migrating audits to the new Audit Management Solution "PENTANA" was a major initiative of internal audit function during the year 2017-18. An important functional advantage of the new Audit Management Solution is the move towards "Audit of processes and controls". The risk assessment is done through auditors' assessment of effectiveness of controls designed for every process/ activity. The Audit Management Solution has also paved way for increased standardization and automation in conduct of audit and the related monitoring activities.

All activities (including outsourced activities) and all entities

(including the wholly owned subsidiary) 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 and 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. 828 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 2017-18, Information System Audit was conducted in 1015 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 Departments of the Bank, Zonal Offices, Large Corporate Hubs, National and Regional Credit Hubs, Asset Recovery Branches, Currency Chests, Funds & Investment Branches 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 2017-18, 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 analyzing 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 250 branches and 29 offices, covering 61 % of total advances and 55 % 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". 235 Chartered Accountants, 43 retired Bank officials and 3 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 85 officers (as on 31.03.2018) 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 2017-18, 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	828
Information System Audit	1015
Management Audit	110
Revenue Audit	1228
Gold Loan Audit	1549
Credit Audit	1577
Legal Audit	417
Bi-monthly audits at Currency Chests	42
Audits of outsourced agencies / managed services	121

The compliance position of audit comments has improved during the year 2017-18. A significant reduction of 44% 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. Considering the increased technology led vulnerability in the market, we have established special tools for monitoring cyber frauds. In close association with the Cyberdome of Kerala Police we could prevent many fraudulent transactions and make recoveries in certain cases. Transaction Monitoring and Fraud Prevention Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. AML cell which is monitoring transactions in Money Laundering angle is functioning under Transaction Monitoring and Fraud Prevention Department. Monitoring of POS Acquiring transactions has also been brought under the purview of TMFP Department to have a holistic control over the transaction monitoring activities of the Bank. FIU India has complemented the quality reporting of the Bank based on the feedback they received from Law Enforcement Agencies.

Legal Compliance:

The Banking market is being shaken up by digital innovations. The rising global competition and the advancements in internet and mobile technology have led to the introduction of innovative technology products and delivery channels, which have increased the legal risks faced by Banks. Legal Department of your Bank formulates processes and controls that can effectively manage and mitigate the legal risks emanating from day to day business transactions of the Bank. Your Bank has a well laid down system to ensure defect free documentation so as to minimize the menace of legal risk associated with the operational risk. Legal Hubs are functioning at every zone of the Bank to render legal support to the Branches, the Underwriting Teams and Credit Administration Teams.

New products and schemes introduced by your Bank invariably undergo legal vetting by the department for ensuring legal compliance and proper analysis of legal risks involved. The department is rendering professional and expert advice on various legal issues associated with your Bank. With the strong objective of making your bank a zero customer-complaint bank, strenuous efforts are being made to reduce the number of suits/complaints filed against the Bank before different courts/consumer forums.

The fortnightly publication of "Legal Decisions Affecting Banks" circulated by the department based on verdicts rendered by Supreme Court/various High Courts/Tribunals and Various Educational Circulars issued by the Department keep the functionaries well informed on legal challenges/issues. 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 frame work for legal compliance of local laws compiling the Land and Stamp Laws, related customs and practices etc., in vogue in different states for guidance of branches/offices, especially for the use of those who are posted to a branch outside their home state. The Department has been extending faculty assistance to Federal Knowledge and Development Centre on legal topics. With a view of imparting awareness on latest developments/ amendments in law and to strengthen the knowledge base of the legal officers of the Bank, the department is conducting Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics.

Regulatory Compliance:

Compliance Department of your bank is staying abreast of changing regulatory requirements, expectations and industry practices. The Department is ensuring the best practice of compliance across various levels of your Bank. The Compliance Policy formulated by the bank empowers the compliance function as an adequately enabled, strengthened and independent unit. The policy helps to ensure the effective monitoring and co-ordination of the compliance functions in the Bank. The Policy is reviewed periodically and suitable changes are made to fall in line with the guidelines issued by the Regulators from time to time. The Compliance Manual which contains the compliance functions of each and every unit in your Bank serves as a guidance material for branches/ offices. It is comprehensively updated to stay contemporary. Your bank has a well laid-down procedure and online mechanism to monitor the compliance functions. A network of Compliance team is available for overseeing the compliance functions at various levels. Compliance Monitoring Officers have been nominated in all units to monitor the compliance functions and to develop a robust compliance culture in the bank.

Your Bank is focusing on employee education through circulars, frequent contact session, 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 year 2017-18 has been eventful for the Bank with a multitude of marketing initiatives. The Bank ventured into a national marketing campaign in a magnitude never done by the Bank before. A multi-product campaign on the theme "Why Settle for Less?" was commissioned in the second quarter of the fiscal and it was served to the audience in all popular media – TV, radio, movies, OOH, digital etc. In geographies which deserved special

attention, specialized local, regional activities were carried out as well. The financial and the national capitals of the country witnessed some very inventive branding initiatives during the campaign. The campaign was packed with contests and offers for customers, non customers and staff members of the Bank. The quarter which preceded the campaign was used to do a thorough groundwork involving all the branches of the Bank. The campaign was designed with a long tail end so that it sustained till December 2017.

The year saw several other campaigns of smaller scale as well both in India and abroad. The incessant digital marketing activities ran as an undercurrent all through the year. The Bank kept itself active in the digital space with the twin objectives of brand building and promotion of select products from time to time.

The Bank served as banking partner to the Government of Kerala for the promotional activities in connection with FIFA Under 17 football matches played in Kerala and the India New Zealand T20 match in November 2017. The association of the Bank with IIM Calcutta for its flagship start-up hunt program 'Smart Fifty' and the sponsorship of the Economic Times initiative for working professionals named 'ET Young Leaders' were strides in the direction of tapping the gen-next of the country. The Bank also partnered with many socio-cultural programs of different scale across different geographies. Special branding activity for remote and outlying branches was also done during the year.

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 various process improvements 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.

Customer Grievance

a	No. of complaints pending at the beginning of the year	58
b	No. of complaints received during the year	3639
c	No. of complaints redressed during the year	3626
d	No. of complaints pending at the end of the year.	71*

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	NIL
c	No. of Awards implemented during the year	NIL
d	No. of unimplemented Awards at the end of the year.	1**

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

*71 complaints outstanding were received during last two weeks of the FY. Out of the complaints 40% are process related 13 % are loan related, 28% are ATM/CDM/POS related, 9% deposit related, 8% related to Ombudsman complaints and 2% relate to various other areas. Bank is having a process of root cause analysis of the complaints leading to fine tune process and bring corrections wherever necessary.

Strategic Planning

The Corporate Planning Department of your bank coordinates multifarious functions like Planning, Budgeting, Monitoring of Business Performance and Business Analytics, Cost Management and Management Information systems, paving way for effective strategy building with strong future orientation, helping the bank to evolve in the best possible way. Your bank follows 'Branch Light Distribution Heavy 'approach where-in a healthy co-existence of the branch channel, consisting of 1252 Branches, 1696 ATMs and 231 CDMs, is ensured with alternate distribution channels like Relationship Managers, Field Sales Teams, Digital acquisition and Partnerships, ensuring multiple engines for customer acquisition and engagement, embracing its goals with focus, quality and granularity. The department, through its various initiatives, brings in synergy between the distribution channels to deliver the best, meeting and exceeding the expectations.

MIS wing, a multi-functionary under corporate planning Department, coordinates comprehensive reporting and automation, keeping data quality and accuracy 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, enables 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.

Data Analytics: In the era driven by 'SMAC', Social, Mobile, Analytics and Cloud, your Bank has a core Analytics team in place, harnessing the potential of the customer and transactional data, using the competitive tools available to stay relevant. Team is aligned with our principal objective to enhance the customer experience by ensuring effective customer centricity for strengthened relationship thereby ensuring customer delight and maximising customer profitability. Functional departments are augmented with relevant and effective customer engagement insights, taking into consideration not only the internal data but also leveraging the external data sources to ensure that a right product is offered to the right customer, at the right time, through the right channel, achieving increased customer wallet share and capitalising new opportunities. Timely and relevant output of analytical processes is facilitated to each and every unit of the Bank, with specific insights for perusal of top management to augment a proper informed decision-making process.

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 survival and stability in the long run.

Corporate Social Responsibility

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

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.

Major CSR projects undertaken during FY 2017-18 are:

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 2017-18 the trust offered assistance to 100 meritorious students, 20 students from each streams – Medicine, Engineering, BSc (Agri), BSc. (Nursing) & MBA. A total of Rs.2.01 Crore was spent towards scholarships for the FY 2017-18.

Digitization & adoption of Mookkannur Village.

During the launch of K P Hormis Birth Centenary Celebrations at Mookkannur on 18th October 2016, the Bank had decided to adopt Mookkannur Village, the birth place of our beloved founder and launched a one-year action plan for the Mookkannoor village. The plan included Digitizing the entire Mookkannur village and various developmental activities for the Village.

The Digitization and the developmental activities were successfully completed within the one-year period as scheduled. On 23rd October 2017, the year-long birth centenary celebrations concluded with a public meeting at Sacred Heart Public School, Mookkannoor. "Metro man", Sri. E Sreedharan was the chief guest of the occasion and delivered the keynote address. The meeting was attended by more than 7500 people.

The Digitization Mookkannoor Project enabled the residents of Mookkannoor village in getting familiarized with digital banking applications such as Fedbook, Fedmobile & Lotza. We also supported the digitization drive by making the Mookkannoor market area as a Wi-Fi zone.

In addition to the Digitization, we have undertaken many developmental activities for the village.

(i) Set up computer Labs at five schools and Learning Resource Centre for one school

(i) Education Scholarships were distributed to deserving students from the schools of Mookkannoor through M/s K P Hormis Educational and Charitable Society.

(ii) House for homeless people & support to old age homes.

(iii) Conducted a walkathon participated by more than 2500 at Mookkannoor on 23rd September 2017 to spread the messages of digitization & healthy living.

(iv) Cultural competitions for the residents of the Mookkannoor to provide a platform to display their talents.

(v) Inter collegiate Volleyball Tournament at Mookkannoor to promote sports in the Panchayath

Gift A Smile – CSR initiative in connection with Founders Day 2017

The Founders Day 2017, which also marked the Centennial Birth year of our founder was made more meaningful by the employees by conducting CSR activities at all branches. A special program named "Gift A Smile" was launched as part of the Founder's Day 2017.

Ockhi Relief Fund

Cyclone Ockhi which made landfall on 29th November had hit the coastal belts of Kerala, Tamilnadu and Lakshadweep very badly and affected large number of households living in the coastal area. Each member of the Federal family responded proactively to the call for supporting the affected people. We have mobilized a good amount towards Ockhi Relief and donated the amount to the Chief Ministers Relief Fund for supporting Ockhi victims.

Comprehensive Center for Cognitive Rehabilitation of Children at SCTIMST

Federal 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 pediatric gym.

Assistance to Autistic Youth - Ensuring Self Sufficiency

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

Providing basic amenities for Scheduled Tribes in Wayanad District

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

Promoting Support to Environmental Sustainability: Plastic Exchange Counter at Sabarimala

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

Federal Skill Academy – Kochi & Coimbatore

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

During FY 2017-18, 605 students were given skill based training and employment from Kochi & Coimbatore Federal Skill Academies.

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 three states – Kerala, Karnataka & Maharashtra under this mass youth engagement program which was attended by more than One lakh students from three states. The contest provided a platform for the college students, right from the block level upwards, to showcase their reasoning talents that take them forward in the path of self-development. The event gave a unique opportunity for the young talents to prove their mettle and nurture their debating & communication skills and thereby increase their self-confidence. The winners of the Grand Finales of Kerala, Karnataka & Maharashtra were given cash awards and scholarships for pursuing higher studies.

Federal Bank Speak for India – Kerala Edition: The Grand Finale of "Speak for India: Kerala Edition 2017-18" was held on 27th February 2018 at Cheruthuruthy. Sri Prabhu Chawla, Editorial Director, New Indian Express was the Chief Guest of the function.

Smt. Uma S Nair from Govt Law College, Thrissur emerged as Winner from 50,000 participants.

Federal Bank Speak for India – Karnataka Edition: The Grand Finale of "Speak for India: Karnataka Edition 2017-18" was held on 22nd February 2018 at Bangalore and Ms Fathima Shakir from National Institute of Technology, Suratkal emerged as the Winner.

Federal Bank Speak for India – Maharashtra Edition: The Grand Finale of "Speak for India: Maharashtra Edition 2017-18" was held on 8th February 2018 at Mumbai and Sri Ath Tiwari from Shri Ramdeobaba College of Engineering & Management, emerged as the Winner.

Bandhan – Adoption of Schools

As part of our Founder's Day celebrations of year 2013, we have started a new scheme "Bandhan" under which each branch could adopt one school in their locality. In the first phase we have supplied drinking water facility to the 1200 adopted schools as a CSR initiative. Later many projects were launched to improve sanitation, infrastructure and other facilities to the adopted schools. Last year we had constructed/renovated toilets for schools, supplied basic furniture, provided drinking water facilities and computer lab to the adopted schools. The project was done in alignment with the Swatch Bharat / Vidyalaya mission of the Government. The activity would be continued this year as well to build more toilets/parks/ setting up computer labs / libraries / provide clean drinking water to the adopted schools those lack primary facilities.

SEED – Student Empowerment for Environment Development

To build awareness amongst student fraternity to conserve the earth's natural resources, Federal Bank has 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 six years.

Ind AS Implementation

The Reserve Bank of India (RBI) issued a circular in February 11, 2016 requiring banks to implement Indian Accounting Standards (Ind AS) and prepare standalone and consolidated Ind AS financial statements with effect from April 01, 2018. RBI in its press release issued on April 5, 2018 has deferred the applicability of Ind AS by one year due to necessary legislative amendments – to make the format of financial statements, prescribed in the Third Schedule to Banking Regulation Act 1949, compatible with accounts under Ind AS and level of preparedness of many banks.

Banks shall comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning from April 1, 2019 onwards, with comparatives for the period ending March 31, 2019.

With respect to the various instructions from Ministry of Corporate Affairs and Reserve bank of India (RBI),

- 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 bi-monthly and discuss the progress made.
- The impact of the financial reporting systems and processes are being carried out by Bank's internal team along with the external consultants in detail.
- The Bank is in the process of implementing necessary changes in the IT system 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.
- The Proforma Ind AS financial statements and the informations was submitted to RBI, as required by RBI for the period ending September 30, 2016 and June 30, 2017.
- 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.

RISING NR SHARE

The fact that 15% of the total NRI remittance to India comes through Federal Bank gives an unequivocal hint about the Bank's unassailable leadership in this segment. Serving NRIs in nearly 126 countries, with 110 alliances and partnerships, Federal Bank reaches out to this preferred segment across all its geographies of focus, globally.



CORPORATE GOVERNANCE

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

Corporate Objective of the Bank

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

The Code of Corporate Governance was last amended in the Board Meeting held on 5 December 2017, keeping in line with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Agreement") and RBI regulations . A copy of the Code is available on request for the members of the Bank, and relevant portions are available on the website of the Bank.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act,2013 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Code of Corporate Governance adopted by the Bank. The Board comprises of 10 Directors as on 31 March 2018, 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.

Mr. K M Chandrasekhar ceased to be the Director of the Board of the Bank w. e. f 01st March 2018, on completion of 70 years of age. The Board places its appreciation for the valuable contributions made by him for the overall development of the Bank.

During the year Mr. A P Hota was appointed as an Additional Independent Director on the Board of the Bank, with effect from 15th January 2018. Mr. Ashutosh Khajuria has been reappointed as Executive Director on the Board of the Bank for a period of two years with effect from 28th January 2018 for which RBI approval was obtained vide letter No. DBR Appt No.6837/08.38.001/2017-18 dated 25th January 2018. The Board had on 16.04.2018 approved the reappointment of Mr. Ganesh Sankaran as Executive Director on the Board of the Bank for a period of two years with effect from completion of his present term which is subject to RBI approval.

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

The Board had in its meeting dated 22nd February 2018 approved the appointment of Mr. Nilesh S Vikamsey as the Part Time Chairman of the Bank with effect from 1st March 2018 till his retirement from the Board of the Bank on completion of eight years and for which RBI approval is awaited.

No relationship exists between the Directors of the Bank.

Mr. Ganesh Sankaran, Executive Director is liable to retire by rotation at this AGM as per the Companies Act, 2013. Appointment of Mr. A P Hota as Independent Director is placed for shareholders approval in this AGM. Confirmation of shareholders is also sought for the reappointment of Mr Ashutosh Khajuria as Executive Director of the Bank as approved by RBI and reappointment of Mr Ganesh Sankaran as Executive Director of the Bank which is subject to RBI approval.

Ten Board Meetings were held during the Financial Year ended 31 March 2018. The dates of the Board Meetings were 28 April 2017, 07 June 2017, 15 July 2017, 26 July 2017, 13 September 2017, 16 October 2017, 05 December 2017, 15 January 2018, 22 February 2018 and 13 March 2018.

Attendance Details for Board meetings of the Directors as on 31 March 2018 and shareholding details of Directors is given below.

Name of Director	Designation	No of Board Meetings attended/held during the year 2017-18	Attendance at Last AGM held on 14 July 2017	Shareholding of Directors as on 31 March 2018
Mr. K M Chandrasekhar*	Independent Director (Immediate Past Chairman)	8/10	Present	----
Mr. Nilesh S Vikamsey@	Part time Non Executive Chairman and Independent Director	8/10	Absent	----
Mr. Dilip G Sadarangani	Independent Director	10/10	Present	----
Mr. Harish H Engineer	Independent Director	7/10	Absent	----
Ms. Grace Elizabeth Koshie	Independent Director	10/10	Present	----
Ms. Shubhalakshmi Panse	Independent Director	10/10	Present	----
Mr. C Balagopal	Independent Director	10/10	Present	----
Mr. A P Hota%	Independent Director	2/10	NA	----
Mr. Shyam Srinivasan	MD & CEO	10/10	Present	48,81,000
Mr. Ashutosh Khajuria	Executive Director	10/10	Present	2,42,000
Mr. Ganesh Sankaran	Executive Director	10/10	Present	----

@ Mr. Nilesh S Vikamsey was appointed as Chairman of the Board of the Bank w.e.f 01 March 2018 for which RBI approval is awaited.
* Mr. K M Chandrasekhar ceased to be a Director of the Bank w.e.f 01 March 2018.
% Mr. A P Hota was appointed as an Additional Independent Director on the Board of the Bank, w.e.f 15 January 2018.

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

Directorship of Bank's Directors in other Companies as on 31 March 2018 are as follows:

Name of the Director	Directorship on the Board of other companies	Number of Committee memberships (Chairmanship) in other Companies[2]
CA. Nilesh S Vikamsey	9	7(2)
Mr. Dilip G Sadarangani	1	1
Mr. Harish H Engineer	8	5(1)
Ms. Grace Koshie	1	1
Ms. Shubhalakshmi Panse	9	4
Mr C Balagopal	1	1
Mr. A P Hota	2	2
Mr. Shyam Srinivasan	2	NIL
Mr. Ashutosh Khajuria	1	NIL
Mr. Ganesh Sankaran	1	1

Note:

1. For the purpose of considering the limit of the Directorships and limits of Committee 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.

2. 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 Committee in other companies.

Board Procedure

All the matters included in the Agenda for discussion in the Board/ Committee 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 at least one third of Directors as Independent Directors and the Chairman of the Board is a Non-Executive Independent Director.

Remuneration to Directors

Mr. Shyam Srinivasan, MD & CEO, was paid ₹ 15,939,608 (gross) and Mr. Ashutosh Khajuria, Executive Director & CFO, reappointed as Executive Director from 28 January 2018, was paid ₹ 9,907,088.66(gross), and Mr. Ganesh Sankaran, Executive Director, who joined the Board on 04 July 2016 was paid ₹ 10,205,382.58 (gross), as remuneration for FY 2017-18 in accordance with the terms and conditions approved by Reserve Bank of India.

During the year, approval from RBI was obtained vide letter No. DBR Appt No.6837/08.38.001/2017-18 dated 25 January 2018 for the payment of remuneration as per the revised terms and conditions to Mr. Ashutosh Khajuria with effect from 01st February 2018. Mr. Shyam Srinivasan, MD & CEO was paid a variable pay of ₹ 25,00,000/- during FY 2017-18 with the approval of RBI. Mr. Ashutosh Khajuria and Mr. Ganesh Sankaran Executive Directors, were paid variable pay of ₹ 15,00,000/- during FY 2017-18, with the approval of RBI. Mr. Nilesh Vikamsey on being appointed as the Part Time Chairman of the Bank by the Board will be paid remuneration of ₹ 1.50 lakh per month in addition to sitting fee for attending Board/Committee meetings which is subject to RBI approval.

a) No pecuniary relationship/transaction exists for Independent Directors/Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings/ monthly remuneration during the year as per law. The Independent Directors of the Bank also had no pecuniary relationship with the Bank, its subsidiary or associate company or their promoters or directors during the two immediately preceding financial years.

b) The criteria of making payments to Independent Directors/ Non-executive Directors of the Bank are contained in the Comprehensive Compensation Policy for Non Executive Directors which is disclosed on the Bank's website, the web link to which is : *http://www.federalbank.co.in/shareholder-information*

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

Sl. No	Name of Directors	Sitting fee paid to Non Executive - Independent Directors for FY 2017-18
1.	Mr. K. M. Chandrasekhar#	₹3,070,000
2.	Mr. Nilesh S Vikamsey	₹1,240,000
3.	Mr. Dilip G Sadarangani	₹1,980,000
4.	Mr. Harish H Engineer	₹1,370,000
5.	Ms. Grace Koshie	₹2,090,000
6.	Ms. Shubhalakshmi Panse	₹1,940,000
7.	Mr. C Balagopal	₹1,170,000
8.	Mr. A P Hota	₹ 1,60,000%
	Total	**₹13,020,000**

Includes an amount of ₹ 15 lakhs paid as remuneration with the approval of Board and RBI during the year to Mr. K M Chandrasekhar, who was the Chairman of the Board of the Bank w.e.f 01 March 2017 till 28th February 2018.
% Mr. A. P. Hota appointed as additional Independent Director w.e.f. 15.01.18.

The details of remuneration paid to Mr. Shyam Srinivasan, MD & CEO, Mr Ashutosh Khajuria and Mr. Ganesh Sankaran, Executive Directors during FY 2017-18 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	2,283,338.00	2,000,004.00
Allowances & Perquisites[5]	1,439,608.00	6,123,750.66	6,705,378.58
Performance Linked Incentive	2,500,000.00	1,500,000.00	1,500,000.00
Total	**15,939,608.00**	**9,907,088.66**	**10,205,382.58**

Note:
1. During FY 2017-18, MD & CEO relinquished his entire ESOS eligibility and offered his grant to the ESOS pool.
2. Mr. Ashutosh Khajuria, Executive Director was granted 6,00,000 options @ ₹116.85 per option during FY 2017-18 for which RBI approval is awaited. The options will vest over a period of 3 years in the ratio of 50%,30% and 20 % respectively in each consecutive years on fulfillment of the vesting conditions.
3. Mr. Ganesh Sankaran, Executive Director was granted 6,00,000 option @ ₹ 116.85 per option, 2,00,000 option @ ₹ 72.45 per option and 5,00,000 options @ ₹105.65 per option during FY 2017-18 for which RBI approval is awaited. The options will vest over a period of 3 years in the ratio of 50%,30% and 20 % respectively in each consecutive years on fulfillment of

the vesting conditions.

4. In addition to gross salary contribution to Provident Fund of ₹ 1200000.00 was paid to Mr. Shyam Srinivasan, MD &CEO, ₹ 203336.00 was paid to Mr. Ashutosh Khajuria, Executive Director & CFO and ₹ 2,00,004.00 to Mr. Ganesh Sankaran, Executive Director during FY 2017-18
5. 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 ₹ 364753180.00 and ₹ 20566500.00 respectively relating to perquisite for ESOS.

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

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

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

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

Separate meeting of Independent Directors and Familiarization Programme

A separate meeting of the Independent Directors of the Bank was held on 10 April 2018.

Terms of Reference are:

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

a) To review the performance of the management during the year.

b) To evaluate/review of the performance of non-independent directors of the Bank, the Board/ Committee of Board

c) To review of the performance of the Chairperson of the Bank

d) To assess the quality, quantity and timeliness of flow of information between the Bank's management and the Board, that is necessary for the Board to effectively and reasonably perform their duties.

Attendance Details are given below.

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

All the Independent Directors attended the meeting.

The Bank familiarizes the Independent Directors with their roles, rights and responsibilities in the Bank at the time of appointment and also on a continual basis. The Bank also familiarizes the Independent Directors with the nature of the industry in which the Bank operates, business models and other important matters relating to Bank's business. Some of the major familiarization/ training programmes provided to directors during FY 2017-18 includes:

i) Presentation on Ind AS advisory services-Ind AS with its impact on banking sector.

ii) Presentation on various aspects of preparedness of the Bank on the implementation of IND-AS.

iii) Presentation made on Companies (Amendment) Bill,2017.

iv) Presentation on stress testing concepts, processes and methodologies.

v) Presentation on ICAAP

vi) Presentation highlighting products and progress made by the Bank in respect of Digital Banking.

vii) CAFRAL- Programme for Non-Executive Directors on the boards of Banks & financial institutions

The details of the familiarization programme/training given to Directors of the Bank for FY 2017-18 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 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 him being appraised at meetings.

vii) Knowledge and Competency:

- How the person fares across different competencies as identified for effective functioning of the entity and the Board
- Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates.

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

Board Committee and its terms of Reference

Audit Committee

The Audit Committee consists of four non-executive Independent Directors, chaired by Ms. Grace Elizabeth Koshie, a Non-Executive Independent Director. The other members of the Committee as on 31 March 2018 are Mr. Nilesh S Vikamsey, Ms. Shubhalakshmi Panse and Mr. A P Hota who are Non-Executive Independent Directors. The Committee was re-constituted once in the financial year 2017-18 on 23 February 2018.

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

The terms of reference of the Audit Committee and incorporated in the Bank's Code of Corporate Governance, are in accordance with the listing agreements entered into by the Bank with Stock Exchanges where the Bank's shares are listed, Companies Act, 2013 and RBI guidelines.

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

1. Review the company's financial and where necessary, recommend changes for the Board's approval.
2. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems
3. Review periodically the adequacy of internal control systems (including the asset-liability management and risk-assessment and management systems) with the management and external and internal auditors, assure itself that the systems are being effectively observed and monitored, and, where necessary, approve changes or recommend changes for the Board's approval;
4. Review the adequacy of the internal audit function, including

i) monitoring and reviewing the effectiveness of the Internal audit function;

ii) the structure of the internal audit department, staffing, and the suitability and seniority of the official heading it, reporting structure coverage, and the frequency of internal audit, and, where necessary, approve changes;

iii) approving internal audit plan, scope and budget;

iv) reviewing and discussing internal audit reports;

v) ensuring internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee;

vi) assessing the performance of the head of the internal audit function; and

vii) approving / recommending to the Board for its approval, the appointment, re-appointment or removal of the head of the internal audit function and the key internal auditors;

5. Discussion with internal auditors of any significant findings and follow up there on.
6. Discussion with the Head of Internal Audit in a private session, in the absence of the management, on issues of interest.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
8. Review and have oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be.
9. Recommend to the full Board for shareholders' approval, the appointment, reappointment, removal, or replacement and terms of appointment of auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit.

10. Approve the terms of engagement of the services of the external/statutory auditors for rendering any other professional services to the Bank and the fee therefore
11. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, and ensure coordination where more than one audit firm is employed.
12. Reviewing and examine with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

i) any changes in accounting policies and practices;

ii) major accounting entries involving estimates based on the exercise of judgement 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 3of 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 judgements affecting the statements, and the Bank's compliance with statutory and regulatory requirements, and

iii) The auditors' long-form audit report and management letter and the management's response, and

iv) Any concerns of the auditors with respect to the said systems and procedures, the financial statements, any aspect of compliance, or any other matter arising from or related to the audit;

15. Discuss with the management the auditors' report and assessment, their qualifications and concerns, if any, and the management's response to the auditors' management letter and long-form audit report;
16. Review with the management, and if necessary with the external auditors, any inspection or other report of RBI on the Bank or other communication from RBI on the audit, internal controls, financial reporting, or other aspects of the Bank falling within the remit of the Committee, and the management's response thereto;
17. To review and oversight the functioning of the Whistle Blower mechanism.
18. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
19. Approval or any subsequent modification of transactions of the Bank with related parties.
20. Valuation of undertakings or assets of the Bank, wherever it is necessary
21. Evaluation of internal financial controls and risk management systems.
22. Monitoring the end use of funds raised through public offers and related matters.
23. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.
24. Scrutiny of inter-corporate loans and investments, if any.
25. To consider and approve/grant omnibus approval for certain Related Party Transactions.
26. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.
27. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
28. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
29. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue,

rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

30. Review arrangements by which staff of the bank may confidentially raise concerns about possible improprieties in matters of financial reporting.

31. The Audit Committee of the Board shall:

i) ensure that senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner;

ii) address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors, and

iii) ensure that deficiencies identified by supervisory authorities related to the internal audit function are remedied within an appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.

Powers of Audit Committee:

The Audit Committee shall have the authority –

i) 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.

ii) to discuss any related issues with the internal and statutory auditors and the management of the company.

iii) to investigate into any matter in relation to the items referred to it by the Board.

iv) to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice.

v) 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 8 (eight) times during the year on 27 & 28 April 2017, 14 July 2017, 26 July 2017, 11 October 2017, 16 October 2017, 21 December 2017, 15 January 2018 and 21 February 2018.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2017-18
Ms. Grace Elizabeth Koshie	Non Executive - Independent Director	8/8
Mr. Nilesh S Vikamsey	Non Executive - Independent Director	6/8
Ms. Shubhalakshmi Panse	Non Executive - Independent Director	8/8
Mr. A P Hota@	Non Executive - Independent Director	0/8

@ Mr. A P Hota joined as a member of the Committee w.e.f 23 February 2018 as per the reconstitution of the Committee approved by the Board and no Audit Committee was held thereafter till 31 March 2018.

Nomination, Remuneration, Ethics and Compensation Committee

The Committee is chaired by Mr Dilip G Sadarangani and consists of Mr Nilesh S Vikamsey and Ms Grace Koshie as members. The Committee was re- constituted once in the financial year 2017-18 on 23 February 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 judgement of the Directors;
2. reviewing, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or the MD & CEO or other Directors, shareholders or others;
3. recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board.
4. carrying out evaluation of every director's performance.
5. deciding on the matter of whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and independence of a director;
7. devising a policy on diversity of board of directors;
8. recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;

The 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 20 May 2017, 14 August 2017, 19 September 2017, 31 October 2017, 16 February 2018 and 21 March 2018.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. Nilesh S Vikamsey	Non Executive - Independent Director	5/6
Mr. K M Chandrasekhar$	Non Executive - Independent Director	5/6
Mr. Dilip G Sadarangani	Non Executive - Independent Director	6/6
Ms. Grace Koshie$$	Non Executive - Independent Director	1/6

$ Mr. K M Chandrasekhar retired as Director from the Board w .e. f. 01 March 2018.
$$ Ms. Grace Koshie joined as a member of the Committee w.e.f 23 February 2018 as per the reconstitution of the Committee approved by the Board.

Investor Grievance, Share Transfer and Stakeholders Relationship Committee

The Committee is chaired by Mr. Dilip G Sadarangani, Independent Director and consists of Mr. C Balagopal, Mr. Shyam Srinivasan, MD & CEO of the Bank & Mr. Ashutosh Khajuria, Executive Director as members. The Committee was re constituted once in the financial year 2017-18 on 23 February 2018.

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 of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints;
2. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
3. Approve or reject applications for transfer/transmission of shares referred to the Committee by the Bank's Registrar and Share Transfer Agent in terms of such criteria as may be

determined by the Committee and conveyed to the Agent.

4. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Bank, issue of duplicate share certificates;
5. To oversee the performance of the Registrar and Transfer Agent of the Bank;
6. Recommend measures for overall improvement in the quality of investor services;

The Committee met 8 (Eight) times during the year and reviewed and redressed the complaints received from shareholders. The Committee met on 30 May 2017, 09 August 2017, 02 September 2017, 19 October 2017, 13 November 2017, 14 December 2017, 31 January 2018 and 22 March 2018.

The Bank attended to the complaints promptly and to the satisfaction of the shareholders. All the share transfer applications received up to 31 March 2018 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
1	2	3	NIL

As on 31 March, 2018,apart from the complaints, around 1080 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 11 requests were pending as on 31 March, 2018.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. Dilip G Sadarangani	Non Executive - Independent Director	8/8
Mr. C Balagopal	Non Executive - Independent Director	8/8
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	8/8
Mr. Ashutosh Khajuria	Executive Director	8/8

Credit, Investment and Raising Capital Committee

Presently the Committee is chaired by Mr. Harish Engineer (Independent Director) and consists of Mr. Dilip G Sadarangani, (Independent Director), Mr. Shyam Srinivasan, MD & CEO of the Bank and Mr. Ganesh Sankaran, Executive Director as members. The Committee was reconstituted once in the financial year 2017-18 on 23 February 2018.

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

1. Consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients within such authority as delegated to it by the Board from time to time;
2. Monitor the credit and investment exposures of the Bank, review the adequacy of the credit and investment risk management processes and policies, internal control systems and compliance of statutory, regulatory and other applicable norms;
3. Periodically review the large corporate loans and advances appearing in SMA lists;
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 committee and call for more particulars/ comments/clarifications, if necessary;
6. Periodically review Non Performing Assets of large value (₹5 crore and above) and also a pool of NPAs in various categories (substandard, doubtful and loss);
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 Committee & Investment and Raising Capital Committee met 11 (Eleven) times during the year and the dates of meetings were on 25 April 2017, 02 June 2017, 21 June 2017, 27 June 2017, 29 June 2017, 26 July 2017, 21 August 2017, 16 October 2017, 05 December 2017, 27 December 2017 and 12 February 2018.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. Harish H Engineer	Non Executive - Independent Director	11/11
Mr. Dilip G Sadarangani	Non Executive - Independent Director	11/11
Mr. K M Chandrasekhar#	Non Executive - Independent Director	11/11
Ms. Grace Koshie##	Non Executive - Independent Director	3/11
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	10/11
Mr. Ganesh Sankaran	Executive Director	10/11

Mr. K M Chandrasekhar retired as Director from the Board w .e. f. 01 March 2018
Ms. Grace Koshie was a member of the Committee to consider the matter relating to raising of fund by way QIP for the Bank during FY 2017-18 as per the Board direction.

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. Ganesh Sankaran, Executive Director as members. The Committee was reconstituted once in the financial year 2017-18 on 23 February 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 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) 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) Reviewing and approving the Internal Capital Adequacy Assessment Process.

h) Approval/Review of credit rating process, fixation of exposure ceilings for various types of exposures, geographies, sectors, industries etc and based on internal / external rating, borrower category/ groups etc.

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.

Powers of the Risk Management Committee (RMC)

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

a) Approval/review of the policy and strategy for integrated risk management covering credit, market and operational risks.

b) Approval of the risk limits of the Bank, and its periodic review as and when needed.

c) Approve standards / delegation for credit dispensation.

d) Approval 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) Approval of systems and tools for management of all the three categories of risks.

f) Approving 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) Approving 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 and approve the functions of the CRMC, ALCO, ORMC and ISC from time to time.

k) Approving policy for interest rate review/funding/ pricing of products etc of the Bank.

l) Ensuring capital adequacy management with due regard to various risks impacting the balance sheet.

m) Approving reviews on assessment, monitoring and controlling of non-quantifiable risks like strategic risk, reputation risk etc.

The Risk Management Committee met 4 (Four) times during the year and the dates of the meetings were 18 May 2017, 14 August 2017, 21 December 2017 and 16 February 2018.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2017-18
Ms. Shubhalakshmi Panse	Non Executive - Independent Director	4/4
Ms. Grace Elizabeth Koshie	Non Executive - Independent Director	4/4
Mr. C Balagopal	Non Executive - Independent Director	3/4
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	4/4
Mr. Ganesh Sankaran%%	Executive Director	0/4
Mr. Ashutosh Khajuria%	Executive Director	3/4

% Mr. Ashutosh Khajuria ceased to be a member of the Committee w.e.f. 23 February 2018 as per the reconstitution of the Committee approved by the Board

%% Mr. Ganesh Sankaran joined as a member of the Committee w.e.f 23 February 2018 as per the reconstitution of the Committee approved by the Board and there was no meeting during FY 2017-18 after 23 February 2018.

Customer Service, Marketing Strategy & Digital Banking Committee

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

The Committee was reconstituted once in the financial year 2017-18 on 23 February 2018 and name of the committee has been changed from Customer Service & Marketing Strategy Committee to Customer Service, Marketing Strategy Committee & Digital Banking Committee.

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.

In respect of the Marketing functions of the Bank, the key roles & responsibilities of the Committee are:

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:

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 3 (Three) times during the year and the dates of the meetings were 04 May 2017, 08 August 2017 and 12 February 2018.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. C Balagopal	Non Executive - Independent Director	2/3
Mr. K M Chandrasekhar*	Non Executive - Independent Director	3/3
Mr. Harish H Engineer	Non Executive - Independent Director	3/3
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Mr. Ashutosh Khajuria	Executive Director	3/3
Mr. A P Hota**	Non Executive - Independent Director	0/3

* Mr. K M Chandrasekhar retired as Director from the Board w .e. f. 01 March 2018.
**Mr. A P Hota joined as a member of the Committee w.e.f 23 February 2018 as per the reconstitution of the Committee approved by the Board and there was no meeting during FY 2017-18 after 23 February 2018.

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 , Mrs. Grace Elizabeth Koshie, Mr. Nilesh S Vikamsey (Independent Directors) and Mr. Ashutosh Khajuria, Executive Director as members. As required under the RBI regulations, all fraud cases of ₹ 1 Crore and above are considered by the Committee and as directed by the Audit Committee, all fraud cases of ₹1 Lakh and above are reported to this Committee. There is no change in the constitution of the Committee during FY 2017-18. 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 the Committee of the Board. The periodicity of the meetings of the Committee may be decided according to the number of cases involved. In addition, the Committee should meet and review as and when a fraud involving an amount of ₹100 lakh and above comes to light. 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.

The Committee met 1(One) time during the year on 14 July 2017.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	1/1
Ms. Shubhalakshmi Panse	Non Executive - Independent Director	1/1
Ms. Grace Elizabeth Koshie	Non Executive - Independent Director	1/1
Mr. Nilesh S Vikamsey	Non Executive - Independent Director	1/1
Mr. Ashutosh Khajuria	Executive Director	1/1

Committee for Human Resources Policy

The Committee is chaired by Mr. C Balagopal (Independent Director) and consists of Mr Nilesh S Vikamsey, Ms. Shubhalakshmi Panse(Independent Directors), Mr. Shyam Srinivasan, MD & CEO of the Bank and Mr. Ganesh Sankaran (Executive Director) as members. The Committee was reconstituted once in the financial year 2017-18 on 23 February 2018.

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

1. To review HR Strategy aligning with business strategy of the Bank
2. Periodic review of existing HR policy of the Bank.
3. To review productivity levels of employees benchmarking with peers in the industry
4. To review compensation policy of the Bank
5. To review outsourcing Policy of the Bank
6. To review Learning Initiatives
7. To review Skill gaps and Talent pool creation
8. To review Funding Superannuation Policy
9. To review periodic HR Plans and Activities

The Committee met 3 (Three) times during the year and the dates of the meetings were 10 April 2017, 16 October 2017 and 25 January 2018.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. C Balagopal	Non Executive - Independent Director	3/3
Mr. Nilesh S Vikamsey	Non Executive - Independent Director	2/3
Ms. Shubhalakshmi Panse	Non Executive - Independent Director	3/3
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Mr. Ganesh Sankaran!	Executive Director	0/3

!Mr. Ganesh Sankaran joined as a member of the Committee w.e.f 23 February 2018 as per the reconstitution of the Committee approved by the Board and there was no meeting during FY 2017-18 after 23 February 2018.

Information Technology & Operations Committee

The Committee is chaired by Mr. A P Hota (Independent Director),and consists of Ms. Shubhalakshmi Panse , Mr. Dilip G 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. The Committee was reconstituted once in the financial year 2017-18 on 23 February 2018.

Terms of Reference/ Roles and Responsibilities of the Committee are

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

1. Approving IT strategy and policy documents and reviewing the same from time to time
2. Ensuring that the management has put an effective strategic planning process in place
3. Ensuring that the business strategy is indeed aligned with IT strategy
4. Ensuring that the IT organizational structure complements the business model and its direction
5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable
7. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
8. Ensuring proper balance of IT investments for sustaining bank's growth
9. Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks through oversight over the proceedings of the Information Security Committee
10. Assessing Senior Management's performance in implementing IT strategies
11. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
12. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
13. Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks
14. Reviewing IT performance measurement and contribution of IT to businesses

In respect of the Operations functions of the Bank, the key roles & responsibilities of the Committee are:

1. Ensuring that the management has put an effective strategic planning process in place for operational activities that balances risk, customer experience and costs reviewing the same from time to time
2. Ensuring that the Operations organizational structure complements the business model and its direction
3. Ensuring that management has put in place effective steps to mitigate operational risks relating to the core operational processes of the Bank
4. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
5. Reviewing metrics and measurement relating to operational processes so as to ensure due contribution to the business

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 5 (five) times during the year and the dates of meetings were 18 May 2017, 14 August 2017, 11 October 2017, 04 December 2017 and 16 February 2018.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. Dilip G Sadarangani	Non Executive - Independent Director	5/5
Mrs. Grace Elizabeth Koshie##	Non Executive - Independent Director	5/5
Mrs. Shubhalakshmi Panse	Non Executive - Independent Director	5/5
Mr. A P Hota#	Non Executive - Independent Director	0/5
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	5/5

#Mr. A P Hota joined as member and chaired the Committee w.e.f 23 February 2018 as per the reconstitution of the Committee approved by the Board and there was no meeting of the Committee during FY 2017-18 after 23 February 2018.
##Mrs. Grace Elizabeth Koshie ceased to be a member of the Committee w.e.f. 23 February 2018 as per the reconstitution of the Committee approved by the Board

Corporate Social Responsibility Committee

The Committee is chaired by Mr. Harish Engineer (Independent Director) and consists Mr. A P Hota (Independent Director), Mr. Shyam Srinivasan, MD &CEO of the Bank and Mr. Ashutosh Khajuria, Executive Director as its members. The Committee was reconstituted once during the financial year 2017-18.

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

The CSR Committee shall

- 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 as specified in schedule VII of the Companies Act, 2013;
- 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
- 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

The Committee met 2 (Two) times during the year and the dates of meetings were 08 August 2017 and 23 November 2017.

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. Harish Engineer	Non Executive - Independent Director	2/2
Mr. K M Chandrasekhar**	Non Executive - Independent Director	2/2
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	2/2
Mr. Ashutosh Khajuria	Executive Director	2/2
Mr. A P Hota***	Non Executive - Independent Director	0/2

**Mr. K M Chandrasekhar retired as Director from the Board w .e. f. 01 March 2018.
*** Mr. A P Hota joined as member of the Committee w.e.f 23 February 2018 as per the reconstitution of the Committee approved by the Board and there was no meeting during FY 2017-18 after 23 February 2018.

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. Harish H Engineer and Mr. Dilip G 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.

No meeting of the Committee was held during FY 2017-18 since no cases for the coverage was there.

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

Review committee of the Board for Wilful Defaulters

The Committee is chaired by Mr. Shyam Srinivasan, MD & CEO of the Bank and consists of Mr. Harish H Engineer and Ms. Grace Koshie (Independent Directors) as its members.

The Committee met 1 (One) time during the year and the date of meeting was 06 March 2018.

Name of the members	Category	No of meetings attended/ held during 2017-18
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	1/1
Mr. Harish Engineer	Non Executive - Independent Director	1/1
Ms. Grace Elizabeth Koshie	Non Executive - Independent Director	1/1

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 mangement 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 *http://www.federalbank.co.in/our-commitments*

Subsidiary and Joint Venture Company of the Bank

The Bank has one subsidiary company, Fedbank Financial Services Limited. Three Directors of the Bank, Mr. Shyam Srinivasan, Mr. Dilip G Sadarangani and Mr. Ganesh Sankaran are Directors of the Bank in the Bank's Subsidiary Company. The Bank has no material subsidiaries as per the conditions laid down in the Listing Agreement and hence no Policy on material subsidiary has been framed.

The Bank has one Joint Venture Life Insurance Company, named IDBI Federal Life Insurance Company Limited. Two Directors of the Bank, Mr. Shyam Srinivasan and Mr. Ashutosh Khajuria are Directors of the Bank in the Bank's Joint Venture Company.

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 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 lodge complaints/disclosures under this scheme. A dedicated e-mail ID is provided for sending complaints/disclosures under PDS. No personnel have been denied access to the Audit Committee for giving any information as envisaged in the Protected Disclosure scheme. Vigilance department plays a dynamic role in prevention as well as investigation of frauds. Preventive measures includes 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 industrious Preventive Vigilance Workshops, Preventive Vigilance Audits 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.

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

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
84th Annual General Meeting	Monday,29 June, 2015 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for Approval for Issue of Bonus Shares to the Shareholders of the Bank.
85th Annual General Meeting	Thursday,11 August, 2016 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for i) Approval for amendment of the Memorandum of Association of the Bank. ii) Approval for amendment of the Articles of Association of the Bank. iii) Approval of Long Term Bond issuance programme for the financial year 2016-17
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.Nilesh S 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

Special Resolution for Raising of Capital of the Bank through Issuance of Securities and Increase of ceiling limit of FII/FPI upto 74 % of the paid up capital of the Bank has been passed through Postal Ballot in FY 2017-18.

Mr. P Sivakumar of M/s. SVJS & Associates, Practicing Company Secretaries, Kochi was appointed as the Scrutinizer for overseeing the postal ballot voting process. The details of voting pattern and resolutions passed are as follows:

1. Special Resolution for issuing specified securities in one or more tranches for an amount not exceeding in the aggregate ₹ 2500 Crore (Rupees Two Thousand Five Hundred Crore only) or its equivalent amount in such foreign currencies as may be necessary, inclusive of any premium by way of public issue, private placement, or rights issue including Qualified Institutions Placement ("QIP")

Particulars	Number of Votes	% of votes
Number of Votes Polled	1094380861	-
Number of Votes in Favour	1091926441	99.78
Number of Votes Against	2454420	0.22

2. Special Resolution for increasing the ceiling limit on total holdings of FII/FPIs through primary or secondary market route, up to an aggregate limit of 74% of the paid-up share capital of the Bank.

Particulars	Number of Votes	% of votes
Number of Votes Polled	1094102196	-
Number of Votes in Favour	1092068270	99.81
Number of Votes Against	2033926	0.19

DISCLOSURES

Related Party Transactions

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

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

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

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

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

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.

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)Regualtions,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.Nilesh Vikamsey is the Chairperson* of the Bank and Mr. Shyam Srinivasan is the Managing Director & CEO of the Bank.

3. Reporting of Internal Auditor

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

Ethical Standards employed by the Bank

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

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

The Bank has 32,925,590 GDRs (equivalent to equity shares) outstanding, which constituted 1.70 % of the Bank's total equity capital as at 31 March 2018. There are no Tier II Bonds and convertible debentures outstanding for the Bank as on 31 March 2018.

CEO/CFO Certification

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

The CEO/CFO Certification are as follows:

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

A) We have reviewed financial statements and the cash flow statement for the year ended 31 March 2018 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
09 May 2018

*approval awaited from RBI

Means of communication:

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

General Information for Shareholders

ANNUAL GENERAL MEETING

Date	:	10 August 2018
Time	:	10 AM
Venue	:	Mahatma Gandhi Municipal Town Hall, Aluva
Financial year	:	01 April 2017 to 31 March 2018
Period of book closure	:	Saturday, 04 August 2018 to Friday 10 August 2018
Dividend payment date	:	14 August 2018

FINANCIAL CALENDER

Approval of quarterly results for the period ending:

- 30 June 2017 : 26 July 2017
- 30 September 2017 : 16 October 2017
- 31 December 2017 : 15 January 2018
- 31 March 2018 : 09 May 2018

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 Banks shares are no more listed/traded in Cochin Stock Exchange. The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange.

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 2017-18 have been paid to all the Stock Exchanges where the shares are listed.

Movements in the market price of the bank's shares on the national stock exchange and bse

NSE			BSE		
Month	High	Low	Month	High	Low
Apr-17	109.00	87.00	Apr-17	109.00	87.50
May-17	120.00	104.45	May-17	120.00	104.55
Jun-17	122.40	110.70	Jun-17	122.40	110.90
Jul-17	121.40	111.40	Jul-17	121.45	111.50
Aug-17	116.25	100.55	Aug-17	116.50	100.50
Sep-17	121.15	108.35	Sep-17	121.00	108.50
Oct-17	127.65	112.10	Oct-17	127.75	112.05
Nov-17	123.60	110.10	Nov-17	123.50	110.05
Dec-17	111.95	100.85	Dec-17	112.00	100.95
Jan-18	116.45	97.30	Jan-18	116.75	97.50
Feb-18	101.30	87.30	Feb-18	101.25	87.50
Mar-18	97.35	88.40	Mar-18	97.40	88.45

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.

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 2018 is 1,972,144,439 shares. Out of this 1,971,123,264 shares are listed. Of the total paid up equity shares of the Bank, 1,942,213,540 shares (98.48%)are held in dematerialized form (In NSDL-1,767,326,898 – 89.55%,in CDSL-1,74,886,642 – 8.86%) and 29,930,899 (1.52 %)are in physical form. Under agreements with National Securities Depository India Ltd (NSDL) and Central Depository Services Ltd (CDSL), the Bank's shares can be and are traded in electronic form. Shares remaining in physical form can be dematerialized for which the share holders are requested to open a Depository Account with the Depository Participants (DP) and to lodge the share certificates along with Demat Request Form with them.

Unclaimed dividends

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

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

In terms of Rule 7 of the said Rules, any person, whose shares, unclaimed dividend, etc., have been transferred to IEPF, may claim the same from IEPF authorities by filing an application in Form IEPF-5 available online on the website www.iepf.gov.in and sending the physical copy of the same duly signed along with the requisite documents enumerated in Form IEPF-5 to the Bank at its registered office. 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 2018 are:

Sl. No.	Financial Year	Amount of unclaimed Dividend (in ₹) (As on 31 March 2018)
1	2010-11	94,84,070.50
2	2011-12	10,336,554.00
3	2012-13	10,780,947.00
4	2013-14	11,607,910.00
5	2014-15	13,711,590.20
6	2015-16	9,623,067.30
7	2016-17	12,924,810.00
	Total	**78,468,949.00**

Share holding pattern as on 31 march 2018

Share holder Category	No of Shares	%
Shares held by Custodians and others against which Depository Receipts have been issued	32925590	1.67
Mutual Funds/UTI	471638715	23.92
Financial Institutions/Bank/Insurance Companies	84962319	4.31
Foreign Institutional Investors	766759819	38.88
Bodies Corporate	60988621	3.09
Individual(including NRIs)	497692748	25.24
Any Other(Trust, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate , LLP, Clearing Member)	57176627	2.90
Total	**1972144439**	**100.00**

Details of share holders holding more than 1% of the shares as on 31 March 2018

S.No	NAME	SHARES	%
1	Yusuffali Musaliam Veettil Abdul Kader	74,828,640	3.86
2	HDFC Trustee Company Ltd A/C HDFC Arbitrage Fund	71,340,720	3.67
3	ICICI Prudential Midcap Fund	65,699,449	3.38
4	Amansa Holdings Private Limited	58,001,055	2.99
5	East Bridge Capital Master Fund Limited	48,345,447	2.49
6	Franklin Templeton Investment Funds	45,558,116	2.35
7	UTI- Focussed Equity Fund - Series VI	43,646,531	2.25
8	Reliance Capital Trustee Co. Ltd-A/C Reliance Equity Savings Fund	42,660,864	2.20
9	Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Banking	41,943,687	2.17
10	LIC Of India Samridhi Plus Fund	40,344,910	2.08
11	L&T Mutual Fund Trustee Limited-L&T Business Cycles Fund	36,351,500	1.88
12	Rakesh Jhunjhunwala	34,771,060	1.79
13	Kotak India Growth Fund Series 4	34,138,708	1.78
14	DSP Blackrock A.C.E. Fund - Series 2	34,368,357	1.77
15	Bank Muscat India Fund	33,351,210	1.72
16	Deutsche Bank Trust Company Americas(Custodian of GDR)	32,925,590	1.70
17	Fidelity Investment Trust Fidelity Series Emerging Markets Fund	29,526,202	1.52
18	General Insurance Corporation Of India	28,300,000	1.46
19	Mirae Asset Great Consumer Fund	25,182,387	1.30
20	Government Pension Fund Global	24,365,185	1.26
21	First State Investments ICVC- Stewart Investors Global Emerging Markets Leaders	22,578,551	1.16
22	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International E	20,092,495	1.04
23	Vanguard Total International Stock Index Fund	19,737,000	1.02

Distribution of Holdings as on 31 March 2018

Category (Amount)	Share Holders			
	Number	% to Total no of holders	No of shares	% to Capital
1	2	3	4	5
Upto 5000	288222	91.42	104877049	5.31
5001 - 10000	13344	4.23	48062364	2.44
10001 - 20000	7616	3.70	54289747	2.63
20001 - 30000	2431	0.77	29882866	1.52
30001 - 40000	909	0.29	16142674	0.82
40001 - 50000	570	0.18	12898866	0.65
500001 - 100000	1132	0.36	39989023	2.03
ABOVE 100001	1056	0.33	1666001850	84.48
Total	**315280**	**100.00**	**1972144439**	**100.00**

Locations

With its Head Office at Aluva, the Bank has a network of 1252 Branches across India as on 31 March 2018.

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

Company Secretary — Mr. Girish Kumar Ganapathy

Auditors — M/s BSR & Co. LLP, Mumbai
M/s M.M. Nissim & Co, Mumbai

Secretarial Auditors — M/s. SVJS & Associates, Company Secretaries, Kochi

Compliance with the code of conduct

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

Shyam Srinivasan
Managing Director & Chief Executive Officer
22 June 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

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 February 2018.

This report contains details of compliance of conditions of Corporate Governance by The Federal Bank Limited ('the Bank') for the year ended 31 March 2018, as stipulated in Regulations 17-27, clauses (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), pursuant to the Listing Agreement of the Bank with Stock exchanges.

Management responsibility

The compliance with the conditions of Corporate Governance is the responsibility of the management of the Bank, including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Auditors' responsibility

Pursuant to the requirements of the above mentioned Listing Regulations, our responsibility is to certify whether the Bank has complied with the above said conditions of Corporate Governance for the year 1 April 2017 to 31 March 2018.

We have examined the compliance of conditions of Corporate Governance by the Bank for the year

1 April 2017 to 31 March 2018 as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the 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 have conducted our examination in accordance with the 'Guidance Note on Audit Reports and Certificates for Special Purposes (Revised 2016)' issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us and representations made by the management, we certify that the Bank has complied with the conditions of Corporate Governance as per regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations, as applicable.

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

Restrictions on use

This Certificate has been issued solely for the purpose of complying with the aforesaid Listing Regulations and may not be suitable for any other purpose. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Akeel Master
Partner
Membership No: 046768

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

Sanjay Khemani
Partner
Membership No: 044577

Mumbai
21 June 2018

ENDURING CUSTOMER CONNECT

The drive to delight customers with a caring smile is built into the Bank's DNA. That's why, even in this digital age, while sharpening its digital expertise, the Bank still attaches utmost importance to cordial personal bonds with millions of customers. So, for the Bank, **"digital at the fore, human at the core"** is not merely a well-worded principle, it's a way of life.



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
THE FEDERAL BANK LIMITED

Report on the audit of Standalone Financial Statements

We have audited the accompanying standalone financial statements of **THE FEDERAL BANK LIMITED** ('the Bank'), which comprise the Balance Sheet as at 31 March 2018, the Profit and Loss Account, the 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 incorporated the Returns for the year ended on that date audited by the branch auditors of the Bank's branches.

Management's responsibility for the standalone financial statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, provisions of Section 29 of the Banking Regulation Act, 1949 ('BR Act') and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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.

Auditors' responsibility

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

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

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the BR Act, as well as the relevant requirements of the Act, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2018, its profit and its cash flows for the year then ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note No. 2.1 of Schedule 18 regarding deferment of additional provision requirement on account of the enhancement in gratuity limits as per the amendment dated 29 March 2018 in Payment of Gratuity Act, 1972 in terms of RBI approval vide letter no. DBR. BP.9730/21.04.018/2017-18 dated 27 April 2018, and the unamortized balance as at 31 March 2018 of Rs 5,358 lakhs. Our opinion is not modified in respect of this matter.

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, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

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

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

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

(c) 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.

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

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

(b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;

(c) the reports on the accounts of the 1,234 branches audited by branch auditors of the Bank audited under section 143(8) the Act, have been forwarded to us and have been properly dealt with by us in preparing this report.

(d) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;

(e) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by the RBI;

(f) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 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 the standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate report in "Annexure A";

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

(i) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note No. 4.7 of Schedule 18 to the standalone financial statements;

(ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note No. 4.12 of Schedule 18 to the standalone financial statements;

(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.

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

Akeel Master
Partner
Membership No: 046768

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

Sanjay Khemani
Partner
Membership No: 044577

Mumbai
9 May 2018

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

Report on the internal financial controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of The Federal Bank Limited ('the Bank') as at 31 March 2018 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's responsibility for internal financial controls

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

Auditors' responsibility

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

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

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

Meaning of internal financial controls over financial reporting

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

Inherent limitations of internal financial controls over financial reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Akeel Master
Partner
Membership No: 046768

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

Sanjay Khemani
Partner
Membership No: 044577

Mumbai
9 May 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE FEDERAL BANK LIMITED

BALANCE SHEET AS AT MARCH 31, 2018

हजार रुपयों म
(₹ in Thousands)

पूँजी और ऋणढ़		Schedule अनुसूची	As at March 31, 2018	As at March 31, 2017
	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	3,944,285	3,448,087
आरक्षित निधियां और अधिशेष	Reserves and Surplus	2	118,158,065	85,975,732
जमाराशियां	Deposits	3	1,119,924,866	976,645,621
उधार ली गयी राशियां	Borrowings	4	115,334,992	58,973,233
अन्य देयताएं एवं प्रावधान	Other Liabilities and Provisions	5	25,777,334	24,726,650
कुल	**Total**		**1,383,139,542**	**1,149,769,323**
आस्तियां	**ASSETS**			
भारतीय रिज़र्व बैंक के पास नकदी और शेष रकम	Cash and Balances with Reserve Bank of India	6	51,327,584	45,765,680
बैंको के पास शेष रकम तथा मांग एवं अल्प सूचना पर प्रतिदेय राशि	Balances with banks and money at call and short notice	7	40,706,503	28,756,058
निवेश	Investments	8	307,810,747	281,960,887
अग्रिम	Advances	9	919,574,732	733,362,715
अचल आस्तियां	Fixed assets	10	4,573,701	4,894,689
अन्य आस्तियां	Other assets	11	59,146,275	55,029,294
कुल	**Total**		**1,383,139,542**	**1,149,769,323**
आकस्मिक देयताएं	Contingent liabilities	12	268,151,663	232,351,375
वसूली के लिए बिल	Bills for collection		31,233,635	25,683,452
उल्लेखनीय लेखा नीतियाँ	Significant Accounting Policies	17		
लेखों पर टिप्पणियां	Notes on Accounts	18		
ऊपर 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)

Ganesh Sankaran
Executive Director
(DIN:07580955)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

As per our report of even date

Directors:

Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)

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

Akeel Master
Partner
Membership No.046768

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

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : 9 May, 2018

THE FEDERAL BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

हजार रुपयों म
(₹ in Thousands)

31 मार्च 2018 समाप्त वर्ष के लिए लाभ हानि लेख		Schedule अनुसूची	Year ended March 31, 2018	Year ended March 31, 2017
I. आय	**I. INCOME**			
अर्जित ब्याज	Interest earned	13	97,528,637	86,773,836
अन्य आय	Other income	14	11,591,182	10,818,067
कुल	**Total**		**109,119,819**	**97,591,903**
II. व्यय	**II. EXPENDITURE**			
खर्च किया गया ब्याज	Interest expended	15	61,700,537	56,247,436
परिचालन व्यय	Operating expenses	16	24,509,004	22,095,336
प्रावधान और आकस्मिक व्यय	Provisions and contingencies		14,121,820	10,941,249
कुल	**Total**		**100,331,361**	**89,284,021**
III. लाभ/हानि	**III. PROFIT/LOSS**			
अवधि का निवल लाभ	Net profit for the year		**8,788,458**	**8,307,882**
पिछले वर्ष के अग्रनीत लाभ	Profit brought forward from Previous Year		14,512,668	10,569,814
			23,301,126	**18,877,696**
IV. विनियोजन	**IV. APPROPRIATIONS**			
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue Reserve		970,732	1,314,286
सांविधिक आरक्षितियों को अंतरण	Transfer to Statutory Reserve		2,197,114	2,076,971
पूँजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		268,319	658,459
निवेश आरक्षित खाते को /(से) अंतरण	Transfer to/(from) Investment Reserve Account		(235,721)	(144,930)
विशेष आरक्षितियों को अंतरण	Transfer to Special Reserve		570,000	460,000
वर्ष के दौरान प्रदत 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)		1,749,634	201
लाभांश पर कर (अनुसूचि 18 में से नोट 4.2 E संदर्भ लें)	Tax on dividend (Note 4.2 E of Schedule 18)		356,184	41
अतिशेष जो आगे तुलन पत्र में ले जाया गया है	Balance carried over to Balance Sheet		17,424,864	14,512,668
कुल	**Total**		**23,301,126**	**18,877,696**
प्रति शेयर आय (रु) (अंकित मूल्य रु 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		4.62	4.83
तनुकृत	Diluted		4.56	4.76
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting policies	17		
लेखा संबन्धी 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			

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)

Ganesh Sankaran
Executive Director
(DIN:07580955)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

As per our report of even date

Directors:

Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)

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

Akeel Master
Partner
Membership No.046768

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

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : 9 May, 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(₹ in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash Flow from Operating Activities		
Net Profit before taxes	13,438,558	13,064,982
Adjustments for:		
Depreciation on Bank's Property	1,231,721	1,221,731
Depreciation on Investments	1,674,342	242,010
Amortisation of Premium on Held to Maturity Investments	582,071	476,526
Provision for Non Performing Investments	55,100	53,500
Provision / Charge for Non Performing Assets	7,526,803	4,051,246
Provision for Standard Assets	424,300	785,000
(Profit)/Loss on sale of fixed assets (net)	4,225	(957)
Provision for Restructured assets	(76,432)	67,564
Provision for Other Contingencies	(132,393)	984,829
	24,728,295	**20,946,431**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	(13,310,281)	(8,264,657)
(Increase)/ Decrease in Advances	(193,738,819)	(156,512,514)
(Increase)/ Decrease in Other Assets	(1,936,786)	(1,811,783)
Increase/ (Decrease) in Deposits	143,279,245	184,928,553
Increase/ (Decrease) in Other liabilities and provisions	835,209	2,299,013
	(64,871,432)	**20,638,612**
Direct taxes paid	(6,830,295)	(4,015,140)
Net Cash Flow from / (Used in) Operating Activities	**(46,973,432)**	**37,569,903**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(929,183)	(940,005)
Proceeds from Sale of Fixed Assets	14,226	24,294
(Increase)/ Decrease in Held to Maturity Investments	(14,851,093)	(22,913,323)
Net Cash generated / (Used in) Investing Activities	**(15,766,050)**	**(23,829,034)**

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	496,198	10,196
Proceeds from Share Premium	25,498,179	198,169
Repayment of Subordinate Debt	-	(2,000,000)
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	56,361,758	9,827,567
Dividend Paid (Including Tax on Dividend)	(2,105,818)	(1,448,805)
Net Cash generated from Financing Activities	**80,250,317**	**6,587,127**
Effect of exchange fluctuation on translation reserve	**1,514**	**(4,358)**
Net Increase in Cash and Cash Equivalents	**17,512,349**	**20,323,638**
Cash and Cash Equivalents at the beginning of year	**74,521,738**	**54,198,100**
Cash and Cash Equivalents at the end of year	**92,034,087**	**74,521,738**

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

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)

Ganesh Sankaran
Executive Director
(DIN:07580955)

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As per our report of even date

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C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)

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

Akeel Master
Partner
Membership No.046768

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

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : 9 May, 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
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	3,946,977	3,450,789
1,973,488,734 (Previous year 1,725,394,459) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,944,289	3,448,091
1,972,144,439 (Previous year 1,724,045,414) Equity Shares of ₹ 2/-each		
Less: Calls in arrears	4	4
Total	**3,944,285**	**3,448,087**

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, 2018	As at March 31, 2017
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	20,670,215	18,593,244
Additions during the year	2,197,114	2,076,971
	22,867,329	**20,670,215**
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	**50,091**
b) Others		
Opening balance	3,074,597	2,416,138
Additions during the year*	268,319	658,459
	3,342,916	**3,074,597**
Subtotal	**3,393,007**	**3,124,688**
III. Share premium (Refer Note 4.2 of Schedule 18)		
Opening balance	25,282,754	25,084,585
Additions during the year	25,498,179	198,169
	50,780,933	**25,282,754**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	16,285,848	14,971,562
Additions during the year	970,732	1,314,286
Deductions during the year	-	-
	17,256,580	**16,285,848**
b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
	1,897,200	**1,897,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	3,669,900	3,209,900
Additions during the year	570,000	460,000
	4,239,900	**3,669,900**
V. Investment Reserve Account		
Opening Balance	235,721	380,651
Additions during the year	-	-
Deductions during the year (Refer Note 1.2.2(d) of Schedule 18)	235,721	144,930
	-	**235,721**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
VI. Foreign Currency Translation Reserve		
Opening Balance	(4,265)	93
Additions / (Deductions) during the year [Refer Schedule 17 (4.5)]	1,514	(4,358)
	(2,751)	**(4,265)**
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VIII. Balance in Profit and Loss Account	**17,424,864**	**14,512,668**
Total	**118,158,065**	**85,975,732**
* - Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on Gain on sale of Held to Maturity Investments ₹ 268,319 Thousands (Previous year ₹ 658,459 Thousands)		
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	3,529,474	1,301,173
ii. From Others	64,139,376	55,250,595
	67,668,850	**56,551,768**
II. Savings Bank Deposits	**309,198,323**	**263,976,655**
III. Term Deposits		
i. From Banks	9,922,742	18,258,525
ii. From Others	733,134,951	637,858,673
	743,057,693	**656,117,198**
Total	**1,119,924,866**	**976,645,621**
B. I. Deposits of branches in India	1,119,915,611	976,645,103
II. Deposits of branches outside India	9,255	518
Total	**1,119,924,866**	**976,645,621**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	16,870,000	-
ii. Other Banks	9,193,324	12,497,666
iii. Other institutions and agencies	54,596,199	32,647,606
Total	**80,659,523**	**45,145,272**
II.Borrowings outside India	34,675,469	13,827,961
Total	**115,334,992**	**58,973,233**
Secured borrowings included in I and II above	26,031,882	11,814,363

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	3,381,801	2,749,160
II. Inter - office adjustments (Net)	20,572	428,914
III. Interest accrued	3,646,200	3,152,044
IV. Others (including provisions)*	18,728,761	18,396,532
Total	**25,777,334**	**24,726,650**
*Includes General provision for standard assets (Refer Note 1.4.9 of Schedule 18)	4,373,581	3,949,281
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	7,363,452	6,213,235
II. Balance with Reserve Bank of India		
i. in Current Accounts	43,964,132	39,552,445
ii. in Other Accounts	-	-
Total	**51,327,584**	**45,765,680**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	2,487,373	1,276,675
b. in Other Deposit Accounts	-	405,000
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	17,487,243	14,500,000
Total	**19,974,616**	**16,181,675**
II. Outside India		
i. in Current Accounts	2,791,380	1,904,170
ii. in Other Deposit Accounts	17,484,282	10,394,600
iii. Money at call and short notice	456,225	275,613
Total	**20,731,887**	**12,574,383**
Grand Total (I and II)	**40,706,503**	**28,756,058**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	244,661,804	215,654,105
ii. Other approved Securities	-	-
iii. Shares	2,085,961	2,175,944
iv. Debentures and Bonds	10,616,774	14,076,123
v. Subsidiaries/ Joint Ventures	3,980,000	3,980,000
vi. Others @	46,456,917	46,065,965
Total	**307,801,456**	**281,952,137**
II. Investments outside India - Shares	9,291	8,750
Grand Total (I and II)	**307,810,747**	**281,960,887**
Gross Investments		
In India	310,751,404	283,320,153
Outside India	9,291	9,344
Total	**310,760,695**	**283,329,497**
Depreciation/ Provision for Investments		
In India	2,949,948	1,368,016
Outside India	-	594
Total	**2,949,948**	**1,368,610**
Net Investments		
In India	307,801,456	281,952,137
Outside India	9,291	8,750
Total	**307,810,747**	**281,960,887**

Securities costing ₹ 56,121,263 Thousands (Previous Year ₹ 74,435,550 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Pass through certificates (PTCs)	1,452,620	999,996
Certificate of Deposits	30,874,436	16,873,221
Commercial Paper	8,409,729	20,503,558
Venture Capital Funds (VCFs)	268,275	216,941
Security Receipts	5,451,857	7,472,064
Others	-	185
Total	**46,456,917**	**46,065,965**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	37,041,407	25,607,697
ii. Cash credits, overdrafts and loans repayable on demand	441,977,493	372,488,016
iii. Term loans	440,555,832	335,267,002
Total	**919,574,732**	**733,362,715**
B. i. Secured by tangible assets*	757,271,418	615,300,818
ii. Covered by Bank/Government guarantees #	25,094,606	22,314,387
iii. Unsecured	137,208,708	95,747,510
Total	**919,574,732**	**733,362,715**
C. I.Advances in India		
i. Priority sectors	259,451,171	201,355,767
ii. Public sector	803,434	4,149,361
iii. Banks	1,457,712	136,146
iv. Others	631,618,590	513,954,351
Total	**893,330,907**	**719,595,625**
C. II.Advances outside India (Refer note 3.11 of Schedule 18)		
i. Due from Banks	2,023,079	661,437
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	12,474,386	7,124,583
c) Others	11,746,360	5,981,070
Total	**26,243,825**	**13,767,090**
Grand Total (C I and C II)	**919,574,732**	**733,362,715**

* Includes Advances against book debts
\# Includes Advances against LCs issued by banks

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 10 - FIXED ASSETS		
I. OWNED ASSETS		
A.Premises #		
Gross Block		
At the beginning of the year	2,422,650	2,339,586
Additions during the year	-	83,064
Deductions during the year	2,944	-
At the end of the year	**2,419,706**	**2,422,650**
Depreciation		
As at the beginning of the year	850,493	796,102
Charge for the Year	51,925	54,391
Deductions during the year	1,912	-
Depreciation to date	**900,506**	**850,493**
Net Block	**1,519,200**	**1,572,157**
B.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	10,237,249	9,549,969
Additions during the year	985,515	865,296
Deductions during the year	470,960	178,016
At the end of the year	**10,751,804**	**10,237,249**
Depreciation		
As at the beginning of the year	7,063,959	6,051,299
Charge for the year	1,179,796	1,167,340
Deductions during the year	453,542	154,680
Depreciation to date	**7,790,213**	**7,063,959**
Net Block	**2,961,591**	**3,173,290**
II. Capital Work in progress (Including Capital Advances)	**92,910**	**149,242**
Total (I & II)	**4,573,701**	**4,894,689**

Includes buidlings constructed on leasehold land at different places having original cost of ₹663,428 Thousands (Previous Year ₹663,428 Thousands) and Written down value of ₹488,144 Thousands (Previous Year ₹500,797 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, 2018	As at March 31, 2017
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	7,100,619	6,294,853
III. Tax paid in advance/Tax Deducted at source (Net of provision)	7,574,411	5,252,617
IV. Stationery and Stamps	52,524	49,489
V. Non-banking assets acquired in satisfaction of claims*	26,587	26,451
VI. Others #	44,392,134	43,405,884
Total	**59,146,275**	**55,029,294**
* - 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	36,113,322	33,890,279
(b) Deferred Tax Asset (Net)	717,543	859,143
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	4,351,843	3,804,733
II. Liability on account of outstanding forward exchange contracts**	199,316,212	164,567,630
III. Guarantees given on behalf of constituents - in India	52,852,889	47,954,495
IV. Acceptances, endorsements and other obligations	10,208,842	14,175,134
V. Other items for which the Bank is contingently liable@	1,421,877	1,849,383
Total	**268,151,663**	**232,351,375**

(Refer Note 4.7 of Schedule 18)

** - Including Derivatives

@ - includes ₹ 1,030,737 Thousands (Previous Year : ₹ 932,590 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 3.16 of Schedule 18).

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	75,387,784	65,456,781
II. Income on investments	19,174,377	18,013,971
III.Interest on balances with Reserve Bank of India and other inter-bank funds	958,171	989,331
IV. Others*	2,008,305	2,313,753
Total	**97,528,637**	**86,773,836**
* - Includes interest on Income tax refunds amounting to ₹ 229,315 Thousands (Previous year ₹ 468,420 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	6,368,002	5,760,610
II. Profit on sale of investments (Net)	2,389,281	3,086,508
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	(4,225)	957
V. Profit on foreign exchange transactions (Net)	1,694,807	1,276,827
VI. Income earned by way of dividends etc. from companies in India	-	-
VII.Miscellaneous income**	1,143,317	693,165
Total	**11,591,182**	**10,818,067**
** - Includes Recoveries in assets written off ₹ 1,007,774 Thousands (Previous year ₹ 552,080 Thousands)		
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	57,219,033	54,035,999
II. Interest on Reserve Bank of India/Inter bank borrowings	712,834	223,887
III.Others	3,768,670	1,987,550
Total	**61,700,537**	**56,247,436**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	12,424,690	11,637,522
II. Rent, taxes and lighting	2,507,175	2,165,405
III. Printing and stationery	257,329	269,648
IV. Advertisement and publicity	436,971	108,899
V. Depreciation on Bank`s property	1,231,721	1,221,731
VI. Directors' fees, allowances and expenses	17,604	19,338
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	78,793	74,766
VIII.Law charges	93,776	101,213
IX. Postage, Telegrams, Telephones etc	619,227	556,921
X. Repairs and maintenance	567,032	608,094
XI. Insurance	998,301	847,660
XII. Other expenditure#	5,276,385	4,484,139
Total	**24,509,004**	**22,095,336**

- Includes expenditure on Corporate Social Responsibility - ₹ 140,168 Thousands (Previous Year: ₹ 154,157 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, 2018

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 1252 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange. The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except in the case of interest income on Non- Performing Assets (NPAs) and loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

3. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4. Significant accounting policies

4.1 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI which is recognised upon receipt in accordance with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of passing of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- 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.

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SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

4.2 Advances

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

The Bank also maintains provisions on loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme as per the RBI guidelines.

Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

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

4.3 Country risk

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

4.4 Investments

Classification

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

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

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

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.

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Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

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

c) Treasury Bills, 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 23rd August, 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

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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.

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 amortised over the period of the swap and the same is recognised in the Profit and Loss Account.

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

4.6 Derivative transactions

The Bank recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market).Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

4.7 Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate Affairs through amendments to Companies

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(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.

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 a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

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

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

4.9 Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceeds the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognized.

4.10 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.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Profit and Loss account.

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

The employees of the bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the 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 after 01.04.2010 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.

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 tax 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

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

  Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

4.17 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. 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, 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

Spends 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 PSLC 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, 2018

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, 2018 are denominated in Rupees Crore to conform to extant RBI guidelines.

1.1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.875 % (Previous Year 10.25 %) including Capital Conversion Buffer (CCB) at 1.875% (Previous Year 1.25%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous Year 6.75%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.875% (Previous Year 8.25%) from Tier 1 capital, including 1.875% (Previous Year 1.25%) towards CCB.

The capital adequacy ratio of the Bank is set out below:

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Common Equity Tier I*	11,776.03	8,539.25
Tier 1 Capital	11,776.03	8,539.25
Tier 2 Capital	436.74	416.08
Total Capital	12,212.77	8,955.33
Total risk weighted assets	83,059.86	72,295.43
Capital Ratios		
Common Equity Tier 1	14.18%	11.81%
Tier 1 Capital	14.18%	11.81%
Tier 2 Capital	0.52%	0.58%
Total CRAR	14.70%	12.39%
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 per share (Previous year: ₹ 0.90 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, 2018 (CONTD...)

1.2. Investments

1.2.1. Details of Investments:

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	31,075.14	28,332.01
(b) Outside India	0.93	0.93
(ii) Provision for Depreciation		
(a) In India	206.05	53.37
(b) Outside India	-	0.06
(iii) Provision for Non-performing investments		
(a) In India	88.94	83.43
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	30,780.15	28,195.21
(b) Outside India	0.93	0.87
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	53.43	29.22
(ii) Add: Provisions made during the year	152.90	89.48
(iii) Less: Write off / Write back of excess provision during the year	0.28	65.27
(iv) Closing Balance	206.05	53.43
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	83.43	78.09
(ii) Add: Provisions made during the year	18.28	5.34
(iii) Less: Write off / Write back of excess provision during the year	12.77	-
(iv) Closing Balance	88.94	83.43

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

1.2.2. a) Investments under HTM (excluding specified investments as per RBI norms) account for 19.33% (Previous year 19.78%) of demand and time liabilities as at the end of March 2018 as against permitted ceiling of 19.50 % (Previous Year: 20.50%) stipu lated by RBI.

b) In respect of securities held under HTM category premium of ₹ 58.21 Crore (Previous year: ₹ 47.65 Crore) has been amortised during the year and debited under interest received on Government securities.

c) Profit on sale of securities from HTM category amounting to ₹ 54.71 Crore (Previous year: ₹ 134.26 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 26.83 Crore (Previous year ₹ 65.85 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.

d) During the year ended 31st March, 2018 the bank had withdrawn ₹ 23.57 Crore (Previous year: ₹ 14.49 Crore) [net of applicable taxes and transfer to statutory reserve] from Investment Reserve Account on provision for depreciation on Investments, debited to Profit and Loss account.

e) RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 grants banks an option to spread provisioning for

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mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. The Bank has recognised the entire mark to market loss on investments in the respective quarters and has not availed the said option.

1.2.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the year 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	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2017 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2017
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	3,200.00	220.93	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	4,341.00	742.73	1,450.00
ii)Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	966.47	125.08	919.74
ii)Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	2,672.96	490.63	-
ii)Corporate Debt Securities	-	-	-	-

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1.2.4. Details of Non-SLR investment portfolio -

a) 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.

Issuer composition as at March 31, 2017 of Non-SLR investments (₹ in Crore)

Sl.No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities ***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	267.54	267.54	-	-	-
2	Financial Institutions	2,485.82	769.98	-	-	5.00
3	Banks	1,832.88	105.14	-	-	-
4	Private Corporates	849.19	402.87	70.98	-	34.98
5	Subsidiaries / Joint ventures	398.00	398.00	-	-	-
6	Others*	919.33	806.13	608.95	173.53	-
7	Less: Provision held towards depreciation on investment	38.65	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	83.43	XXX	XXX	XXX	XXX
	Total	**6,630.68**	**2,749.66**	**679.93**	**173.53**	**39.98**

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive

* Includes Investments in Non-SLR government securities amounting to ₹ 113.18 Crore.

** 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.

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b) Non-SLR investments category-wise (Net of Provisions):

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Shares	209.52	218.47
Debentures and Bonds*	1,061.68	1,407.61
Subsidiaries/Joint Ventures	398.00	398.00
Others	4645.69	4,606.60
Total	**6,314.89**	**6,630.68**

* - Includes Investments in Non-SLR government securities amounting to ₹ 6.21 Crore (Previous year: ₹ 113.18 Crore).

c) Non-performing Non-SLR investments is set out below:

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Opening Balance	268.07	232.65
Additions during the year	26.25	35.42
Reductions during the year	202.68	-
Closing Balance	91.64	268.07
Total Provision held	**88.94**	**83.43**

1.2.5. Sale and transfers to/ from HTM Category

During the current year, the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the year.

1.3. Derivatives

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

1.3.1 A) Exchange Traded Interest Rate Derivatives:

(₹ in Crore)

Sl.No	Particulars	March 31, 2018	March 31, 2017
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
	a) 6.79 G-Sec 2027	5,102.76	-
	b) 6.97 G-Sec 2026	1,042.64	62.44
	c) 7.59 G-Sec 2026	1,204.08	14,070.24
	d) 7.72 G-Sec 2025	-	1,294.44
(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, 2018 and March 31, 2017. As at March 31, 2018 the open contracts on the exchange was Nil.

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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, 2018	March 31, 2017
(i) The notional principal of swap agreements	1,600.00	1,825.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	2.03	3.48
(iii) Collateral required by the bank upon entering into swaps	Nil	Nil
(iv) Concentration of credit risk arising from the swaps	18.03	39.54
(v) The fair value of the swap book	-0.34	-0.90

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 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	25	₹ 800 Crore	MIOIS	Fixed receivable/floating payable

The nature and terms of the IRS as on March 31, 2017 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	31	₹ 925 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	29	₹ 900 Crore	MIOIS	Fixed receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2018 and March 31, 2017.

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

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daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals. The current outstanding under the derivatives portfolio were executed for trading purposes.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts

Bank deals in derivatives for hedging G-Sec or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter.

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, 2018	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
(i)	Derivatives (Notional Principal Amount)				
	a)For hedging	-	-	-	-
	b) For trading	-	-	1,600.00	1,825.00
(ii)	Marked to Market positions				
	a) Asset (+)	-	-	5.26	7.50
	b) Liabilities (-)	-	-	5.60	8.40
(iii)	Credit Exposure	-	-	18.03	24.38
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	2.59	-0.58
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	Max=2.64	Max=0.99
				Min=0.57	Min=0.56

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2018 amounted to ₹ 4,364.45 Crore (Previous year ₹ 3,003.98 Crore) and ₹ 13,967.17 Crore (Previous year ₹ 13,452.78 Crore) respectively. For the hedging contract, as at March 31, 2018 the marked to market position was asset ₹ 53.26crores and liability of ₹ 111.07crores (Previous year asset ₹ 54.81 crores and liability of ₹ 110.23 crores). For the trading contract, as at March 31, 2018 the marked to market position was asset ₹ 245.60crores and liability of ₹ 193.18crores (Previous year asset ₹ 360.06 crores and liability of ₹ 292.43 crores). Credit exposure on forward exchange contracts at March 31, 2018 was ₹ 718.51 Crore (Previous year ₹ 893.33 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 :
  a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
  b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1 Net non-performing assets

Particulars	March 31, 2018 (%)	March 31, 2017 (%)
Net non-performing assets as a percentage of net advances.	1.69	1.28

1.4.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance	1,727.05	1,667.77
Additions during the year	2,200.67	1,074.99
Reductions during the year	1,132.10	1,015.71
Closing balance	**2,795.62**	**1,727.05**

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, 2018	March 31, 2017
Opening balance	941.20	950.01
Additions during the year	1,243.42	523.77
Reductions during the year	632.66	532.58
Closing balance	**1,551.96**	**941.20**

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, 2018	March 31, 2017
Opening balance	754.45	700.50
Additions during the year	948.42	528.63
Reductions during the year	487.74	474.68
Closing balance	**1,215.13**	**754.45**

1.4.5 Divergence in Asset classification and Provisioning for NPAs

The divergence observed by RBI for the Financial year 2016-17 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 Circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 on 'Divergence in the asset classification and provisioning', is not required to be made.

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1.4.6 A) Particulars of Accounts Restructured

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]				
Asset Classification		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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(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at 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	0	-3	-2	**-**	5	0	-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	**o**	-5	-3	6	2	**0**
	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**

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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.)

(₹ 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 cases which have been restructured during the year ended March 31, 2018.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

Details of loan assets subjected to restructuring during the year ended March 31, 2017:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[5]				
Asset Classification		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured accounts as at April 01, 2016 (Opening Balance)	No. of borrowers	6	5	1	1	**13**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	285.16	145.66	40.06	3.75	**474.63**	-	-	-	-	
	b)Other facility	2.83	1.65	10.00	3.78	**18.26**	-	-	-	-	-
	Provision thereon	44.98	1.20	-	-	**46.18**	-	-	-	-	-
Movement in balance for accounts appearing under opening balance[1]	No. of borrowers	-	-4	-	-	**-4**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-21.37	-142.98	-40.06	-3.75	**-208.16**	-	-	-	-	
	b)Other facility	-1.27	0.16	-	-	**-1.11**	-	-	-	-	-
	Provision thereon	-9.49	-1.20	-	-	**-10.69**	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2017[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, 2017	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, 2017[3]	No. of borrowers	-				**-**	-				-
	Amount Outstanding – (a)Restructured facility	-				**-**	-				-
	b)Other facility					**-**					-
	Provision thereon	-				**-**	-				-
Downgradation of restructured accounts during the year ended March 31, 2017	No. of borrowers	-1	-1	2	-	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-31.43	-2.68	34.11	-	**-**	-	-	-	-	-
	b)Other facility	-	-1.82	1.82	-	**-**	-	-	-	-	-
	Provision thereon	-4.45	-	4.45	-	**-**	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2017	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	**-**	-	-	-	-	-
	b)Other facility	-	-	-	-	**-**	-	-	-	-	-
	Provision thereon	-	-	-	-	**-**	-	-	-	-	-
Restructured accounts as at March 31, 2017 (closing figures)[4]	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**	-	-	-	-	-

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2016 (Opening Balance)	No. of borrowers	20	55	74	101	**250**	26	60	75	102	**263**
	Amount Outstanding – (a)Restructured facility	517.92	104.38	94.52	2.32	**719.14**	803.08	250.04	134.58	6.07	**1193.77**
	b)Other facility	247.34	193.38	8.33	0.02	**449.07**	250.17	195.03	18.33	3.80	**467.33**
	Provision thereon	70.02	5.25	0.18	0.11	**75.56**	115.00	6.45	0.18	0.11	**121.74**
Movement in balance for accounts appearing under opening balance[1]	No. of borrowers	-2	-17	-13	-17	**-49**	-2	-21	-13	-17	**-53**
	Amount Outstanding – (a)Restructured facility	-147.46	-64.74	-70.79	-0.04	**-283.03**	-168.83	-207.72	-110.84	-3.79	**-491.18**
	b)Other facility	-213.57	16.06	-2.90	-	**-200.41**	-214.85	16.23	-2.90	-	**-201.52**
	Provision thereon	-14.86	-4.63	0.06	-	**-19.43**	-24.35	-5.83	0.06	-	**-30.12**
Fresh Restructuring during the year ended March 31, 2017[2]	No. of borrowers	8	1	-	1	**10**	8	1	-	1	**10**
	Amount Outstanding – (a)Restructured facility	203.03	0.01	-	0.05	**203.09**	203.03	0.01	-	0.05	**203.09**
	b)Other facility	23.28	-	-	-	**23.28**	23.28	-	-	-	**23.28**
	Provision thereon	33.38	-	-	-	**33.38**	33.38	-	-	-	**33.38**
Upgradation to restructured standard category during the year ended March 31, 2017	No. of borrowers	16	-7	-1	-8	**0**	16	-7	-1	-8	**0**
	Amount Outstanding – (a)Restructured facility	0.75	-0.49	-0.07	-0.19	**-**	0.75	-0.49	-0.07	-0.19	**-**
	b)Other facility	-	-	-	-	**-**	-	-	-	-	**-**
	Provision thereon	0.04	-0.02	-	-0.02	**-**	0.04	-0.02	-	-0.02	**-**
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2017[3]	No. of borrowers	-9				**-9**	-9				**-9**
	Amount Outstanding – (a)Restructured facility	-0.28				**-0.28**	-0.28				**-0.28**
	b)Other facility	-				**-**	-				**-**
	Provision thereon	-0.01				**-0.01**	-0.01				**-0.01**
Downgradation of restructured accounts during the year ended March 31, 2017	No. of borrowers	-5	-23	21	7	**-**	-6	-24	23	7	**-**
	Amount Outstanding – (a)Restructured facility	-6.66	-32.38	38.93	0.11	**-**	-38.09	-35.06	73.04	0.11	**-**
	b)Other facility	-4.94	-2.24	7.18	-	**-**	-4.94	-4.05	8.99	-	**-**
	Provision thereon	-0.04	-0.54	0.57	0.01	**-**	-4.49	-0.54	5.02	0.01	**-**
Write-offs of restructured accounts during the year ended March 31, 2017	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**
	Amount Outstanding – (a)Restructured facility	-	-	-	-	**-**	-	-	-	-	**-**
	b)Other facility	-	-	-	-	**-**	-	-	-	-	**-**
	Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**
Restructured accounts as at March 31, 2017 (closing figures)[4]	No. of borrowers	28	9	81	84	**202**	33	9	84	85	**211**
	Amount Outstanding – (a)Restructured facility	567.29	6.78	62.59	2.25	**638.91**	799.65	6.78	96.70	2.25	**905.38**
	b)Other facility	52.11	207.20	12.61	0.02	**271.94**	53.67	207.20	24.43	3.80	**289.10**
	Provision thereon	88.53	0.05	0.81	0.10	**89.49**	119.57	0.05	5.26	0.10	**124.98**

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower, also includes the difference of amount between the balance of FY16 and FY17 and also include sale of Restructured accounts as follows:

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(₹ in Crore)

	Under CDR Mechanism					Others				
	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
No. of borrowers	-	1	-	-	1	-	2	1	-	3
Amount Outstanding (a)Restructured facility @	-	49.53	-	-	49.53	-	35.44	50.04	-	85.48
b) Other Facility @	-	-	-	-	-	-	2.30	-	-	2.30
Provision thereon @	-	0.81	-	-	0.81	-	2.08	-	-	2.08

@ Represents balance as on 31-03-2016

2 Amount reported here represents outstanding as on March 31, 2017.

3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.

4 Other Facility include investment in Bond/Debentures amounting to ₹ 216.04 Crore.

5 There are no SME cases which have been restructured during the year ended March 31, 2017.

1.4.6 B) Additional Disclosures with relation to Certain Restructuring Schemes:

1. Disclosures on Flexible Structuring of Existing Loans

(₹ in Crore)

Period	No.of borrowers taken up for flexible structuring	Amount of Loans taken up for flexibly structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Stand-ard	Classified as NPA	Before applying flex-ibly structuring	After applying flex-ibly structuring
For the year ended March 31, 2017	2	91.04	NA	9.33 Years	15.36 Years
For the year ended March 31, 2018	-	-	-	-	-

2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period)

March 31, 2018

(₹ in Crore)

No.of accounts where SDR has been invoked	Gross amount outstanding as on the reporting date		Gross amount outstanding as on the report-ing date with respect to accounts where conversion of debt to equity is pending		Gross amount outstanding as on the report-ing 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
2	53.35	--	--	--	53.35	--

March 31, 2017

(₹ in Crore)

No.of ac-counts where SDR has been invoked	Gross amount outstanding as on the reporting date		Gross amount outstanding as on the reporting date with respect to ac-counts where conversion of debt to equity is pending		Gross amount outstanding as on the reporting date with respect to ac-counts where conversion of debt to equity has taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
3	113.43	-	51.90	-	61.53	-

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

3. Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2018 and March 31, 2017

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
Nil								

4. Disclosures on Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period)

March 31, 2018

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as Standard	Classified as standard restructured	Classified as NPA
Nil	Nil	Nil	Nil

March 31, 2017

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as Standard	Classified as standard restructured	Classified as NPA
1	31.66	Nil	Nil

5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

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

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

March 31, 2017 (₹ 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	3	121.96	63.46	58.50	23.29
Classified as NPA	-	-	-	-	-

1.4.7 A)Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:

(₹ in Crore)

Particulars		March 31, 2018		March 31, 2017	
		Standard	NPA#	Standard	NPA#
a)	No of accounts	-	46	1	79
b)	Aggregate value (net of provision) of accounts sold to SC/RC	-	128.79	0.53	203.63
c)	Aggregate consideration	-	177.20	0.53	242.42
d)	Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e)	Aggregate gain/(loss) over net book value	-	48.41	-	38.79

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, 2018 and March 31, 2017 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, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Book value of investments in security receipts	661.67	705.94	-	-	661.67	705.94

Note: In addition to above, bank holds security receipts of ₹ 64.36 Crore (Previous year: ₹ 76.55 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, 2018 are as follows:

(₹ in Crore)

Particulars		SRs issued within past 5 years	SRs issued more than 5years 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 byother banks / financial-institutions / non-bankingfinancial companies asunderlying	-	-	-
	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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Details of ageing of Investments held as Security Receipts as at March 31, 2017 are as follows: (₹ in Crore)

Particulars		SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold bythe bank as underlying	696.71	9.23	-
	Provision held against (i)	29.17	6.11	-
(ii)	Book value of SRs backed by NPAs sold byother banks / financial-institutions / non-bankingfinancial companies asunderlying	-	-	
	Provision held against (ii)	-	-	-
Gross Book value		**696.71**	**9.23**	**-**
Total provision held against above		29.17	6.11	-
Net Book value		**667.54**	**3.12**	**-**

Note: In addition to above, bank holds security receipts of ₹ 76.55 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. No provision is held against security receipts backed by standard assets sold by the bank.

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, 2018	March 31, 2017
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year		
(b) Aggregate outstanding		

B.Details of non-performing financial assets sold to other banks (₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
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, 2018	March 31, 2017
(a) Opening balance	394.93	316.43
(b) Addition/adjustments during the year	42.43	78.50
(c) Deduction during the year	-	-
(d) Closing balance *	**437.36**	**394.93**

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 5.26 Crore (Previous Year: ₹ 5.27 Crore)

1.5 The Key business ratios and other information:

Particulars	March 31, 2018	March 31, 2017
(i) Interest Income as a percentage to Working Funds* (%)	8.31	8.77
(ii) Non-interest income as a percentage to Working Funds* (%)	0.99	1.09
(iii) Operating Profit as a percentage to Working Funds* (%)	1.95	1.95
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.75	0.84
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	17.09	14.49
(vi) Profit per employee (₹ in Crore)**	0.07	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 employee numbers for the year.

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1.6. Asset Liability Management

A maturity pattern of certain items of assets and liabilities at March 31, 2018 and March 31, 2017 is set out below:

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 3 months 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**

Year ended March 31, 2017

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	465.63	918.84	4,031.87	48.43	463.04	150.55
2 -7 days	1,924.07	1,562.12	264.59	999.77	835.39	11.59
8-14 days	742.33	565.09	89.56	100.00	146.82	10.43
15-30 days*	2,480.48	1,563.44	1,243.76	71.79	114.47	100.33
31 days to 2 months*	3,465.51	2,721.07	259.08	160.57	227.63	227.76
More than 2 months and up to 3 months*	5,920.92	3,172.72	815.91	300.06	264.08	217.59
Over 3 months and upto 6 months	7,973.46	6,073.30	1,611.33	706.78	681.04	352.24
Over 6 months and upto 1 Year	15,969.63	8,458.39	2,362.81	636.85	768.20	537.54
Over 1 Year and upto 3 Years	37,958.31	30,639.66	4,096.68	1,859.78	341.90	943.72
Over 3 Years and upto 5 Years	1,416.34	8,465.57	1,416.26	1,013.29	363.95	960.52
Over 5 Years	19,347.88	9,196.07	12,004.23	-	469.39	-
Total	**97,664.56**	**73,336.27**	**28,196.08**	**5,897.32**	**4,675.91**	**3,512.27**

* The bucketing structure is based on the RBI guidelines vide DBR.BP.BC.No.86/21.04.098/2015-16 dated March 23, 2016.

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 31,2018	March 31,2017
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)	13,991.72 (3,021.78)	10,233.57 (3,005.40)
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;	6,272.80	4,069.89
(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).	5,764.56	3,943.35
Total Exposure to Real Estate sector	**26,029.08**	**18,246.81**

1.7.2 Exposure to Capital Market

(₹ in Crore)

Category	March 31, 2018	March 31, 2017
(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;	261.92	220.60
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	0.01
(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;	24.18	162.28
(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;	368.46	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	6.40	40.89
(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)	27.84	22.71
Total Exposure to Capital Market	**688.80**	**446.49**

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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) March 31, 2018	Provision held March 31, 2018	Exposure (net) March 31, 2017	Provision held March 31, 2017
Insignificant	1,560.60	-	1,011.35	-
Low	522.70	-	908.17	-
Moderate	24.59	-	18.84	-
High	14.35	-	13.39	-
Very High	-	-	0.20	-
Restricted	-	-	0.15	-
Off-credit	-	-	0.00	-
Total	**2,122.24**	**-**	**1,952.10**	**-**

* The above figures include both funded as well as non-funded exposure.

1.7.4. During the year ended March 31, 2018 and March 31, 2017, 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, 2018 and March 31, 2017 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.8. Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a) Penalty imposed on currency chests	0.42	0.11
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	February12, 2018	-
c) Penalty imposed by RBI in connection with bouncing of SGL	3.50	-
Date of Payment	July 07, 2017	-

Penalty was imposed by RBI as per:

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

b) RBI Circular IDMD.DOD.17/11.01.01 (B) 2010-11 dated July 14, 2010.

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

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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: ₹ 0.47 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, 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 ₹ 25.34 Crore (Previous year: ₹ 21.64 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 Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2018.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Projected benefit obligation, beginning of the year	260.48	246.09	737.39	637.50
Service Cost	88.51	15.66	164.62	79.26
Interest cost	19.33	17.14	51.07	41.42
Actuarial (gain)/ loss	(27.11)	16.64	108.36	149.62
Benefits paid	(29.66)	(35.05)	(161.80)	(170.42)
Projected benefit obligation, end of the year	**311.55**	**260.48**	**899.64**	**737.38**

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ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Plan assets at beginning of the year at fair value	261.54	225.66	746.33	578.27
Expected return on plan assets	20.43	19.84	56.42	48.57
Actuarial gain/(loss)	(0.60)	0.69	3.33	4.69
Employer's Contributions	14.04	50.40	248.78	285.22
Benefits paid	(29.66)	(35.05)	(161.80)	(170.42)
Plan assets at end of the year, at fair value	**265.75**	**261.54**	**893.06**	**746.33**

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, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Fair value of plan assets at the end of the year	265.75	261.54	893.06	746.33
Present value of the defined benefit obligations at the end of the year	311.55	260.48	899.64	737.38
Liability/ (Asset) recognized in the Balance Sheet	**45.80 @**	**(1.06)**	**6.58**	**(8.95)**

@ Includes amount payable on account of additional provision requirement due to amendment in Payment of Gratuity Act, 1972- ₹ 53.58 Crore.

iv) Gratuity / pension cost for the year ended 31st March, 2018

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Service cost	88.51	15.66	164.62	79.26
Interest cost	19.33	17.14	51.08	41.42
Expected return on plan assets	(20.43)	(19.84)	(56.42)	(48.57)
Actuarial (gain)/loss	(26.50)	15.95	105.03	144.93
Employee Cost	60.91	28.92	264.31	217.04
Amortisation Cost	-	-	-	-
Net cost Debit to Profit and Loss account	7.33	28.92	264.31	217.04
Amount not debited in profit and loss account, but carried over to be amortised#	53.58	-	-	-
Actual return on plan assets	19.83	20.52	59.75	53.26

- 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	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Central and state Government bonds	-	-	-	-
Other debt securities	4.35	5.35	29.49	48.23
Balance in Saving bank account with the Bank	0.25	4.58	1.76	42.84
Net current assets	0.06	0.11	7.57	1.62
Balance with LIC#	261.09	251.50	860.82	653.64
Total	**265.75**	**261.54**	**899.64**	**746.33**

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

(₹ in Crore)

	March 31,2018	March 31,2017	March 31,2016	March 31,2015	March 31,2014	March 31,2013
Defined Benefit Obligations	311.55	260.48	246.09	209.34	201.26	240.13
Plan Assets	265.75	261.54	225.66	223.52	230.83	221.67
Surplus/ (Deficit)	(45.80)	1.06	(20.43)	14.18	29.57	(18.46)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(7.08)	2.18	(46.00)	(6.31)	(5.74)	17.02
Experience Adjustments on Plan Assets [Gain / (Loss)]	1.97	(0.42)	(1.97)	1.19	1.76	22.33

ii) Pension Plan

(₹ in Crore)

	March 31,2018	March 31,2017	March 31,2016	March 31,2015	March 31,2014	March 31,2013
Defined Benefit Obligations	899.64	737.38	637.50	587.48	531.78	584.12
Plan Assets	893.06	746.33	578.27	544.40	416.25	444.17
Surplus/ (Deficit)	(6.58)	8.95	(59.23)	(43.08)	(115.53)	(139.95)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(33.27)	93.67	(142.49)	(79.75)	(8.18)	(1.22)
Experience Adjustments on Plan Assets [Gain / (Loss)]	9.60	6.66	0.18	2.19	3.03	1.38

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31,2018	March 31, 2017	March 31, 2018	March 31, 2017
Discount rate	7.87%	7.50%	7.78%	7.50%
Annuity rate per Rupee	-	-	134.98313	131.72338
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.81%	8.79%	7.56%	8.40%
Attrition Rate	2.00%	3.00%	1.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

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The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

(c) Leave Encashment/Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 15.17 Crore has been reversed to profit and loss account due to reduction of the above liabilities in accordance with AS 15 based on actuarial valuation. During the Previous year as sum of ₹ 24.64 Crore was charged to profit and loss account due to increase in 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, 2018	March 31, 2017
Privilege leave	142.10	152.13
Sick leave	17.82	25.05
Leave Travel Concession	14.28	12.29
Casual Leave	1.66	1.56
Total actuarial liability	**175.86**	**191.03**
Assumptions		
Discount rate	7.87%	7.50%
Salary escalation rate	5.00%	5.00%
Attrition Rate	2.00%	3.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

The above information is as certified by the actuary and relied upon by the auditors.

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.

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Corporate/ Wholesale Banking

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads.

Retail banking

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and otherbanking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

The following table sets forth, for the periods indicated, the business segment results:

As on 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

As on March 31, 2017@

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,316.01	3,071.50	4,179.52	192.17	9,759.20
Result (net of provisions)	388.16	82.50	769.38	95.53	1,335.57
Unallocated expense					(29.07)
Operating profit (PBT)					1,306.50
Income taxes					475.71
Extraordinary profit / loss					-
Net Profit					830.79

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(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
OTHER INFORMATION					
Segment Assets	31,656.01	32,825.81	44,365.05	18.54	108,865.41
Unallocated assets					6,111.52
Total assets					114,976.93
Segment liabilities	30,502.06	31,847.98	42,944.76	-	105,294.80
Unallocated liabilities					739.75
Total liabilities					106,034.55

@ - Pursuant to Board approved policy on preparation of segment information, the Bank, with effect from quarter ended September 30, 2017, has revised the basis of preparation of segment information related to the allocation of RIDF deposits from Treasury segment to Corporate/Wholesale Banking and Retail Banking segments and allocation of provision related to advances on a direct identification basis for more appropriate presentation of the segment results. Figures for the previous year have been regrouped / reclassified to conform to current year's classification.

The impact of above regrouping / reclassification on segment results for the year ended March 31, 2017, is summarized in the table below:

(₹ in Crore)

(Decrease) / Increase	As on March 31, 2017
Treasury	(6.98)
Corporate/Wholesale Banking	(113.91)
Retail Banking	81.39
Other Banking operations	39.50
Unallocated	-

Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

2.3. Related Party Disclosures (AS 18)

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
FedBank Financial Services Limited	Subsidiary
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran, Executive Director (From 04-07-2016)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

In accordance with RBI guidelines, details pertaining to the related party transactions, have not been provided where there is only one related party

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b) Significant transactions with related parties:

Particulars	Key Management Personnel	
	March 31, 2018	March 31, 2017
Remuneration paid (₹ in Crore)	3.61	2.79
Deposits# (₹ in Crore)	0.24	0.94
Advances# (₹ in Crore)	1.97	9.44
Interest received (₹ in Crore)	0.18	0.29
Interest paid (₹ in Crore)	0.05	0.05
Dividend Paid (₹ in Crore)	0.02	0.02
Share capital received on exercise of ESOS (₹ in Crore)	22.11	0.54
No. of Shares granted under ESOS (in numbers)	1,900,000	300,000
No.of Options outstanding under ESOS (in numbers)	7,773,250	11,104,250

Represents outstanding as on March 31 of the respective financial year

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 31,2018	March 31,2017
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	-	-
(ii) Depreciation on Investments	67.32	101.80
(iii) Depreciation on Fixed assets	-	12.66
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	128.24	107.28
(v) Others	23.63	10.23
Total - (A)	**219.19**	**231.97**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	55.55	92.70
(ii) Provision for Standard Assets	152.83	136.68
(iii) Depreciation on Fixed assets	1.07	-
(iv) Others	81.50	88.51
Total - (B)	**290.95**	**317.89**
Net Deferred tax liability/ (Asset) (A-B)	**(71.76)**	**(85.92)**

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, 2018	Year ended March 31, 2017
i)	Provision towards NPAs	752.68	405.12
ii)	Provision for Depreciation in Value of Investments (Net)	167.43	24.21
iii)	Provision for Non - Performing Investments	5.51	5.35
iv)	Provision for Standard Assets	42.43	78.50
v)	Provision for Taxation	465.01	475.71#
vi)	Provision towards Present Value of sacrifice on restructuring, other contingencies etc.	(20.88)	105.24
	Total	**1,412.18**	**1,094.13**

₹ 17.98 Crore relating to earlier years.

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3.2 Movement in floating provision is set out below:

(₹ in Crore)

Particulars		Standard Assets Provision		NPA Provision	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
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 drawn down ₹ 23.57 Crore from Investment Reserve Account (Previous Year ₹ 14.49 crore) in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'.

3.4. A) Disclosure of customer complaints

Particulars		March 31, 2018	March 31, 2017
(a)	No. of complaints pending at the beginning of the year	58	42
(b)	No. of complaints received during the year	3,639	3,115
(c)	No. of complaints redressed during the year	3,626	3,099
(d)	No. of complaints pending at the end of the year	71	58

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, 2018	March 31, 2017
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	Nil	Nil
(c)	No. of awards implemented during the year	Nil	Nil
(d)	No. of unimplemented awards at the end of the year	1@	1@

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

The above information is as certified by the Management and relied upon by the auditors.

3.5. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended March 31, 2018 and March 31, 2017.

3.6 The Provision coverage ratio of the bank as on March 31, 2018, computed in terms of the RBI Guidelines was 64.50% (Previous Year 72.67%).

3.7. Bancassurance Business

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income *	March 31, 2018	March 31, 2017
1	For selling life insurance policies	26.58	31.01
2	For selling non-life insurance policies	8.44	6.66
3	For selling mutual fund products	3.98	1.84
4	Others#	3.32	1.53

* - includes receipts on account of marketing activities undertaken on behalf of Bancassurance partners.
# -includes income on DP/Trading/PIS

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3.8 Concentration of Deposits, Advances, Exposures and NPAs

3.8.1 Information on Concentration of deposits:

(₹ in Crore)

	March 31, 2018	March 31, 2017
Total deposits of twenty largest depositors	4,840.90	4,883.62
Percentage of deposits of twenty largest depositors to total deposits of the bank	4.32%	5.00%

Note: Excludes holders of certificate of deposits which are tradeable instruments.

3.8.2 Information on Concentration of advances:

(₹ in Crore)

	March 31, 2018	March 31, 2017
Total advances to twenty largest borrowers	12,396.68	9,469.00
Percentage of advances to twenty largest borrowers to total advances of the bank	10.57%	10.20%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July1, 2015.

3.8.3 Information on Concentration of exposure:

(₹ in Crore)

	March 31, 2018	March 31, 2017
Total exposures to twenty largest borrowers/customers	12,958.30	11,033.74
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/ customers	10.46%	11.08%

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, 2018	March 31, 2017
Total exposures to top four NPA accounts	460.75	249.50

3.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2018 and March 31, 2017 are given below: (₹ in Crore)

Sl. No.	Sector*	March 31, 2018			March 31, 2017		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
A	**Priority Sector**						
1.	Agriculture and allied activities	11,608.59	420.52	3.62	9,746.40	278.44	2.86
2.	Advances to industries sector eligible as priority sector lending	5,472.76	314.68	5.75	2,701.70	206.78	7.65
	Of which:						
	Infrastructure	*984.83*	*44.83*	*4.55*	*301.81*	*6.44*	*2.13*
3.	Services	5,837.83	366.33	6.28	4,330.96	233.93	5.40
	Of which:						
	Trade	*4,126.12*	*293.08*	*7.10*	*2,469.17*	*164.43*	*6.66*
	Commercial Real Estate	*171.87*	-	-	*31.57*	*0.59*	*1.87*
	NBFCs	*133.94*	*0.80*	*0.60*	-	-	-
	Other Services	*970.32*	*37.52*	*3.87*	*553.57*	*17.09*	*3.09*
4.	Personal loans	-	-		-	-	
5.	Others	3,663.98	244.40	6.67	3,764.62	198.71	5.28
	Sub-total (A)	**26,583.16**	**1,345.93**	**5.06**	**20,543.68**	**917.86**	**4.47**

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(₹ in Crore)

Sl. No.	Sector*	March 31, 2018			March 31, 2017		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
B	**Non-Priority Sector**						
1.	Agriculture and allied activities	95.73	-	-	-	-	-
2.	Industry	14,128.17	954.01	6.75	9,116.06	387.70	4.25
	Of which :						
	Infrastruture	*4,892.46*	*619.90*	*12.67*	*3,323.67*	*78.61*	*2.37*
3.	Services	29,255.31	216.57	0.74	24,276.68	277.79	1.14
	Of which :						
	Non-Banking Finance Companies	7,727.14	2.81	0.04	4,850.47	-	-
	Trade	*4,216.79*	*56.66*	*1.34*	*3,891.48*	*113.40*	*2.91*
	Commercial Real Estate	*5,266.06*	*46.48*	*0.88*	*3,330.82*	*16.12*	*0.48*
	Other services	*10,857.71*	*100.79*	*0.93*	*5,367.47*	*65.91*	*1.23*
4.	Personal loans	394.34	5.26	1.33	67.36	3.02	4.48
5.	Others	22,715.90	273.85	1.21	20,086.95	140.68	0.70
	Sub-total (B)	**66,589.45**	**1,449.69**	**2.18**	**53,547.05**	**809.19**	**1.51**
	Total (A+B)	**93,172.60**	**2,795.62**	**3.00**	**74,090.73**	**1,727.05**	**2.33**

*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, 2018	March 31, 2017
Gross NPAs as at the beginning of the year	1,727.05	1,667.77
Additions (Fresh NPAs) during the year#	2,200.67	1,074.99
Sub-total (A)	**3,927.72**	**2,742.76**
Less: Reduction#		
(i) Upgradations	407.96	268.68
(ii) Recoveries (excluding recoveries made from upgraded accounts)	285.71	192.26
(iii) Technical/ Prudential Write – offs	194.23	233.31
(iv) Write –offs other than those under (iii) above	17.37	3.11
(v) Reduction by Sale of Assets to ARCs	226.83	318.35
Sub-total (B)	**1,132.10**	**1,015.71**
Gross NPAs as at the end of the year* (A-B)	**2,795.62**	**1,727.05**

#Aggregate of quarterly movement during the year

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 4,371.51 Crore (Previous Year ₹ 3,443.23 Crore)

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B)Movement in technical/prudential written off accounts is set out below: (₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance	1,716.18	1,792.41
Add: Technical write-offs during the year	194.23	233.31
Sub total (A)	**1,910.41**	**2,025.72**
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	79.72	35.75
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	42.99	-
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	211.81	273.79
Sub total (B)	**334.52**	**309.54**
Closing balance at the end of the year (A-B)	**1,575.89**	**1,716.18**

3.11. Details of Overseas Assets, NPAs and Revenue

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Center (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch(s) as on March 31, 2018 and March 31, 2017. Details of Assets, NPAs and Revenue of IBU are given below:

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Total Assets	2,796.11	1,485.61
Total NPAs	-	-
Total Revenue	79.46	29.69

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, 2018 and March 31, 2017.

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, 2018, 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

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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

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.

Committee 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 committee's to take decisions on various aspects:

- Credit limits are sanctioned by committee's at different levels.
- Investment decisions of the Bank are taken and monitored by Investment committee and there is an upper limit in treasury dealings

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where individual decisions can be taken.

- Interest rates on asset and liability products for different buckets are decided and monitored by the Asset Liability Committee of the Board (ALCO). Banks' exposure to liquidity risk are also monitored by ALCO.

Integrated Risk Management Department (IRMD)

In order to effectively govern the compensation structure, IRMD would assist the Remuneration Committee of the Board to monitor, review and control various risks and balance prudent risk taking with the compensation paid out to top executives and other employees.

Compensation of risk control staff

The total fixed and variable compensation paid out to the employees of IRMD are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals.

d) Linkage of performance during a performance measurement period with levels of remuneration.

The Bank's performance is charted based on the revenue point index / performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through Score cards for MD& CEO / EDs. The score card provides a mix of financial and non-financial, quantitative and qualitative metrics.

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

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III 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 01.05.2017.

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, ESOPs and variable PLI to decide the compensation of employees in all categories. The distribution of ESOPS and variable PLI are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments. The Officers in Scale I-III as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. Variable compensation, ESOP, is linked with seniority in these levels.

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ii) Quantitative disclosures

			March 31, 2018	March 31,2017
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		6 ₹ 510,000	7 ₹ 630,000
(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 – 3.06 Variable – 0.55	Fixed - 2.79 Variable - 0.00
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.		Nil	Nil

3.14 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2018 and March 31, 2017.

3.15 Details of Intra-Group Exposure

(₹ in Crore)

Sl. No.	Particulars	March 31, 2018	March 31, 2017
1	Total amount of intra-group exposures*	768.74	691.39
2	Total amount of top-20 intra group exposures*	768.74	691.39
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.621%	0.694%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July 1, 2015.

3.16 Transfers to Depositor Education and Awareness Fund (DEAF)

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEAF. Details of amounts transferred to DEAF are set out below:

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance of amounts transferred to DEAF	93.26	77.33
Add: Amounts transferred to DEAF during the year	12.33	18.18
Less: Amounts reimbursed by DEAF towards claims	2.52	2.25
Closing balance of amounts transferred to DEAF	103.07	93.26

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

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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 ₹ 5.26 Crore (Previous year ₹ 5.27 Crore) as provision and ₹ 4.39 Crore (Previous year ₹ 2.21 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2018.

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 FY 2017-18

(₹ 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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The following table sets forth, the daily average of unweighted and weighted values for quarter ending March 31, 2017 and monthly average for 3 quarters from April 16 to Dec 16 in FY 2016-17.

(₹ in Crore)

Particulars		Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016	
		Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		15,142.79		14,978.85		11,415.77		11,222.13
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	85,093.52	7,787.31	83,883.94	7,679.37	79,100.53	7,278.59	77,647.20	6,420.88
(i)	Stable deposits	14,440.83	722.04	14,180.44	709.02	12,629.18	631.46	26,876.75	1,343.84
(ii)	Less stable deposits	70,652.70	7,065.27	69,703.49	6,970.35	66,471.34	6,647.13	50,770.45	5,077.04
3	Unsecured wholesale funding, of which:	4,416.56	2,113.57	5,265.24	2,882.58	3,377.92	1,747.15	2,669.55	1,268.49
(i)	Operational deposits (all counterparties)	145.79	30.14	122.82	24.46	111.44	21.41	125.21	24.67
(ii)	Non-operational deposits (all counterparties)	4,270.77	2,083.42	5,142.42	2,858.12	3,266.49	1,725.74	2,544.35	1,243.82
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		0.02		67.54		27.43		-
5	Additional requirements, of which	12.64	12.03	30.60	30.60	63.89	63.89	11.66	11.66
(i)	Outflows related to derivative exposures and other collateral requirements	12.64	12.03	30.60	30.60	63.89	63.89	11.66	11.66
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	16,860.71	1,849.01	15,277.46	1,729.55	14,984.21	1,844.12	14,566.86	1,710.04
7	Other contingent funding obligations	6,363.76	190.91	6,102.20	183.03	5,825.45	174.76	5,884.54	176.54
8	**TOTAL CASH OUTFLOWS**		**11,952.85**		**12,572.67**		**11,135.95**		**9,587.61**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	1,971.06	-	2,346.58	-	293.92	-	564.09	-
10	Inflows from fully performing exposures	3,189.16	2,325.40	2,400.32	1,930.37	2,641.63	2,033.02	1,845.58	1,111.42
11	Other cash inflows	6.99	6.99	2.17	2.17	45.87	45.87	77.11	77.11
12	**TOTAL CASH INFLOWS**	**5,167.21**	**2,332.39**	**4,749.07**	**1,932.54**	**2,981.42**	**2,078.89**	**2,486.77**	**1,188.53**
13	**TOTAL HQLA**		**15,142.79**		**14,978.85**		**11,415.77**		**11,222.13**
14	**TOTAL NET CASH OUTFLOWS**		**9,620.45**		**10,640.13**		**9,057.06**		**8,399.08**
15	**LIQUIDITY COVERAGE RATIO (%)**		**157.40%**		**140.78%**		**126.04%**		**133.61%**

Note: LCR data for the quarter's ended April to Dec 2016 have been computed as the simple average of monthly observations over the quarter. For the quarter ended March 31, 2017, the same has been computed based on simple average of daily observations.

b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from 1st January 2017. Bank has computed the LCR of the IFSC banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank has not

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

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 2018, as against the regulatory minimum of 80% (till December 2017)/ 90% (from January 2018).

On an average, 90% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (9% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable from a liquidity perspective is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and apprises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

4. Other Disclosures

4.1. Earnings per Share ('EPS')

Particulars	March 31, 2018	March 31,2017
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,902,184	1,720,708
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	1,926,275	1,746,587
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	4.62	4.83
Diluted earnings per share (n ₹)	4.56	4.76
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	8,788,458	8,307,882

4.2 A. Equity Issue

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 ₹ 2,420.78Crore (net of issue expenses) in Share premium account.

Further the Bank allotted during the year 32,577,034 equity shares consequent to exercise of ESOS and 4,750 equity shares pertaining to Rights issue of 2007, which resultedin 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) 32,925,590 underlying equity shares of ₹ 2/- each (Previous Year 31,205,861 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

(iii) 32,577,034 ESOS shares of ₹ 2/- per share (Previous Year 5,098,570 shares of ₹ 2/- Per share) allotted under ESOS 2010.

(iv) 857,945,206 bonus shares were issued in the ratio of 1:1 during Financial Year 2015-16

C. The following allotments are kept pending following orders from various courts

(i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share

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(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 1,080,415 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

a) 409,170 shares of ₹ 2/- each (Previous year 409,170 shares of ₹ 2/- each) out of the Bonus issue of 2004 and

b) 613,505 bonus shares of ₹ 2/- each (Previous year 615,755 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, 2018	March 31, 2017
Outstanding at the beginning of the year	71,802,986	76,187,146
Surrendered during the year	-	-
Granted during the year	100,000*	965,000
Exercised during the year	32,577,034	5,098,570
Forfeited/lapsed during the year	849,420	250,590
Outstanding at the end of the year	38,476,532	71,802,986
Options exercisable	35,889,722	47,617,696

* ESOS granted on May 20, 2017 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 112.35 per share.

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, 2018
Outstanding at the beginning of the year	-
Surrendered during the year	-
Granted during the year	22,318,348*
Exercised during the year	-
Forfeited/lapsed during the year	6,547,809
Outstanding at the end of the year	15,770,539
Options exercisable	-

* ESOS granted on August 14, 2017 with Exercise Prices of ₹105.65, ₹ 72.45 and ₹ 79.45 per share, ESOS granted on September 19, 2017 with Exercise Price of ₹ 116.85 per share and ESOS granted on January 29, 2018 with Exercise Price of ₹ 101.15 per share with vesting period of 1, 2 and 3 years and Exercise period of 5 years.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

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 ₹ 25.79 Crore (Previous Year: ₹ 9.12 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 ₹ 4.48 and ₹ 4.43 (Previous Year: ₹ 4.78 and ₹ 4.72) 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 of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 237.75 Crore from the Profit and loss account for the year ended March 31, 2018, also the same has not been shown as an Other Liabilities. (Schedule 5)

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, 2018	March 31, 2017
Gross Block		
At the beginning of the year	174.01	143.04
Additions during the year	34.36	33.45
Deductions / Adjustments during the year	2.87	2.48
At the end of the year	**205.50**	**174.01**
Depreciation / Amortisation		
At the beginning of the year	120.27	93.48
Charge for the year	35.97	27.75
Deductions / Adjustments during the year	2.87	0.96
Depreciation to date	**153.37**	**120.27**
Net Block	**52.13**	**53.74**

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2018 and March 31, 2017.

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 ₹ 143.17 Crore (Previous year: ₹ 131.49 Crore) was charged to Profit and loss account.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

4.5 Provisions and Contingencies

a) Movement in provision for frauds included under other liabilities: (₹ in Crore)

	March 31, 2018	March 31, 2017
Opening balance at the beginning of the year	4.05	5.82
Additions during the year	1.97	0.72
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	1.31	2.49
Balance at the end of the year	**4.71**	**4.05**

b) Movement in provision for debit card reward points: (₹ in Crore)

	March 31, 2018	March 31, 2017
Opening provision at the beginning of the year	4.08	1.92
Provision made during the year	10.25	4.02
Reductions during the year	9.73	1.86
Closing provision at the end of the year *	**4.60**	**4.08**

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilised towards redemption of the debit card reward points.

c) Movement in provision for other contingencies: (₹ in Crore)

	March 31, 2018	March 31, 2017
Opening provision at the beginning of the year	60.06	40.03
Provision made during the year	14.92	25.24
Reductions during the year	40.65	5.21
Closing provision at the end of the year	**34.33**	**60.06**

4.6 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Provision for Income tax		
a) Current tax	461.03	678.95
b) Deferred tax	3.98	(203.24)

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

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 Fund (DEAF).

(Refer schedule 12 for amounts relating to contingent liability.)

4.8 Provisioning Pertaining to Fraud Accounts

The Bank has reported 44 cases (Previous year: 68 cases) of fraud in the Financial year ended March 31, 2018 amounting to ₹ 5.34 Crore (Previous Year: ₹ 259.19 Crore) and has provided for the same in the books of account. Bank does not have any unamortised loss in this regard as of March 31, 2018.

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, 2018 was ₹ 1,444.50 Crore (Previous Year: ₹ 1,981.27).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2018 was ₹ Nil. (Previous Year: ₹ 150.00 Crore).

4.10 Factoring Exposure

The factoring exposure of the Bank as on March 31, 2018 is ₹ 805.63 Crore (Previous Year: ₹ 1,055.67 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	Year ended March 31, 2018		Year ended March 31, 2017	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-	-	-
PSLC – SF/MF	-	-	-	-
PSLC – Micro Enterprises	-	-	275.00	-
PSLC - General	-	-	-	-

4.12 Provision for Long Term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

4.13 Corporate Social Responsibility (CSR)

(₹ in Crore)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Amount required to be spent	23.65	23.02
Amount spent during the year	14.02	15.42

The Bank has spent of 1.19 % of its average net profit for the last three financial years as part of its CSR activities for the year ended March 31, 2018. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilising the reporting year to lay a foundation on which to build and scale future projects and partnerships. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

4.14 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

4.15 Disclosure on Specified Bank Notes

The Bank believes that the MCA notification G.S.R. 308(E) dated March 30, 2017 regarding holdings as well as dealings in Specified Bank Notes during the period from November 08, 2016 to December 30, 2016 is not applicable to banking companies.

4.16 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

4.17 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)

Ganesh Sankaran
Executive Director
(DIN:07580955)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

As per our report of even date

Directors:

Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)

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

Akeel Master
Partner
Membership No.046768

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

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : 9 May, 2018

MASTERING THE DIGITAL DOMAIN

The advent of digital banking is comprehensively transforming the banking landscape. Federal Bank is responding swiftly and imaginatively to the digital disruption with a slew of new products and services. Every new digital initiative from the Bank is making banking easier and faster for millions of its customers.



BASEL III – PILLAR 3 DISCLOSURES AS ON 31st MARCH 2018

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

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.	2,596.81	14,796.84

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:

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 LtdIndia	Insurance	7,781.47	26%	CRAR will reduce by 0.20% under deduction method

f) Restrictions or impediments on transfer of funds or regulatory capital within the banking group:

There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

TABLE DF - 2: CAPITAL ADEQUACY

1. Qualitative disclosures

A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities

1. Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis.
2. Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis.
3. The minimum capital required to be maintained by the Bank (including CCB) for the period ended March 31, 2018 is 10.875%. The given minimum capital requirement includes capital conservative buffer of 1.875%. Bank's CRAR is above the regulatory minimum as stipulated in Based III Capital Regulations.

2	**Quantitative disclosures (Solo Bank)**	**(Amount in ₹Mn.)**	
2.1	**Capital requirements for Credit risk**		**65,846.95**
	Portfolios subject to Standardized approach		65,846.95
	Securitization exposures		0.00
2.2	**Capital requirements for Market risk (Standardized duration approach)**		**3,153.72**
	Interest rate risk		1,594.51
	Foreign exchange risk (including gold)		202.50
	Equity risk		1,356.71
	Total Capital Requirements		65,065.89
2.3	**Capital requirements for Operational risk**		**5,753.20**
	Basic Indicator Approach		5,753.20
	Total Capital Requirements		**74,753.87**
2.4	**Common Equity Tier 1, Tier 1 & Total Capital Ratios**	**Standalone**	**Consolidated**
	Common Equity Tier 1 capital ratio	14.18%	14.35%
	Tier 1 capital ratio	14.18%	14.35%
	Total capital ratio	14.70%	14.87%

RISK EXPOSURE AND ASSESSMENT

1	**Credit risk**
	Strategies and processes: The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below: a) Defined segment exposures delineated into Agriculture, 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) A well-defined approach for sourcing and underwriting loans proposals are in place. Proper due diligence is carried out while sourcing fresh credit limits. g) A clear and well-defined delegation of authority linking credit sanctions 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) Specialised Credit Advisory Teams operating at strategic locations to streamline and monitor credit processes within the credit hubs, evaluate and chart action plans to act on EWS, conduct unit visit of stressed account and formulate other measures to maintain standard health classification of credit exposures. k) Dedicated Credit Monitoring Department at national level and other key geographies to monitor / follow up of performance of loans and advances. l) Robust statistical score cards used for retail credit appraisal process. m) Model validation done on yearly basis to assess the discriminatory power of the model and to understand the calibration and the stability of the rating. n) 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. o) Dedicated Credit Monitoring Department and Credit Monitoring Cells at various levels to monitor / follow up of performance of loans and advances. p) Internal credit rating of all credit proposals above ₹5.00 Crores is confirmed by Integrated Risk Management Department.
	Structure and organization of risk management function: Bank has put in place Board approved comprehensive Credit Risk Management Policy. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalized required organizational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Risk Management Committee of the Board oversees Bank wide risk management and senior executive level Credit Risk Management Committee monitors adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets at least once in a quarter (subject to minimum of 6 meetings in a year) to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Division of Integrated Risk Management Department. Bank has put in place a detailed Loan Policy spelling out various aspects of Credit dispensation and Credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on sector wise, rating grade wise, and customer-constitution wise exposure. CRM policy gives specific instructions on valuation of collaterals. Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures.
	Scope and nature of risk reporting / measurement systems: Bank has implemented comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating is made applicable for all loan accounts irrespective of amount, whether funded or non-funded. However, staff loans and loan against liquid securities are exempted from rating. Bank uses different rating models which are two dimensional, viz obligor rating and facility rating. Risk rating models are drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics, financials, securities offered etc. Bank has specific rating models capable of rating large corporates, traders, SME, Non-Banking Finance Companies (NBFCs), real estate and service sector clients. Retail advances, small value loans and retail agriculture loans are rated using applicable score cards. Statistical application and behavioral score-cards have been developed for all major retail portfolios. All rating models are subjected to annual validation by objectively assessing the discriminatory power, calibration accuracy and stability of ratings. Bank is conducting migration and default rate analysis for all loans of `50 lakhs and above. Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual review of credit rating of its exposures and the findings are used in annual migration study and portfolio evaluation. Credit facilities are sanctioned at various levels in accordance with the delegation policy approved by the Board. Bank has generally adopted a committee approach for credit sanction. Credit rating assigned by an official is also subjected to confirmation by another official. Credit audit is being conducted at specified intervals. Credit risk mitigation techniques are resorted to contain the risk at the minimum level.
	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank's Credit Risk Management Policy stipulates various tools for mitigation of credit risk and collateral management. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risk arising in investment portfolio. Risk Management Committee of the Board and executive level Credit Risk Management Committee monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures. Risk rating process by itself is an integral part of the process for selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal / review of existing exposure by field level functionaries is permitted only for borrowers above a pre-specified rating grade. Entry-level restrictions are further tightened in certain sectors where market signals need for extra caution.

2.	**Market risk**
	Strategies and processes: Market risk is monitored through various risk limits set vide Board approved Market Risk Management Policy. Detailed policies like Asset Liability Management Policy, Investment Policy, Derivatives Policy, Forex policy, Market Risk Management Policy etc. are put in place for the conduct of business exposed to Market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.
	Structure and organization of risk management function: Risk Management Committee of the Board oversees bank-wide risk management. Asset Liability Management Committee (ALCO), also known as Market Risk Management Committee, is primarily responsible for establishing Market Risk Management and Asset Liability Management in the Bank. ALCO is responsible for implementing risk management guidelines issued by the regulator, leading risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices / policies and risk management prudential limits. Independent Mid office, which forms a part of Market Risk Division of IRMD, is operational in the floor of Bank's Treasury for onsite monitoring of Treasury functions. The Mid Office conducts market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. It also computes capital charge for market risk and VaR of market portfolios on a daily basis. This separate desk monitors market / operational risks in Bank's Treasury/ Forex operations on a daily basis and reports directly to the Head-Risk & Chief Risk Officer.
	Scope and nature of risk reporting / measurement systems: Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Non-SLR investment exposures are subjected to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc. are used for Risk management and reporting. *Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:* Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants are discussed in ALCO and based on the views taken by/ mandates given by ALCO, hedge deals/ mitigation steps are undertaken. Liquidity risk of the Bank is assessed through Statements of Structural Liquidity 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. Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are monitored by ALCO on a monthly basis. Interest rate risk is analyzed from earnings perspective using Traditional Gap Analysis and Economic value perspective using Duration Gap Analysis on a monthly basis. Based on the analysis, steps are taken to minimize the impact of interest rate changes. Bank is computing LCR (Liquidity Coverage Ratio) on a monthly basis. Advanced techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.
3.	**Operational risk**
	Strategies and processes: Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, structure and risk profile. A comprehensive bank-wide Business Continuity Plan is put in place to ensure continuity of critical operations of the Bank covering all identified disasters. Robust information and cyber security frameworks are established for securing the IT infrastructure and systems of the Bank.
	Structure and organization of risk management function: Risk Management Committee of the Board oversees Bank-wide risk management. Bank has put in place a detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. Executive level Information Security Committee is responsible for implementation of strategies and policies for protection of all information assets of the Bank.
	Scope and nature of risk reporting / measurement systems: Bank is collecting operational risk loss data directly from the loss originating points. Bank has established a separate accounting procedure for operational risk events to enhance transparency and to enable effective monitoring of loss events. The operational risk loss data is consolidated, analyzed and reported to the Operational Risk Management Committee at least on a quarterly basis. Bank is identifying and assessing operational risk through Risk and Control Self Assessments (RCSA) and monitoring of Key Risk Indicators (KRI).
	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank is using insurance for mitigating against various operational risk losses. New products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks the Bank would be exposed to and checks and controls are implemented to mitigate the risks. To evaluate the effectiveness of the business continuity arrangements, periodic drills and tests are conducted.
4.	**Interest rate risk in Banking Book**
	Strategies and processes: Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.
	Structure and organization of risk management function: Risk Management Committee at the Board level and ALCO at the executive level are responsible for effective management of Interest Rate Risk in Bank's business. Board approved ALM Policy governs the Interest rate risk management framework of the Bank. Market Risk Management Policy takes care of the management of Interest rate risk in the Trading Book of the Bank.

	Scope and nature of risk reporting / measurement systems: Interest rate risk in Banking Book is assessed and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO / RMC for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.
	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank has put in place mitigating / hedging measures prescribed by Investment Policy, ALM Policy, Market Risk Management Policy and Derivatives Policy. Risk profiles are analyzed and mitigating strategies/ hedging process are suggested and operationalized by Treasury Department with the approval of Senior Level Committee.
	Structure and organization of Bank's risk management function Bank has put in place an organizational framework for Bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all material risks on an enterprise-wide basis to achieve organizational goals. The structure assures adherence to regulatory stipulations. The structure is designed in tune with the regulatory guidelines. Bank's Board at the top of the structure has assumed overall responsibility for Bank-wide management of risk. The Board decides risk management policies of the Bank and sets risk exposure limits by assessing Bank's risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility of devising policy and strategy for enterprise-wide risk management. The Committee also sets guidelines for measurement of risks, risk mitigation and control parameters and approves adequate infrastructure for risk management. The Committee meets regularly and reviews reports placed on various risk areas. There are three support committee's of senior executives (CRMC, ALCO also known as MRMC & ORMC) responsible for implementation of policies and monitoring of level of risks in their respective domains. The Committee are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committee meet regularly to take stock of various facets of risk management function and place their reports to Board Level Risk Management Committee. ALCO meet at least once in a month and CRMC & ORMC meets at least once in a quarter. Depending on requirement, ALCO meets at shorter frequencies. 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.

TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

1	**Qualitative disclosures**
	Definitions of past due and impaired (for accounting purposes): 1. Non-Performing Assets An asset including a leased asset becomes non-performing when it ceases to generate income for the bank. A non-performing asset (NPA) is a loan or an advance where a. Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. b. The account remains 'Out of order' as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC). c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted. d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops. e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
	2.'Out of Order' status An account is treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as Out of order
	3. 'Overdue' Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.
	4. Special Mention Accounts As prescribed by RBI, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below: • SMA-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.

Credit Risk

a. Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities.

b. Downgrading of counterparties whose credit instruments, the Bank may be holding, causing the value of those assets to fall.

c. Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).

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 and Power sector (Renewable energy and Coal based thermal power generation) as stressed sectors and standard asset provision at higher rates are made for exposures in the sector.

Discussion of the Bank's Credit Risk Management Policy:

Bank has put in place a detailed Credit Risk Management Policy. Goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organizational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilization of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimizing returns with satisfactory spread over funding cost and overheads.
The policy deals with the structure, framework and processes for effective management of inherent credit risk.

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)	10,90,273.60	74,921.47	11,65,195.07
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	24,365.66	0.00	24,365.66
Domestic	10,65,907.93	74,921.47	11,40,829.41

*Fund based exposures include all type of funded facilities including the unavailed limits and inter-bank exposures. However, exposures to Food Credit, RIDF related exposures, deposits to SIDBI, NABARD and NHB for priority sector lending purposes are excluded.
**Non fund based exposures include guarantees, Letters of Credit and Co-Acceptances of bills/ deferred payment guarantees.

INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(With industry break up on same lines as prescribed for DSB returns) (Amount in ₹Mn.)

Industry Name	Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
A	B1	B2	B	
A. Mining and Quarrying	7,607.38	0.57	7,607.94	0.65%
A.1 Coal	128.65	0.00	128.65	0.01%
A.2 Others	7,478.73	0.57	7,479.29	0.64%
B. Food Processing	7,411.42	12.19	7,423.61	0.64%
B.1 Sugar	1,234.25	0.00	1,234.25	0.11%
B.2 Edible Oils and Vanaspati	328.90	0.03	328.93	0.03%
B.3 Tea	6.28	2.51	8.79	0.00%
B.4 Coffee	201.33	0.00	201.33	0.02%
B.5 Others	5,640.67	9.65	5,650.32	0.48%
C. Beverages (excluding Tea & Coffee) and Tobacco	851.87	0.00	851.87	0.07%
C.1 Tobacco and tobacco products	191.13	0.00	191.13	0.02%
C.2 Others	660.74	0.00	660.74	0.06%
D. Textiles	18,924.99	4.58	18,929.56	1.62%
D.1 Cotton	3,069.35	0.96	3,070.31	0.26%
D.2 Jute	90.59	0.00	90.59	0.01%
D.3 Man-made	0.00	0.00	0.00	0.00%

D.4 Others	15,765.05	3.62	15,768.67	1.35%
Out of D (i.e., Total Textiles) to Spinning Mills	3,054.61	0.00	3,054.61	0.26%
E. Leather and Leather products	1,336.57	0.75	1,337.33	0.11%
F. Wood and Wood Products	2,603.72	2.10	2,605.81	0.22%
G. Paper and Paper Products	7,905.57	3.85	7,909.42	0.68%
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	8,317.61	5.19	8,322.80	0.71%
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	18,597.92	1.95	18,599.88	1.60%
I.1 Fertilizers	3,561.35	0.00	3,561.35	0.31%
I.2 Drugs and Pharmaceuticals	3,279.85	0.00	3,279.85	0.28%
I.3 Petro-chemicals (excluding under Infrastructure)	0.00	0.00	0.00	0.00%
I.4 Others	11,756.73	1.95	11,758.68	1.01%
J. Rubber, Plastic and their Products	8,578.21	3.65	8,581.86	0.74%
K. Glass & Glassware	1,699.48	15.83	1,715.31	0.15%
L. Cement and Cement Products	2,025.00	0.08	2,025.07	0.17%
M. Basic Metal and Metal Products	15,938.77	149.16	16,087.93	1.38%
M.1 Iron and Steel	11,242.90	33.26	11,276.16	0.97%
M.2 Other Metal and Metal Products	4,695.87	115.90	4,811.77	0.41%
N. All Engineering	8,291.78	1,500.22	9,792.00	0.84%
N.1 Electronics	287.09	0.05	287.15	0.02%
N.2 Others	8,004.69	1,500.17	9,504.85	0.82%
O. Vehicles, Vehicle Parts and Transport Equipments	5,546.47	7.20	5,553.67	0.48%
P. Gems and Jewellery	3,361.52	0.00	3,361.52	0.29%
Q. Construction	20,391.67	379.19	20,770.85	1.78%
R. Infrastructure	66,382.48	10,701.88	77,084.36	6.62%*
R.a Transport (a.1 to a.6)	12,799.60	320.29	13,119.88	1.13%
R.a.1 Roads and Bridges	6,378.40	319.65	6,698.05	0.57%
R.a.2 Ports	323.30	0.00	323.30	0.03%
R.a.3 Inland Waterways	0.00	0.00	0.00	0.00%
R.a.4 Airport	6,097.89	0.64	6,098.53	0.52%
R.a.5 Railway Track, tunnels, viaducts, bridges	0.00	0.00	0.00	0.00%
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0.00	0.00	0.00	0.00%
R.b. Energy (b.1 to b.6)	17,319.50	551.36	17,870.86	1.53%
R.b.1 Electricity Generation	5,017.73	0.00	5,017.73	0.43%
R.b.1.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.1.2 State Govt PSUs (incl. SEBs)	80.54	0.00	80.54	0.01%
R.b.1.3 Private Sector	4,937.19	0.00	4,937.19	0.42%
R.b.2 Electricity Transmission	5,000.00	0.00	5,000.00	0.43%
R.b.2.1 Central Govt PSUs	5,000.00	0.00	5,000.00	0.43%
R.b.2.2 State Govt PSUs (incl. SEBs)	0.00	0.00	0.00	0.00%
R.b.2.3 Private Sector	0.00	0.00	0.00	0.00%
R.b.3 Electricity Distribution	7,301.77	551.36	7,853.13	0.67%
R.b.3.1 Central Govt PSUs	0.00	0.00	0.00	0.00%

R.b.3.2 State Govt PSUs (incl. SEBs)	6,831.77	0.00	6,831.77	0.59%
R.b.3.3 Private Sector	470.00	551.36	1,021.36	0.09%
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)	488.67	0.00	488.67	0.04%
R.c.1 Solid Waste Management	1.96	0.00	1.96	0.00%
R.c.2 Water supply pipelines	285.88	0.00	285.88	0.02%
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)	200.83	0.00	200.83	0.02%
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)	4,956.73	9,478.85	14,435.59	1.24%
R.d.1 Telecommunication (Fixed network)	0.00	0.00	0.00	0.00%
R.d.2 Telecommunication towers	354.07	81.52	435.59	0.04%
R.d.3 Telecommunication and Telecom Services	4,602.67	9,397.33	14,000.00	1.20%
R.e. Social and Commercial Infrastructure (e.1 to e.9)	18,093.75	275.89	18,369.64	1.58%
R.e.1 Education Institutions (capital stock)	10,281.22	0.00	10,281.22	0.88%
R.e.2 Hospitals (capital stock)	4,741.48	275.89	5,017.37	0.43%
R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	3,071.05	0.00	3,071.05	0.26%
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.f. Others, if any, please specify	12,724.23	75.49	12,799.72	1.10%
Other Infra	0.00	0.00	0.00	0.00%
S. Other Industries	10,001.35	412.08	10,413.43	0.89%
All Industries (A to S)	**2,15,773.77**	**13,199.89**	**2,28,973.66**	

* 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	7,363.45	2,240.46	8,425.25	61,359.47	13,654.27	0.00	0.66	93,043.56
2 – 7 days	0.00	397.37	30,978.47	3,349.40	8,616.41	0.00	0.21	43,341.85
8-14 days	0.00	687.84	0.00	2,583.74	6,106.18	0.00	0.29	9,378.04

15-30 days	0.00	950.54	651.75	2,993.76	16,724.61	0.00	1.86	21,322.53
31 days & upto 2 months	0.00	1,696.73	0.00	3,475.45	35,576.74	0.00	4.34	40,753.26
Over 2 months & up to 3 months	0.00	2,081.96	0.00	32,388.35	56,905.78	0.00	10.47	91,386.56
Over 3 months & up to 6 months	0.00	4,184.75	0.00	11,445.05	78,744.31	0.00	3,236.07	97,610.19
Over 6 months & up to 1 year	0.00	7,918.36	0.00	20,609.16	12,0011.10	0.00	2,839.54	1,51,378.17
Over 1 year & up to 3 years	0.00	21,547.53	0.00	35,077.04	3,59,944.07	0.00	24,003.23	4,40,571.88
Over 3 years & up to 5 years	0.00	1,379.37	651.03	30,299.87	1,11,356.43	0.00	11,793.02	1,55,479.73
Over 5 years and upto 7 years	0.00	357.52	0.00	25,123.83	54,676.83	0.00	11,926.47	92,084.66
Over 7 years and up to 10 years	0.00	518.45	0.00	44,819.89	28,620.19	0.00	1,897.56	75,856.09
Over 10 year and up to 15 years	0.00	3.05	0.00	20,457.68	21,710.51	0.00	1,716.27	43,887.51
Over 15 years	0.00	0.19	0.00	13,828.04	6,927.30	4,573.70	1,716.27	27,045.51
Total	7,363.45	43,964.13	40,706.50	3,07,810.75	9,19,574.73	4,573.70	59,146.28	13,83,139.54

ASSET QUALITY

Advances

(Amount in ₹Mn.)

Amount of Non-Performing Assets (Gross)	**27,956.22**
Substandard	11,051.89
Doubtful 1	5,287.74
Doubtful 2	8,146.58
Doubtful 3	1,872.61
Loss	1,597.40
Net NPA	**15,519.60**
NPA ratios	
Gross NPAs to gross advances (%)	3.00%
Net NPAs to net advances (%)	1.69%
Movement of NPAs (Gross)	
Opening balance (balance as at the end of previous Fiscal)	17,270.50
Additions during the period	22,006.78
Reductions	11,321.06
Closing balance	27,956.22

Movement of provisions

(Amount in ₹Mn.)

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	6,852.69	691.80
Provisions made during the period	9,484.17	0.00
Write off	2,116.08	0.00
Write back of excess provisions	1,957.24	0.00
Any other adjustments, including transfers between provisions	804.08	0.00
Closing balance	11,459.46	691.80

Details of write offs and recoveries that have been booked directly to the income statement

(Amount in ₹Mn.)

Write offs that have been booked directly to the income statement	1,006.60
Recoveries that have been booked directly to the income statement	1,250.70

Investments

(Amount in ₹Mn.)

Amount of Non-Performing Investments(Gross)	916.40
Amount of provisions held for Non-Performing Investments	889.40
Movement of provisions for depreciation on investments	
Opening balance (balance as at the end of previous Fiscal)	534.30
Provisions made during the period	1,678.60
Write-off	148.09
Write-back of excess provisions	4.31
Closing balance	2,060.50

Major Industry breakup of NPA

(Amount in ₹Mn.)

Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	9,888.30	4,180.70

Geography wise Distribution of NPA and Provision

(Amount in ₹Mn.)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	27,956.22	11,459.46	691.80
Overseas	0.00	0.00	0.00
Total	27,956.22	11,459.46	691.80

TABLE DF – 4: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

1	**Qualitative disclosures**
	For portfolios under the Standardized Approach:
	Names of credit rating agencies used, plus reasons for any changes: Bank has approved all the seven External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrower accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are: 1. CRISIL 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) Bank is also using the ratings of the following international credit rating agencies for assigning risk weights to claims for capital adequacy purposes where the exposure can be specified as international exposure: 1. Fitch; 2. Moody's and 3. Standard & Poor's With respect to external credit rating, Bank is using long term ratings for risk weighting all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty. *Types of exposure for which each agency is used:* 1. Rating by the agencies is used for both fund based and non-fund based exposures. 2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits). 3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits. 4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group. The rating reviewed, at least once during past 15 months will only be considered for risk weighting purposes.

	Description of the process used to transfer public issue ratings into comparable assets in the Banking Book: The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject. Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/ counterparty) or Issuer Ratings (borrower constituent/ counterparty) are applied to unrated exposures of the same borrower constituent/ counterparty subject to the following: 1. Issue specific ratings are used where the unrated claim of the Bank ranks pari passu or senior to the rated issue / debt. 2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty. 3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned.

2.	**Quantitative disclosures**		
	Risk weight wise details of exposures (rated and unrated) after risk mitigation subject to the Standardized Approach (Credit equivalent amount of all exposures subjected to Standardized Approach, after risk mitigation)	**Risk Weight**	**(Amount in ₹ Mn.)**
		Below 100 %	8,56,884.34
		100 %	2,80,345.26
		More than 100 %	1,17,108.05
		Deducted	1,900.00*
		Total	**12,56,237.65**

*Investment in wholly owned subsidiary

TABLE DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES

1.	**Qualitative disclosures**
	Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk
1.1	**Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting**
	Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.
1.2	**Policies and processes for collateral valuation and management**
	Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both Risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.
1.3	**Description of the main types of collateral taken by the Bank**
	Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely: 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: a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public sector entities and other entities including banks and Primary Dealers or b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments 7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are: a. Issued by the bank b. Listed on a 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 a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain b. Mutual fund is limited to investing in the permitted instruments listed. Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/advances and deposits of the same counterparty. Netting benefit, even if available, is not utilized in capital computation under Basel III norms

1.4	**Main types of guarantor counterparty and their creditworthiness**
	Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for Credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject. Main types of guarantor counterparties are a. Sovereigns (Central / State Governments) b. Sovereign entities like ECGC, CGFTSI c. Banks and Primary Dealers with a lower risk weight than the counter party Other entities rated AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.
1.5	**Information on market / credit risk concentrations within the mitigation taken by the Bank**
	Majority of financial collaterals held by the Bank are by way of own Deposits, Government Securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals except in Gold and Units of Mutual Funds. Bank does not have 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. Bank has not experienced any significant Market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realization. Concentration on account of collateral is also relevant in the case of Land & building. Except in the case of Housing loan to individuals and loans against property, land and building is considered only as an additional security. As land and building is not recognized as eligible collateral under Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of Housing loan to individuals and non-performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

2. Quantitative Disclosures

(Amount in ₹Mn.)

2.1	**Credit risk exposure covered by eligible financial collaterals**			
	Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A	Funded Credit Exposure	1,06,816.59	97,809.93	9,006.66
B	Non-funded Credit exposure	27,860.07	12,443.47	15,416.60
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	**1,34,676.66**	**1,10,253.40**	**24,423.26**

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	21,473.52	10,439.19
B	Non-funded Credit exposure	13,496.82	12,381.56
C	Securitization exposures – on balance sheet	0.00	0.00
D	Securitization exposures – off balance sheet	0.00	0.00
	TOTAL	**34,970.34**	**22,820.75**

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: 762.16 MSME: 462.96 Housing: 13,015.57 Loan against property: 4,191.50 Commercial TL / LRD: 2,672.23 Agri / Allied activities: 119.57 **Total: 21,223.99**	
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	13,015.57	605.21
		Mixed Assets*	2,310.77	156.63
		Agri / Allied activities	119.57	8.26

	At 100%	Commercial TL / LRD	2,672.23	240.50
	More than 100%	Loan against property	3,105.85	349.24

*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		1,452.62
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	7.44%	1,452.62
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	7.44%	108.07
G	Total amount of deductions from capital on account of securitization exposures		Nil
	Deducted entirely from Tier I capital – underlying exposure type wise break up		Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up		Nil
	Other exposures deducted from total capital – underlying exposure type wise break up		Nil

TABLE DF – 7: MARKET RISK IN TRADING BOOK

1.	**Qualitative disclosures**
1.1	**Approach used for computation of capital charge for market risk**
	Bank has adopted Standardized Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardized Duration Approach is applied for computation of General Market Risk for • Securities under HFT category • Securities under AFS category • Open gold position limits • Open foreign exchange position limits • Trading positions in derivatives • Derivatives entered into for hedging trading book exposures Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.
1.2	**Portfolios covered in the process of computation of capital charge**
	Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.

(Amount in ₹ Mn.)

2.	**Quantitative disclosures**	
2.1	**Minimum capital requirements for market risk as per Standardized Duration Approach**	3,153.72
	Interest rate risk	1,594.51

	Foreign exchange risk (including gold)	202.50
	Equity position risk	1,356.71

TABLE DF – 8: OPERATIONAL RISK

1.	**Qualitative disclosures**
1.1	**Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)**
	Bank is following the Basic Indicator Approach for computation of capital charge for operational risk. Bank has initiated steps for migrating to the advanced approaches in due course.

TABLE DF – 9: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

1.	**Qualitative disclosures**
	The impact of adverse movements in interest rates on financials is referred to as interest rate risk. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. As interest rate risk can impact both Net Interest Income (NII) and Economic value of capital, it is assessed and managed from both earnings and economic value perspective.
	a) **Earnings perspective:** Analyses the impact on Bank's Net Interest Income (NII) in the short term through traditional gap analysis. b) **Economic perspective:** Analyses the impact on the Net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items through duration gap analysis. The Bank classifies an asset/liability as rate sensitive if: • Within the time interval under consideration, there is a cash flow • The interest rate resets / reprices contractually during the interval • RBI changes the interest rates in cases where interest rates are administered. Rate sensitive assets and liabilities are grouped under various time buckets prescribed by RBI for interest rate sensitivity statement and bucket wise modified duration is computed using the suggested common maturity, coupon and yield parameters.
	Core portion of non-maturing deposits (Current Account and Saving Account) is bucketed in "over 1 year – 3 year" based on the behavioural analysis. Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets. IRRBB is assessed on a monthly basis and monitored by ALCO, both under earnings and economic value perspectives.

2.	**Quantitative disclosures - Impact of interest rate risk**		**(Amount in ₹ Mn.)**
		Total Book	Banking Book
2.1	**Earnings perspective (Traditional Gap Analysis)**		
	Earnings at Risk (EaR) – impact for one year due to		
	Uniform 1% increase in interest rate	-	-
	Uniform 1% decrease in interest rate	2,413.81	1,973.81
2.2	**Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate**	1.17%	0.17%
		1,420.20	206.35

(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	1,88,738.41	7,194.43
Interest rate derivative contracts	16,000.00	179.67
Total	**2,04,738.41**	**7,374.10**

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)	54,725.22	a+d
2	Retained earnings	15,578.46	l + m-m1
3	Accumulated other comprehensive income (and other reserves)	50,067.89	b+c+e+f+g +i+j+k+m2
4	Directly issued capital subject to phase out fromCET1 (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**	**1,20,371.57**	
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)	3.98	r+p
10	Deferred tax assets	0.00	
11	Cash-flow hedge reserve	-15.81	m 2
12	Shortfall of provisions to expected losses	0.00	
13	Securitization gain on sale	0.00	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00	
15	Defined-benefit pension fund net assets	0.00	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0.00	
17	Reciprocal cross-holdings in common equity	14.42	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00	
20	Mortgage servicing rights (amount above 10% threshold)	0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	
22	Amount exceeding the 15% threshold	0.00	
23	of which: significant investments in the common stock of financial entities		
24	of which: mortgage servicing rights	0.00	
25	of which: deferred tax assets arising from temporary differences	0.00	
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00	
26 a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00	
26 b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00	
26 c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00	
26 d	of which: Unamortized pension funds expenditures	0.00	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00	
28	Total regulatory adjustments to Common Equity Tier 1	2.59	
29	Common Equity Tier 1 capital (CET1)	1,20,368.97	
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)	1,20,368.97	
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	4,452.48	ci+h+o
51	Tier 2 capital before regulatory adjustments	4,452.48	
Tier 2 Capital: Regulatory adjustments			
52	Investments in own Tier 2 instruments	0.00	
53	Reciprocal cross-holdings in Tier 2 instruments	28.72	
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 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**	**28.72**	
58	**Tier 2 capital (T2)**	**4,423.75**	
59	**Total capital (TC = T1 + T2) (45 + 58)**	**1,24,792.73**	
60	**Total risk weighted assets (60a + 60b + 60c)**	**8,38,771.96**	
60 a	of which: total credit risk weighted assets	7,39,806.22	
60 b	of which: total market risk weighted assets	35,041.32	

60 c	of which: total operational risk weighted assets	63,924.43	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.35%	
62	Tier 1 (as a percentage of risk weighted assets)	14.35%	
63	Total capital (as a percentage of risk weighted assets)	14.88%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus counter-cyclical 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)	8.85%	
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	2,190.68	
73	Significant investments in the common stock of financial entities	2,080.00	
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)	4,429.93	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	9,247.58	
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	717.54
	Total as indicated in row 10	717.54
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	2,080.00
	of which: Increase in Common Equity Tier 1 capital	2,080.00
	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	4,429.93
	Eligible Revaluation Reserves included in Tier 2 capital	22.54
	Total of row 50	4,452.48

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
		31-03-18	31-03-18
A	**Capital & Liabilities**		
i	Paid-up Capital	3,944.28	3,944.28
	Reserves & Surplus	1,18,158.07	1,18,854.87
	Minority Interest		
	Total Capital	1,22,102.35	1,22,799.16
ii	Deposits	11,19,924.87	11,19,701.01
	of which: Deposits from banks	13,452.22	13,452.22
	of which: Customer deposits	11,06,472.65	11,06,248.80
	of which: Other deposits (pl. specify	0.00	0.00
iii	Borrowings	1,15,334.99	1,23,288.38
	of which: From RBI	16,870.00	16,870.00
	of which: From banks	9,193.32	15,803.52
	of which: From other institutions & agencies	54,596.20	55,939.40
	of which: Others (pl. specify)	34,675.47	34,675.47
	of which: Capital instruments	0.00	0.00
iv	Other liabilities & provisions	25,777.33	26,404.97
	Total Liabilities	**13,83,139.54**	**13,92,193.53**
B	**Assets**		
i	Cash and balances with Reserve Bank of India	**51,327.58**	**51,367.86**
	Balance with banks and money at call and short notice	**40,706.50**	**40,584.27**
ii	Investments:	**3,07,810.75**	**3,06,003.61**
	of which: Government securities	2,44,661.80	2,44,661.80
	of which: Other approved securities	0.00	0.00
	of which: Shares	2,095.25	2,095.25
	of which: Debentures & Bonds	10,616.77	10,709.63
	of which: Subsidiaries / Joint Ventures / Associates	3,980.00	2,080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	**46,456.92**	**46,456.92**
iii	Loans and advances	9,19,574.73	9,30,108.88
	of which: Loans and advances to banks	1,457.71	1,457.71
	of which: Loans and advances to customers	9,18,117.02	9,28,651.16
iv	Fixed assets	**4,573.70**	**4,613.46**

v	Other assets	**59,146.27**	**59,515.45**
	of which: Goodwill and intangible assets	0.00	3.98
	of which: Deferred tax assets	717.54	748.23
vi	Goodwill on consolidation		
vii	Debit balance in Profit & Loss account		
	Total Assets	**13,83,139.54**	**13,92,193.53**

(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.**
		31-03-2018	**31-03-2018**	
A	**Capital & Liabilities**			
i	Paid-up Capital	**3,944.28**	3,944.28	
	of which: Amount eligible for CET1	3,944.28	3,944.28	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	**1,18,158.07**	**1,18,854.87**	
	Of which	0.00	0.00	
	-Statutory Reserve	22,867.33	22,867.33	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	50,780.93	50,780.93	d
	-Capital Reserve	3,342.92	3,342.92	e
	-Revenue and other reserves	17,256.58	17,438.11	f
	-Investment fluctuation reserve	1,897.20	1,897.20	g
	-Investment reserve	0.00	0.00	h
	-Foreign Currency Translation Reserve (at a discount of 75 per cent)	-2.75	-2.75	i
	-Special reserve	4,239.90	4,239.90	j
	-Contingency reserve	301.00	301.00	k
	- Balance in Profit and loss account at the end of the previous financial year	14,512.67	14,797.37	l
	- Current Financial year profit (After appropriations)	2,912.20	3,158.58	m
	- Dividend appropriation considered for regulatory purposes	2,377.50	2,377.50	m1
	Minority Interest	0.00	0.00	
	-Cash flow hedge reserve	0.00	-15.81	m2
	Total Capital	**1,22,102.35**	**1,22,799.16**	
ii	Deposits	**11,19,924.87**	**11,19,701.01**	
	of which: Deposits from banks	13,452.22	13,452.22	
	of which: Customer deposits	11,06,472.65	11,06,248.80	
	of which: Other deposits (pl. specify)	0.00	0.00	

iii	Borrowings	**1,15,334.99**	**1,23,288.38**	
	of which: From RBI	16,870.00	16,870.00	
	of which: From banks	9,193.32	15,803.52	
	of which: From other institutions & agencies	54,596.20	55,939.40	
	of which: Others	34,675.47	34,675.47	
	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	**25,777.33**	**26,404.97**	
	of which: DTLs related to goodwill	0.00	0.00	
	of which: DTLs related to intangible assets	0.00	0.00	
	of which: Standard asset provision included under Tier II	4,373.58	4,429.93	o
	Total Liabilities	**13,83,139.54**	**13,92,193.53**	
B	**ASSETS**			
i	Cash and balances with Reserve Bank of India	**51,327.59**	**51,367.86**	
	Balance with banks and money at call and short notice	**40,706.50**	**40,584.27**	
ii	Investments	**3,07,810.75**	**3,06,003.61**	
	of which: Government securities	2,44,661.80	2,44,661.80	
	of which: Other approved securities	0.00	0.00	
	of which: Shares	2,095.25	2,095.25	
	of which: Debentures & Bonds	10,616.77	10,709.63	
	of which: Subsidiaries / Joint Ventures / Associates	3,980.00	2,080.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	46,456.92	46,456.92	
iii	Loans and advances	**9,19,574.73**	**9,30,108.88**	
	of which: Loans and advances to banks	1,457.71	1,457.71	
	of which: Loans and advances to customers	9,18,117.02	9,28,651.16	
iv	Fixed assets	**4,573.70**	**4,613.46**	
	of which Intangible assets	**0.00**	**3.98**	p
v	Other assets	**59,146.27**	**59,515.45**	
	a Other intangibles (excluding MSRs)	0.00	0.00	r
	b Deferred tax assets	717.54	748.23	
	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	**13,83,139.54**	**13,92,193.53**	

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	13,83,139.54
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	9,053.98
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)	2.59
4	Adjustments for derivative financial instruments	7,364.73
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	14,630.82
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	94,911.77
7	Other adjustments	1,886.89
8	**Leverage ratio exposure**	**15,10,985.14**

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)	13,94,080.41
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	2.59
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	13,94,077.81
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2,674.87
5	Add-on amounts for PFE associated with all derivatives transactions	4,689.86
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)**	**7,364.73**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	17,487.24
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	3,637.24
14	CCR exposure for SFT assets	780.82
15	Agent transaction exposures	0.00
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**14,630.82**
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	2,15,849.00
18	(Adjustments for conversion to credit equivalent amounts)	1,20,937.23
19	Off-balance sheet items (sum of lines 17 and 18)	94,911.77
Capital and total Exposures		
20	Tier 1 Capital	1,20,368.97
21	Total exposures (sum of lines 3,11,16 and 19)	15,10,985.14
Leverage Ratio		
22	Basel III leverage ratio	7.97%

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the Audit of Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE FEDERAL BANK LIMITED** (hereinafter referred to as 'the Holding Company'), its subsidiary and its associate (the Holding Company, the subsidiary and its associate together referred to as the 'the Group'), which comprise the consolidated balance sheet as at 31 March 2018, 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 the significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

Management's responsibility for the consolidated financial statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 (hereinafter referred to as 'the Act') that give a true and fair view of the consolidated state of affairs, consolidated profit and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, provisions of Section 29 of the Banking Regulation Act, 1949 ('BR Act') and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in the 'Other Matter' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary and associate, the aforesaid consolidated financial statements give the information required by 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 as at 31 March 2018, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note No. 1.2 of Schedule 18 regarding deferment of additional provision requirement for Banks on account of the enhancement in gratuity limits as per the amendment dated 29 March 2018 in Payment of Gratuity Act, 1972 in terms of RBI approval vide letter no. DBR.BP.9730/21.04.018/2017-18 dated 27 April 2018, and the unamortized balance as at 31 March 2018 of ₹ 5,358 lakhs. Our opinion is not modified in respect of this matter.

Other matters

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of ₹ 147,968 lakhs as at 31 March 2018, total revenues of ₹ 19,766 lakhs and net cash inflow amounting to ₹ 924 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 ₹ 2,579 lakhs for the year ended 31 March 2018, 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 reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and associate and our report in terms of Section 143(3) of the Act, in so far as it relates to the aforesaid subsidiary and associate, 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, 2018 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 on the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of the Company'.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, 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.

Report on other legal and regulatory requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of the subsidiary and associate, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:

(a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

(b) in our opinion, proper books of account as required by law relating to the presentation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of other auditors;

(c) the consolidated balance sheet, the consolidated profit and loss account and the consolidated cash flow statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

(d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the RBI;

(e) on the basis of the written representations received from the directors of the Holding Company as on 31 March 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company and associate incorporated in India, none of the directors of the Group is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) with respect to the adequacy of the internal financial controls with reference to the consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"; and

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the

best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary and associate, as noted in the 'Other matter' paragraph:

(i) the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Schedule 12 and Note No. 1.14 of Schedule 18 to the consolidated financial statements;

(ii) provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note No. 1.15 of Schedule 18 to the consolidated financial statements;

(iii) there has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company, its subsidiary and its associate during the year ended 31 March 2018.

(iv) the disclosure in the consolidated financial statements regarding holdings as well as dealings in Specified Bank Notes (SBNs) 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 2018. However, amounts as appearing in the audited consolidated financial statements for the period ended 31 March 2017 have been disclosed in Note No. 1.19 of Schedule 18.

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

Akeel Master
Partner
Membership No: 046768

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

Sanjay Khemani
Partner
Membership No: 044577

Mumbai
9 May 2018

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

Report on the internal financial controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

In conjunction with our report of the consolidated financial statements of The Federal Bank Limited, its subsidiary and its associate (collectively referred to as 'the Group') as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of The Federal Bank Limited (hereinafter referred to as 'the Holding Company'), its subsidiary and its associate, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over financial reporting

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

Inherent limitations of internal financial controls over financial reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary and its associates have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to its subsidiary company and its associate, 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

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
9 May 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE FEDERAL BANK LIMITED

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2018

(₹ in Thousands)

	Schedule	As at March 31, 2018	As at March 31, 2017
CAPITAL AND LIABILITIES			
Capital	1	3,944,285	3,448,087
Reserves and Surplus	2	118,798,055	86,065,607
Deposits	3	1,119,701,013	976,620,755
Borrowings	4	123,288,382	63,454,927
Other Liabilities and Provisions	5	26,404,973	25,267,976
TOTAL		**1,392,136,708**	**1,154,857,352**
ASSETS			
Cash and Balances with Reserve Bank of India	6	51,367,856	45,782,688
Balances with banks and money at call and short notice	7	40,584,274	28,763,723
Investments	8	305,946,788	279,122,590
Advances	9	930,108,877	740,862,295
Fixed assets	10	4,613,460	4,923,439
Other assets	11	59,515,453	55,402,617
TOTAL		**1,392,136,708**	**1,154,857,352**
Contingent liabilities	12	268,157,141	232,356,853
Bills for collection		31,233,635	25,683,452
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)

Ganesh Sankaran
Executive Director
(DIN:07580955)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

As per our report of even date

Directors:

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

Akeel Master
Partner
Membership No.046768

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

Sanjay Khemani
Partner
Membership No. 044577

Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)

Place: Mumbai
Date : 9 May, 2018

THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2018

(₹ in Thousands)

	Schedule	Year ended March 31, 2018	Year ended March 31, 2017
I. INCOME			
Interest earned	13	99,149,012	87,832,723
Other income	14	11,602,150	10,837,713
TOTAL		**110,751,162**	**98,670,436**
II. EXPENDITURE			
Interest expended	15	62,264,211	56,525,794
Operating expenses	16	25,047,358	22,525,008
Provisions and contingencies		14,343,149	11,086,453
TOTAL		**101,654,718**	**90,137,255**
III. NET PROFIT FOR THE YEAR		**9,096,444**	**8,533,181**
Share in Profit/ (Loss) of Associate		257,942	135,493
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		**9,354,386**	**8,668,674**
Balance in Profit and Loss Account brought forward from previous year		14,482,611	10,224,025
V. AMOUNT AVAILABLE FOR APPROPRIATION		**23,836,997**	**18,892,699**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		970,732	1,314,286
Transfer to Statutory Reserve		2,197,114	2,076,971
Transfer to Capital Reserve		268,319	658,459
Transfer to/ (from) Investment Reserve Account		(235,721)	(144,930)
Transfer to Special Reserve		570,000	460,000
Transfer to Reserve under Sec 45 IC of RBI Act		61,597	45,060
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		1,749,634	201
Tax on dividend (Note 1.1 E of Schedule 18)		356,184	41
Balance carried over to Consolidated Balance Sheet		17,899,138	14,482,611
TOTAL		**23,836,997**	**18,892,699**
Earnings per Share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		4.92	5.04
Diluted		4.86	4.96
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)

Ganesh Sankaran
Executive Director
(DIN:07580955)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Directors:

Dilip G Sadarangani	(DIN : 06610897)
Harish H Engineer	(DIN : 01843009)
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Shubhalakshmi Panse	(DIN : 02599310)
C Balagopal	(DIN : 00430938)
A P Hota	(DIN : 02593219)

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

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

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : 9 May, 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018

(₹ in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash Flow from Operating Activities		
Net Profit before taxes	14,189,906	13,555,252
Adjustments for:		
Depreciation on Group's Property	1,247,320	1,239,133
Depreciation on Investments	1,674,342	242,010
Amortisation of Premium on Held to Maturity Investments	582,071	476,526
Provision for Non Performing Investments	55,100	53,500
Provision / Charge for Non Performing Assets	7,539,958	4,051,627
Provision for Standard Assets	447,054	800,345
(Profit)/ Loss on sale of fixed assets (net)	4,225	(879)
(Income) / Loss From Associate	(257,942)	(135,493)
Provision for Restructured assets	(76,432)	67,564
Provision for Other Contingencies	(132,393)	984,829
	25,273,209	**21,334,414**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	(14,026,677)	(7,641,122)
(Increase)/ Decrease in Advances	(196,786,540)	(160,716,178)
(Increase)/ Decrease in Other Assets	(1,924,382)	(1,964,223)
Increase/ (Decrease) in Deposits	143,080,257	184,911,758
Increase/ (Decrease) in Other liabilities and provisions	898,769	2,519,896
	(68,758,573)	**17,110,131**
Direct taxes paid	(7,023,974)	(4,137,903)
Net Cash Flow from / (Used in) Operating Activities	**(50,509,338)**	**34,306,642**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(955,947)	(950,249)
Proceeds from Sale of Fixed Assets	14,382	24,950
(Increase)/ Decrease in Held to Maturity Investments	(14,851,093)	(22,913,323)
Net Cash generated / (Used in) Investing Activities	**(15,792,658)**	**(23,838,622)**

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	496,198	10,196
Proceeds from Share Premium	25,498,179	198,169
Repayment of Subordinate Debt	-	(2,000,000)
Increase/ (Decrease) in Borrowings (Excluding Subordinate Debt)	59,817,642	13,091,761
Dividend Paid (Including Tax on Dividend)	(2,105,818)	(1,448,805)
Net Cash generated from financing Activities	**83,706,201**	**9,851,321**
Effect of exchange fluctuation on translation reserve	1,514	(4,358)
Increase/(Decrease) in Cash & Cash Equivalents	**17,405,719**	**20,314,983**
Cash and Cash Equivalents at the beginning of year	74,546,411	54,231,428
Cash and Cash Equivalents at the end of year	91,952,130	74,546,411

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

For and on behalf of the Board of Directors

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
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For B S R & Co. LLP
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Akeel Master
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For M. M. Nissim & Co.
Chartered Accountants
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107122W

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : 9 May, 2018

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
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	3,946,977	3,450,789
1,973,488,734 (Previous year 1,725,394,459) Equity Shares of ₹2/-each		
Subscribed, Called-up and Paid-up Capital	3,944,289	3,448,091
1,972,144,439 (Previous year 1,724,045,414) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	**3,944,285**	**3,448,087**
Refer Note 1.1 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	20,670,215	18,593,244
Additions during the year	2,197,114	2,076,971
	22,867,329	**20,670,215**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	**50,091**
(b) Others		
Opening balance	3,074,597	2,416,138
Additions during the year*	268,319	658,459
	3,342,916	**3,074,597**
	3,393,007	**3,124,688**
III. Share premium (Also refer Note 1.1 of Schedule 18)		
Opening balance	25,282,754	25,084,585
Additions during the year	25,498,179	198,169
	50,780,933	**25,282,754**
IV. Revenue and Other Reserves		
(a) Revenue Reserve		
Opening Balance	16,285,848	14,971,562
Additions during the year	970,732	1,314,286
Deductions during the year	-	-
	17,256,580	**16,285,848**
(b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	**1,897,200**
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	3,669,900	3,209,900
Additions during the year	570,000	460,000
	4,239,900	**3,669,900**
V. Investment Reserve Account		
Opening balance	235,721	380,651
Additions during the year	-	-
Deductions during the year	235,721	144,930
	-	**235,721**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
VI. Foreign Currency Translation Reserve		
Opening Balance	(4,265)	93
Additions / (Deductions) during the year [Refer Schedule 17 (5.5)]	1,514	(4,358)
	(2,751)	**(4,265)**
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VIII. Reserve Fund		
Opening balance	118,899	73,839
Additions during the year	61,597	45,060
	180,496	**118,899**
IX. General Reserve		
Opening balance	1,033	1,033
	1,033	**1,033**
X. Cash flow Hedging Reserve		
Opening balance	-	-
Additions during the year	(15,813)	-
	(15,813)	**-**
XI. Balance in Consolidated Profit and Loss Account	**17,899,138**	**14,482,611**
Total	**118,798,055**	**86,065,607**

* - Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on Gain on sale of Held to Maturity Investments ₹ 268,319 Thousands (Previous year ₹ 658,459 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	3,529,474	1,301,173
ii. From Others	63,915,523	55,225,729
	67,444,997	**56,526,902**
II. Savings Bank Deposits	**309,198,323**	263,976,655
III. Term Deposits		
i. From Banks	9,922,742	18,258,525
ii. From Others	733,134,951	637,858,673
	743,057,693	**656,117,198**
Total	**1,119,701,013**	**976,620,755**
B. I. Deposits of branches in India	1,119,691,758	976,620,237
II. Deposits of branches outside India	9,255	518
Total	**1,119,701,013**	**976,620,755**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	16,870,000	-
ii. Other Banks	15,803,515	16,979,360
iii. Other institutions and agencies	55,939,398	32,647,606
Total	**88,612,913**	**49,626,966**
II.Borrowings outside India	34,675,469	13,827,961
Total	**123,288,382**	**63,454,927**
Secured borrowings included in I and II above	34,132,593	13,446,058
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	3,381,801	2,749,160
II. Inter - office adjustments (Net)	20,571	428,914
III. Interest accrued	3,713,123	3,152,044
IV. Others (including provisions)*	19,289,478	18,937,858
Total	**26,404,973**	**25,267,976**
*Includes General provision for standard assets	4,429,934	3,982,876

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	7,403,724	6,230,243
II. Balance with Reserve Bank of India		
i. in Current Accounts	43,964,132	39,552,445
ii. in Other Accounts	-	-
Total	**51,367,856**	**45,782,688**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	2,365,144	1,284,340
b. in Other Deposit Accounts	-	405,000
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	17,487,243	14,500,000
Total	**19,852,387**	**16,189,340**
II. Outside India		
i. in Current Accounts	2,791,380	1,904,170
ii. in Other Deposit Accounts	17,484,282	10,394,600
iii. Money at call and short notice	456,225	275,613
Total	**20,731,887**	**12,574,383**
Grand Total (I and II)	**40,584,274**	**28,763,723**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	244,661,804	215,654,105
ii. Other approved Securities	-	-
iii. Shares	2,085,961	2,175,944
iv. Debentures and Bonds	10,709,634	14,076,123
v. Joint Venture*	2,023,181	1,765,239
vi. Others @	46,456,917	45,442,429
Total	**305,937,497**	**279,113,840**
II. Investments outside India- Shares	9,291	8,750
Grand Total (I and II)	**305,946,788**	**279,122,590**
Gross Investments		
In India	308,887,445	280,481,856
Outside India	9,291	9,344
Total	**308,896,736**	**280,491,200**
Depreciation/ Provision for Investments		
In India	2,949,948	1,368,016
Outside India	-	594
Total	**2,949,948**	**1,368,610**
Net Investments		
In India	305,937,497	279,113,840
Outside India	9,291	8,750
Total	**305,946,788**	**279,122,590**

Securities costing ₹ 56,121,263 Thousands (Previous Year ₹ 74,435,550 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

* represents investment accounted as an associate in line with AS -23 , Accounting of Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2018	As at March 31, 2017
Pass through certificates (PTCs)	1,452,620	999,996
Certificate of Deposits	30,874,436	16,873,221
Commercial Paper	8,409,729	19,880,022
Venture Capital Funds (VCFs)	268,275	216,941
Security Receipts	5,451,857	7,472,064
Others	-	185
	46,456,917	**45,442,429**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	37,068,063	25,607,697
ii. Cash credits, overdrafts and loans repayable on demand	444,725,841	376,114,750
iii. Term loans	448,314,973	339,139,848
Total	**930,108,877**	**740,862,295**
B. i. Secured by tangible assets*	767,803,800	622,800,398
ii. Covered by Bank/Government guarantees #	25,094,606	22,314,387
iii. Unsecured	137,210,471	95,747,510
Total	**930,108,877**	**740,862,295**
C. I. Advances in India		
i. Priority sectors	265,327,553	201,355,767
ii. Public sector	803,434	4,149,361
iii. Banks	1,457,712	136,146
iv. Others	636,276,353	521,453,931
Total	**903,865,052**	**727,095,205**
C. II.Advances outside India		
i. Due from Banks	2,023,079	661,437
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	12,474,386	7,124,583
c) Others	11,746,360	5,981,070
Total	**26,243,825**	**13,767,090**
Grand Total (C I and C II)	**930,108,877**	**740,862,295**

* Includes Advances against book debts
\# Includes Advances against LCs issued by banks

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 10 - FIXED ASSETS		
I. OWNED ASSETS		
a. Premises #		
Gross Block		
At the beginning of the year	2,422,650	2,339,586
Additions during the year	-	83,064
Deductions during the year	2,944	-
At the end of the year	**2,419,706**	**2,422,650**
Depreciation		
As at the beginning of the year	850,493	796,102
Charge for the year	51,925	54,391
Deductions during the year	1,912	-
Depreciation to date	**900,506**	**850,493**
Net Block	**1,519,200**	**1,572,157**
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	10,431,032	9,738,203
Additions during the year	1,009,170	875,355
Deductions during the year	474,419	182,526
At the end of the year	**10,965,783**	**10,431,032**
Depreciation		
As at the beginning of the year	7,229,177	6,202,892
Charge for the year	1,195,395	1,184,743
Deductions during the year	456,845	158,458
Depreciation to date	**7,967,727**	**7,229,177**
Net Block	**2,998,056**	**3,201,855**
II. Capital Work in progress (Including Capital Advances)	**96,204**	**149,427**
Total (I & II)	**4,613,460**	**4,923,439**

Includes buildings constructed on leasehold land at different places having original cost of ₹ 663,428 Thousands (Previous Year ₹ 663,428 Thousands) and Written down value of ₹ 488,144 Thousands (Previous Year ₹ 500,797 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, 2018	As at March 31, 2017
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	7,362,334	6,519,579
III. Tax paid in advance/tax deducted at source (Net of provision)	7,580,487	5,252,495
IV. Stationery and Stamps	52,524	49,489
V. Non-banking assets acquired in satisfaction of claims*	26,587	26,451
VI. Others#	44,493,521	43,554,603
Total	**59,515,453**	**55,402,617**
* - 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	36,113,322	33,890,279
(b) Deferred Tax Asset (Net)	748,229	887,767
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	4,355,061	3,810,211
II. Liability on account of outstanding forward exchange contracts**	199,316,212	164,567,630
III. Guarantees given on behalf of constituents - in India	52,852,889	47,954,495
IV. Acceptances, endorsements and other obligations	10,208,842	14,175,134
V. Other items for which the Bank is contingently liable@	1,424,137	1,849,383
Total	**268,157,141**	**232,356,853**
(Refer Note 1.14 of Schedule 18)		
** - Including Derivatives		
@ - includes ₹ 1,030,737 Thousands (Previous Year : ₹ 932,590 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	77,009,822	66,561,036
II. Income on investments	19,172,714	17,968,603
III.Interest on balances with Reserve Bank of India and other inter-bank funds	958,171	989,331
IV. Others*	2,008,305	2,313,753
Total	**99,149,012**	**87,832,723**
* - Includes interest on Income tax refunds amounting to ₹ 229,315 Thousands (Previous year ₹ 468,420 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	6,368,002	5,760,611
II. Profit on sale of investments (Net)	2,389,659	3,086,508
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	(4,225)	879
V. Profit on foreign exchange transactions (Net)	1,694,807	1,276,827
VI. Income earned by way of dividends etc. from companies in India	-	-
VII.Miscellaneous income**	1,153,907	712,888
Total	**11,602,150**	**10,837,713**
** - Includes Recoveries in assets written off ₹ 1,007,774 Thousands (Previous year ₹552,080 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2018	Year ended March 31, 2017
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	57,219,033	54,035,975
II. Interest on Reserve Bank of India/Inter bank borrowings	712,834	223,887
III.Others	4,332,344	2,265,932
Total	**62,264,211**	**56,525,794**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	12,768,236	11,893,381
II. Rent, taxes and lighting	2,562,552	2,222,665
III. Printing and stationery	261,899	273,319
IV. Advertisement and publicity	441,206	112,003
V. Depreciation on Bank`s property	1,247,320	1,239,133
VI. Directors' fees, allowances and expenses	19,094	22,668
VII. Auditors' fees and expenses		
(including branch auditors' fees and expenses)	79,991	75,806
VIII.Law charges	128,586	119,181
IX. Postage, Telegrams, Telephones etc	634,066	569,232
X. Repairs and maintenance	581,537	621,085
XI. Insurance	1,000,456	850,206
XII. Other expenditure#	5,322,415	4,526,329
Total	**25,047,358**	**22,525,008**

- Includes expenditure on Corporate Social Responsibility - ₹ 144,359 Thousands (Previous Year: ₹ 155,772 Thousands)

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SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

1. Background

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiary (collectively, the 'Group') and associate is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Principles of consolidation

i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank'), its subsidiary company and the Group's share of loss in its associate. The details of subsidiary and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				March 31, 2018	March 31, 2017
Fedbank Financial Services Limited (FFSL or Subsidiary)	Subsidiary Company	India	The Federal Bank Limited	100	100
IDBI Federal Life Insurance Company Limited (Associate)	Associate	India	The Federal Bank Limited	26	26
			IDBI Bank Limited	48	48
			Ageas Insurance International N.V	26	26

(ii) The audited financial statements of the subsidiary company and the audited financial statements of the associate have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2018.

(iii) The financial statements of the Bank and its subsidiary company have been combined on a line-by-line basis as per *AS 21, Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

(iv) The consolidated financial statements include the share of loss of the associate company which have been accounted for using equity method as per *AS 23 Accounting for Investments in Associates in Consolidated Financial Statements.* Accordingly, the share of loss of the associate company has been deducted from the cost of investment.

(v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.

(vi) Differences in accounting policies followed by the Subsidiary and associate have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except in the case of interest income on Non- Performing Assets (NPAs) and loans under Scheme for Sustainable Structuring of Stressed

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Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

5. Significant Accounting Policies

5.1. Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI which is recognised upon receipt in accordance with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- Interest on income tax refund is recognised by the Bank in the year of passing of Assessment Orders. In subsidiary it is recognised on receipt basis.
- 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. In Subsidiary, the recoveries made from NPA accounts are appropriated first towards other charges, interest/income debited to borrowers accounts, and lastly towards principal dues. Recoveries from sale of gold auction are appropriated first towards Principal dues, Interest debited to borrowers accounts and lastly towards expenditure incurred.
- 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.

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". In Subsidiary, bad debts recovered as showing under Income from Operations.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account

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during the period.

Provision for Unhedged Foreign currency Exposure (UFCE) of borrower entities, is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the 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 – Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

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

5.3. Country risk

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

5.4. Investments

The Bank

Classification

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

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

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

a) Held for Trading /Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market. 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

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value of individual securities is not changed consequent to the periodic valuation of Investments.

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

c) Treasury Bills, 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 23rd August, 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-

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market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiary

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

5.5. 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 rated 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.

The Subsidiary

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 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.

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5.7. Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, the Group has not accounted for proposed dividend as a liability as at March 31, 2018.

5.8. 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 a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

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

5.9. Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the 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 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

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 accounts.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Consolidated Profit and Loss account.

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being

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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 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 after 01.04.2010 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.

The Subsidiary

a) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

b) The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

c) The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

5.12. Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

5.13. 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 Consolidated Profit and Loss Account as per the lease terms.

5.14. Earnings per Share

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

5.15. 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

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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 in income levied by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are adjusted in reserves and not in Consolidated Profit and Loss Account.

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

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the group; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

5.17. 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. 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 has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

5.19. Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.20. Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Consolidated Profit and Loss Account.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

5.21. 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.

5.22. Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

5.23. 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

Amounts in Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2018 are denominated in Rupees Crore to conform to extant RBI guidelines.

1.1 Share Capital:

A. Equity Issue

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 the Bank allotted 32,577,034 equity shares during the year ended March 31, 2018 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) 32,925,590 underlying equity shares of ₹ 2/- each (Previous Year 31,205,861 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

(iii) 32,577,034 ESOS shares of ₹ 2/- per share (Previous Year 5,098,570 shares of ₹ 2/- Per share) allotted under ESOS 2010.

(iv) 857,945,206 bonus shares were issued in the ratio of 1:1 during Financial Year 2015-16

C. The following allotments are kept pending following orders from various courts:

(i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share

(ii) 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 1,080,415 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

a) 409,170 shares of ₹ 2/- each (Previous year 409,170 shares of ₹ 2/- each) out of the Bonus issue of 2004 and

b) 613,505 bonus shares of ₹ 2/- each (Previous year 615,755 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, 2018	March 31, 2017
Outstanding at the beginning of the year	71,802,986	76,187,146
Surrendered during the year	-	-
Granted during the year	100,000*	965,000

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

(Number of Options)

	March 31, 2018	March 31, 2017
Exercised during the year	32,577,034	5,098,570
Forfeited/lapsed during the year	849,420	250,590
Outstanding at the end of the year	38,476,532	71,802,986
Options exercisable	35,889,722	47,617,696

* ESOS granted on May 20, 2017 with vesting period of 1, 2, 3 and 4 years. Exercise period of 5 years and exercise price of ₹ 112.35 per share.

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, 2018
Outstanding at the beginning of the year	-
Surrendered during the year	-
Granted during the year	22,318,348*
Exercised during the year	-
Forfeited/lapsed during the year	6,547,809
Outstanding at the end of the year	15,770,539
Options exercisable	-

* ESOS granted on August 14, 2017 with Exercise Prices of ₹ 105.65, ₹ 72.45 and ₹ 79.45 per share, ESOS granted on September 19, 2017 with Exercise Price of ₹ 116.85 per share and ESOS granted on January 29, 2018 with Exercise Price of ₹ 101.15 per share with vesting period of 1, 2 and 3 years and Exercise period of 5 years.

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 ₹ 25.79 Crore (Previous Year: ₹ 9.12 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 ₹ 4.78 and ₹ 4.73 (Previous Year: ₹ 5.00 and ₹4.93) respectively.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 237.75 Crore from the Profit and loss account for the year ended March 31, 2018, also the same has not been shown as an Other Liabilities (Schedule 5).

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 Subsidiary

The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 1.99 Crore (Previous year: ₹ 1.58 Crore) for provident fund contributions, ₹ 0.22 Crore (Previous Year ₹ 0.14 Crore) for Employee State Insurance Scheme Contributions and ₹ 25.35 Crore (Previous year: ₹ 21.64 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.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

The Subsidiary

The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Consolidated Profit and Loss Account for the period in which they occur.

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, 2018.

i) Change in benefit obligations

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Projected benefit obligation, beginning of the year	260.48	246.09	0.46	0.19	737.39	637.50
Service Cost	88.51	15.66	0.37	0.26	164.62	79.26
Interest cost	19.33	17.14	0.03	0.01	51.07	41.42
Actuarial (gain)/ loss	(27.11)	16.64	(0.14)	0.06	108.36	149.62
Benefits paid	(29.66)	(35.05)	(0.08)	(0.06)	(161.80)	(170.42)
Projected benefit obligation, end of the year	**311.55**	**260.48**	**0.64**	**0.46**	**899.64**	**737.38**

ii) Change in plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Plan assets at beginning of the year at fair value	261.54	225.66	-	-	746.33	578.27
Expected return on plan assets	20.43	19.84	-	-	56.42	48.57
Actuarial gain/(loss)	(0.60)	0.69	-	-	3.33	4.69
Employer's Contributions	14.04	50.40	-	-	248.78	285.22
Benefits paid	(29.66)	(35.05)	-	-	(161.80)	(170.42)
Plan assets at end of the year, at fair value	**265.75**	**261.54**	**-**	**-**	**893.06**	**746.33**

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

iii) Reconciliation of present value of the obligation and the fair value of the plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Fair value of plan assets at the end of the year	265.75	261.54	-	-	893.06	746.33
Present value of the defined benefit obligations at the end of the year	311.55	260.48	0.64	0.46	899.64	737.38
Liability/ (Asset) recognized in the Consolidated Balance Sheet	**45.80 @**	**(1.06)**	**0.64**	**0.46**	**6.58**	**(8.95)**

@ Includes amount payable on account of additional provision requirement due to amendment in Payment of Gratuity Act, 1972 - ₹ 53.58 Crore

iv) Gratuity / pension cost for the year ended March 31, 2018

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Service cost	88.51	15.66	0.36	0.26	164.62	79.26
Interest cost	19.33	17.14	0.03	0.01	51.08	41.42
Expected return on plan assets	(20.43)	(19.84)	-	-	(56.42)	(48.57)
Actuarial (gain)/ loss	(26.50)	15.95	(0.14)	0.06	105.03	144.93
Employee Cost	60.91	28.92	0.25	0.33	264.31	217.04
Amortisation Cost	-	-	-	-	-	-
Net Cost Debit to Consolidated Profit and Loss Account	7.33	28.92	0.25	0.33	264.31	217.04
Amount not debited to Consolidated Profit and Loss account, but carried over to be amortised#	53.58	-	-	-	-	-
Actual return on plan assets	**19.83**	**20.52**	**-**	**-**	**59.75**	**53.26**

- 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.

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Central and state Government bonds	-	-	NA	NA	-	-
Other debt securities	4.35	5.35	NA	NA	29.49	48.23
Balance in Saving bank account with the Bank	0.25	4.58	NA	NA	1.76	42.84
Net current assets	0.06	0.11	NA	NA	7.57	1.62
Balance with LIC #	261.09	251.50	NA	NA	860.82	653.64
Total	**265.75**	**261.54**	**NA**	**NA**	**899.64**	**746.33**

NA – Not Applicable.
-In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

vi) Experience adjustments

a) Gratuity Plan

FBL (₹ in Crore)

Particulars	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined Benefit Obligations	311.55	260.48	246.09	209.34	201.26	240.13
Plan Assets	265.75	261.54	225.66	223.52	230.83	221.67
Surplus/(Deficit)	(45.80)	1.06	(20.43)	14.18	29.57	(18.46)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(7.08)	2.18	(46.00)	(6.31)	(5.74)	17.02
Experience Adjustments on Plan Assets [Gain/ (Loss)]	1.97	(0.42)	(1.97)	1.19	1.76	22.33

FFSL (₹ in Crore)

Particulars	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined Benefit obligations	0.64	0.46	0.19	0.08	0.15	0.08
Plan Assets	Nil	Nil	Nil	Nil	Nil	Nil
Surplus/(Deficit)	(0.64)	(0.46)	(0.19)	(0.08)	(0.15)	(0.08)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.05	0.03	0.10	(0.03)	(0.02)	0.04
Experience adjustments on Plan Assets [Gain/(Loss)]	NA	NA	NA	NA	NA	NA

NA – Not Applicable.

b) Pension Plan

FBL (₹ in Crore)

Particulars	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined Benefit Obligations	899.64	737.38	637.50	587.48	531.78	584.12
Plan Assets	893.06	746.33	578.27	544.40	416.25	444.17
Surplus/(Deficit)	(6.58)	8.95	(59.23)	(43.08)	(115.53)	(139.95)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(33.27)	93.67	(142.49)	(79.75)	(8.18)	(1.22)
Experience adjustments on Plan Assets [Gain/(Loss)]	9.60	6.66	0.18	2.19	3.03	1.38

vii) Assumptions

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Discount rate	7.87%	7.50%	7.23%	6.69%	7.78%	7.50%
Annuity rate per Rupee	-	-	-	-	134.98313	131.72338
Salary escalation rate	5.00%	5.00%	7.38%	8.50%	5.00%	5.00%
Estimated rate of return on plan assets	7.81%	8.79%	-	-	7.56%	8.40%
Attrition Rate	2.00%	3.00%	Not Available	Not Available	1.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

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 unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 15.17 Crore has been reversed to profit and loss account due to reduction of the above liabilities in accordance with AS 15 based on actuarial valuation. During the Previous year as sum of ₹ 24.64 Crore was charged to profit and loss account due to increase in the liabilities.

The Subsidiary

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the year in which they occur.

The Actuarial liability of compensated absences of accumulated privilege, sick, casual leaves and leave travel concession of the employees of the Group is given below:

(₹ in Crore)

	March 31, 2018		March 31, 2017	
	FBL	FFSL	FBL	FFSL
Privilege leave	142.10	0.34	152.13	0.28
Sick leave	17.82	-	25.05	-
Leave Travel Concession	14.28	-	12.29	-
Casual Leave	1.66	-	1.56	-
Total actuarial liability	**175.86**	**0.34**	**191.03**	**0.28**
Assumptions				
Discount rate	7.87%	7.23%	7.50%	6.69%
Salary escalation rate	5.00%	7.38%	5.00%	8.50%
Attrition Rate	2.00%	Not Available	3.00%	Not Available

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

The above information is as certified by the actuary and relied upon by the auditors.

1.3 Segment Reporting (AS 17)

A. Business Segments

Business of the Group is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and other banking operations. The principal activities of these segments and income and expenses structure are as follows:

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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 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, 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	**1,421.31**
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, 2018 (CONTD...)

March 31, 2017@

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,316.01	3,071.50	4,287.36	192.17	**9,867.04**
Result (Net of provisions)	388.16	82.50	804.85	95.53	**1,371.04**
Unallocated expense					**(29.07)**
Operating profit (PBT)					**1,341.97**
Income taxes					**(488.66)**
Share of Profit of associate					**13.55**
Extraordinary profit/loss					-
Net Profit					**866.86**
OTHER INFORMATION					
Segment Assets	31,624.53	32,825.81	44,905.34	18.54	**109,374.22**
Unallocated assets					**6,111.52**
Total assets					**115,485.74**
Segment liabilities	30,502.06	31,847.98	43,444.58	-	**105,794.63**
Unallocated liabilities					**739.75**
Total liabilities					**106,534.37**

@ - Pursuant to Board approved policy on preparation of segment information, the Bank, with effect from quarter ended September 30, 2017, has revised the basis of preparation of segment information related to the allocation of RIDF deposits from Treasury segment to Corporate/Wholesale Banking and Retail Banking segments and allocation of provision related to advances on a direct identification basis for more appropriate presentation of the segment results. Figures for the previous year have been regrouped / reclassified to conform to current year's classification. The impact of above regrouping / reclassification on segment results for the year ended March 31, 2017, is summarized in the table below:

(₹ in Crore)

(Decrease) / Increase	March 31, 2017
Treasury	(6.98)
Corporate/Wholesale Banking	(113.91)
Retail Banking	81.39
Other Banking operations	39.50
Unallocated	-

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.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

1.4 Related Party Disclosures (AS 18)

a) Details of Related Parties

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran , Executive Director (From 04-07-2016)	Key Management Personnel
Fedbank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

In accordance with RBI guidelines, details pertaining to the related party transactions, have not been provided where there is only one related party

b) Significant transactions with related parties

Particulars	Key Management Personnel	
	March 31, 2018	March 31, 2017
Remuneration paid (₹ in Crore)	3.61	2.79
Deposits# (₹ in Crore)	0.24	0.94
Advances# (₹ in Crore)	1.97	9.44
Interest received (₹ in Crore)	0.18	0.29
Interest paid (₹ in Crore)	0.05	0.05
Dividend Paid (₹ in Crore)	0.02	0.02
Share capital received on exercise of ESOS (₹ in Crore)	22.11	0.54
No. of Shares granted under ESOS (in numbers)	1,900,000	300,000
No.of Options outstanding under ESOS (in numbers)	7,773,250	11,104,250

Represents outstanding as on March 31 of the respective financial year

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 ₹ 143.17 Crore (Previous year: ₹ 131.49 Crore) was charged to Profit and loss account.

The Subsidiary

The Company has entered into operating lease arrangement for its Corporate office. The lease is non-cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Future minimum lease payments:		
- Up to one year	1.26	1.20
- More than one year and upto five years	2.41	3.67
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	1.26	1.26

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

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 ₹ 2.47 Crore (Previous Year ₹ 3.81 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, 2018	March 31, 2017
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,902,184	1,720,708
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	1,926,275	1,746,587
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	4.92	5.04
Diluted earnings per share (in ₹)	4.86	4.96
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	9,354,386	8,668,674

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, 2018	March 31, 2017
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	-	-
(ii) Depreciation on Investments	67.32	101.80
(iii) Depreciation on Fixed assets	-	12.66
(iv) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	128.24	107.28
(v) Others	23.63	10.23
Total - (A)	**219.19**	**231.97**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	55.55	92.70
(ii) Provision for Standard Assets	152.83	136.68
(iii) Depreciation on Fixed Assets	3.04	2.40
(iv) Others	82.60	88.97
Total - (B)	**294.02**	**320.75**
Net Deferred tax liability/ (Asset) (A-B)	**(74.83)**	**(88.78)**

1.8 'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include: (₹ in Crore)

		March 31, 2018	March 31, 2017
i)	Provision towards NPAs	753.99	405.16
ii)	Provision for depreciation on Investments (Net)	167.43	24.21
iii)	Provision for Non Performing Investments	5.51	5.35
iv)	Provision for Standard Assets	44.71	80.03
v)	Provision for Taxation	483.55	488.66#
vi)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	(20.88)	105.24
	Total	**1,434.31**	**1,108.65**

₹ 17.98 Crore relating to earlier years.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

1.9 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Provision for Income Tax		
a) Current Tax	479.78	692.15
b) Current Tax	3.77	(203.49)

1.10 Draw Down from Reserves

The Bank has drawn down ₹ 23.57 Crore from Investment Reserve Account (Previous Year ₹ 14.49 crore) in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'.

1.11 Details of Penalty imposed by RBI

(₹ in Lakhs)

S.No	Particulars	March 31, 2018	March 31, 2017
i)	Penalty imposed on currency chests Dates of Payment	0.42 Various dates	0.11 Various dates
ii)	Penalty imposed by RBI with regard to remittance of mutilated notes, forged notes and shortage in remittance Date of Payment	0.82 February12, 2018	- -
iii)	Penalty imposed by RBI in connection with bouncing of SGL Date of Payment	3.50 July 07, 2017	- -

Penalty was imposed by RBI as per:

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

b) RBI Circular IDMD.DOD.17/11.01.01 (B) 2010-11 dated July 14, 2010.

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, 2018	March 31, 2017
Gross Block		
At the beginning of the year	178.04	146.94
Additions during the year	34.65	33.58
Deductions / Adjustments during the year	2.87	2.48
At the end of the year	**209.82**	**178.04**
Depreciation / Amortisation		
At the beginning of the year	124.04	97.14
Charge for the year	36.12	27.86
Deductions during the year	2.87	0.96
Depreciation to date	**157.29**	**124.04**
Net Block	**52.53**	**54.00**

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.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

1.13 Provisions and Contingencies

a) Movement in provision for frauds included under other liabilities: (₹ in Crore)

	March 31, 2018	March 31, 2017
Balance at the beginning of the year	4.05	5.82
Additions during the year	1.97	0.72
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	1.31	2.49
Balance at the end of the year	**4.71**	**4.05**

b) Movement in provision for debit card reward points: (₹ in Crore)

	March 31, 2018	March 31, 2017
Balance at the beginning of the year	4.08	1.92
Provision made during the year	10.25	4.02
Reductions during the year	9.73	1.86
Balance at the end of the year *	**4.60**	**4.08**

* 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, 2018	March 31, 2017
Balance at the beginning of the year	60.06	40.03
Provision made during the year	14.92	25.24
Reductions during the year	40.65	5.21
Balance at the end of the year	**34.33**	**60.06**

d) Movement in floating provision: (₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness Fund (DEAF).

(Refer schedule 12 for amounts relating to contingent liability)

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.

The Subsidiary

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 ₹ 2.18 crore, ₹ 0.01 crore due to Micro, Small and Medium Enterprises. 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, 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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 (CONTD...)

Total	**100.00%**	**12,274.24**	**100.00%**	**935.44**

March 31, 2017

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	99.90%	8,942.38	95.84%	830.79
Subsidiary: Fedbank Financial Services Limited	0.45%	40.46	2.60%	22.53
Associate: IDBI Federal Life Insurance Company Limited	(0.35)%	(31.48)	1.56%	13.55
Total	**100.00%**	**8951.36**	**100.00%**	**866.87**

1.18. Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiary have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

1.19 Disclosure on Specified Bank Notes

The Bank believes that the MCA notification G.S.R. 308(E) dated March 30, 2017 regarding holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to 30th December, 2016 is not applicable to banking companies.

1.20 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)

Ganesh Sankaran
Executive Director
(DIN:07580955)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

As per our report of even date

Directors:

Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)

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

Akeel Master
Partner
Membership No.046768

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

Sanjay Khemani
Partner
Membership No. 044577

Place: Mumbai
Date : 9 May, 2018

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. Name of the subsidiary:	Fedbank Financial Services Limited
3. The date since when subsidiary was acquired	17/04/1995
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA
6. Share Capital	1,900,000
7. Reserves & surplus	696,807
8. Total assets	14,796,836
9. Total Liabilities	12,200,029
10. Investments	92,859
11. Turnover	1,976,638
12. Profit before taxation	493,407
13. Provision for taxation	185,420
14. Profit after taxation	307,987
15. Proposed Dividend	NIL
16. Extent of shareholding (in %)	100%

Notes:

1. Names of subsidiaries which are yet to commence operations - NIL

2. Names of subsidiaries which have been liquidated or sold during the year. – NIL

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FORM AOC-I (CONTD...)

PART "B": ASSOCIATES AND JOINT VENTURES

Statement pursuant to section 129 (3) of the Companies Act, 2013 related to associate companies and joint ventures

Name of Associates/Joint Ventures	IDBI Federal Life Insurance Company Limited
1. Latest audited Balance Sheet	31/03/2018
2. Date on which the Associate or Joint Venture was associated or acquired	23/11/2006
3. Shares of Associate/Joint Ventures held by the company on the year end	
Number of shares held	208,000,000
Amount of Investment in Associates/Joint Venture (₹ '000)	2,080,000
Extent of Holding (in %)	26%
4. Description of how there is significant influence	Investment more than 20%
5. Reason why the associate/joint venture is not consolidated	NA
6. Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	2,023,181
7. Profit / Loss for the year 2017-18 (₹ '000)	
i. Considered in Consolidation	257,942
ii. Not Considered in Consolidation	751,483

1. Names of associates or joint ventures which are yet to commence operations - NIL

2. Names of associates or joint ventures which have been liquidated or sold during the year - NIL.

For and on behalf of the Board of Directors

Krishnakumar K
Senior Vice President

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Directors:
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)

Place: Mumbai
Date : 9 May, 2018

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Shri. Shyam Srinivasan, MD & CEO and Shri. Nilesh Shivji Vikamsey, Director releasing the coffee-table book on the Bank titled "Why Settle for Less?"

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A picture from the final event of The Economic Times Young Leaders, a program for young professionals sponsored by the Bank

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The Bank's ATM at Aluva Metro Rail Station being inaugurated by Shri. Elias George, then MD of Kochi Metro Rail Limited

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Padma Vibhushan Dr. E Sreedharan inaugurating the concluding ceremony of centenary celebrations of the Bank's founder Late KP Hormis

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The contribution by the Bank and its employees towards Ockhi relief measures of Kerala Government being handed over to Shri. Pinarayi Vijayan, Chief Minister of Kerala by Shri. Paul NK, then Vice President and Zonal Head Thiruvananthapuram

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The winners of Maharashtra edition of Speak for India with Shri. Vinod Tawde, Minister of Education, Maharashtra State and other dignitaries

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The winners of Karnataka edition of Speak for India with Shri. Prakash Raj, cine actor, Ms. Roopa D and other dignitaries

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The finalists of Kerala edition of Speak for India with the Chief Guest Padma Bhushan Shri Prabhu Chawla and other dignitaries

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Shri. Imran Syed and Smt. Hema R, Assistant Vice Presidents of the Bank receiving Finnoviti Award 2018 for the Bank's online loan platform BYOM (Be Your Own Master)

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Ms. Kiran M, Manager of the Bank receiving SKOCH Technologies for Growth Award 2017 for instant account opening solution of the Bank

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Glimpses from the tenth anniversary celebrations of Br. New Delhi/Rajouri Garden

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Shri. Raghuram Rajan, eminent economist and former RBI Governor visiting the VR Studio set up by the Bank at #FUTURE Summit at Kochi

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Dr. KV Chidananda, the President of Academy for Liberal Education, Sullia and Medical Director, KVG Medical Collage & Hospital, inaugurating the new premises of Branch Sullia. Shri. Nandakumar V, Vice President and Zonal Head Bangalore, Shri. Sreekanth K, Deputy Vice President and Regional Head Mangalore, and Shri. Vimarsh H C, Manager & Branch Head are seen in the photo.

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Shri. Shyam Srinivasan, MD & CEO addressing Namaste Delhi, a customer meet held at New Delhi

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A car rally by lady employees of the Bank on the occasion of the Women's Day celebrations being flagged off by Shri. Sunny NV, Senior Vice President and Zonal Head Ernakulam

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Inauguration of the new premises of Br. Hubli by Shri. Naven Jha, CEO of Deshapande Foundation. The function was attended Shri. Nandakumar V, Vice President and Zonal Head Bangalore, Shri. Sunilkumar Menon Assistant Vice President and Aread Head Belgaum, customers and staff members of the Bank.

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Inauguration of the new premises of Br. Aurangabad by Shri. Sonny Chiriyankandath, Deputy Vice President and Regional Head Pune

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Shri. Nandakumar V, Vice President and Zonal Head Bangalore inaugurating the new premises of Br. Ainapur

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Smt. Pravina Thakur, Hon Mayor Vasai Virar Municipal Corporation inaugurating the new premises of Br. Virar in the presence of Shri. Baby KP, Senior Vice President and Head Treasury Department, Shri. Joy PV, Vice President and Regional Head, Shri. Jimmy Praveenkumar Vohera, Manager and Branch Head and others.

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Shri. Philip Abraham, Deputy Vice President Mumbai Zonal Office and Shri. Raj Gopal R, Assistant Vice President HR Department receiving ET Now Rise With India HR Talent Management and Leadership Award 20

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Fax: 0484-2623119 email: secretarial@federalbank.co.in, www.federalbank.co.in

The Federal Bank Limited, Regd. Office. Aluva.

CIN: L65191KL1931PLC000368