



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF THE FEDERAL BANK LIMITED

### REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying Standalone Financial Statements of The Federal Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2024, 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 significant accounting policies and other explanatory information ("the Standalone Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Banking Regulation Act, 1949, circular, directions and the guidelines issued by the Reserve Bank of India ("the RBI") from time to time ("the RBI Guidelines") and the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2024, its profit, and its cash flows for the year ended on that date.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended March 31, 2024. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
1	<p><b>Identification of and provisioning for Non-Performing Advances ("NPA")</b></p> <p>Total Advances (Net of Provisions) as at March 31, 2024: ₹ 2,094,033,349 thousands</p> <p>Provision of NPA: ₹ 32,193,202 thousands as at March 31, 2024</p> <p>(Refer to Schedule 9, Schedule 17(4.2) and of Schedule 18(1.4.1.A1)).</p>	<p><b>Our audit procedures in respect of this area included, but not limited to:</b></p> <p><b>Process understanding and control testing:</b></p> <ul style="list-style-type: none"> <li>▪ Obtained an understanding of management's process, systems/ applications and controls implemented in relation to advances, identification of NPA and provisions thereon.</li> <li>▪ Tested system/application controls including automated process, controls and system-based reconciliations pertaining to advances, NPA identification and provision on advances as per IRAC norms and Board approved policy.</li> </ul> <p><b>Performed other substantive procedures including the following, but not limited to:</b></p> <ul style="list-style-type: none"> <li>▪ Selected samples for testing, based on quantitative and qualitative risk factors. For the selected samples, tested accuracy of days past due computation, assets classification at borrower level and provisioning as per IRAC norms and Board approved policy.</li> <li>▪ Verified samples selected based on quantitative and qualitative factors to test their conduct, security valuation, impairment indicators basis their financial strength or external factors if any.</li> <li>▪ Inquired with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needs to be factored in classification of account as NPA.</li> <li>▪ Discussed with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified stress sectors.</li> </ul>

## INDEPENDENT AUDITORS' REPORT (Contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
<b>2</b>	<b>Information Technology ("IT") systems and controls impacting financial controls</b>	<p><b>Key IT audit procedures performed included the following, but not limited to:</b></p> <ul style="list-style-type: none"> <li>▪ For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by the Bank's IT systems</li> <li>▪ Obtained a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology.</li> <li>▪ Key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access), change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to, backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed, and authorized.</li> <li>▪ In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation / record / reports, observation, and re-performance. We also tested few controls using negative testing technique.</li> <li>▪ Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant changes made to the IT landscape during the audit period.</li> </ul>

**Information Other than the Standalone Financial Statements and Auditor's Report Thereon**

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the Standalone Financial Statements, and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Standalone Financial Statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance, and

cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and provisions of Section 29 of the Banking Regulation Act, 1949 and the RBI Guidelines. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, Banking Regulation Act, 1949 and RBI Guidelines for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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



### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has internal financial controls with reference to Standalone Financial Statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit

and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements for the year ended March 31, 2024 and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Matters**

The Standalone Financial Statements of the Bank for the year ended March 31, 2023, were audited by another auditor whose report dated May 05, 2023 expressed an unmodified opinion on those Standalone Financial Statements.

Our opinion is not modified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act and relevant rules issued thereunder.
2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
  - a. We have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.
  - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
  - 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 134 branches.
3. As required by Section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.
  - c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

## INDEPENDENT AUDITORS' REPORT (Contd.)

- d. In our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the guidelines prescribed by the RBI.
- e. On the basis of the written representations received from the directors as on March 31, 2024 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2024 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 Standalone Financial Statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Bank has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements – Refer Schedule 12, Note 4.22 of Schedule 17 and Note 1.12.5 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 Schedule 12, Note 4.22 of Schedule 17 and Note 1.12.5 of Schedule 18 to the Standalone Financial Statements; and
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank - Refer Note 3.10 of Schedule 18 to the Standalone Financial Statements.
  - iv. (1) The Management has represented that, to the best of its knowledge and belief, as disclosed in Note 3.12 of Schedule 18 to the Standalone Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (2) The Management has represented, that, to the best of its knowledge and belief, as disclosed in Note 3.12 of Schedule 18 to the Standalone Financial Statements, no funds have been received by the Bank from any person or entity, including foreign entities (Funding Parties), with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that the Bank shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
  - (3) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, and according to the information and explanations provided to us by the Management in this regard nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (1) and (2) above, contain any material mis-statement.
  - v. The Bank has declared and paid dividend during the year which is in compliance with section 123 of the Act and the Banking Regulation Act, 1949.
  - vi. Based on our examination which includes test checks, the Bank has used accounting softwares for maintaining its books of account which have a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the softwares. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with.
  - h. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, the Bank is a banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Act do not apply.

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration  
Number: 105047W

**Swapnil Kale**  
Partner  
Membership Number: 117812  
UDIN: 24117812BKFIEN7320

Mumbai  
May 02, 2024

For **Suri & Co**  
Chartered Accountants  
ICAI Firm Registration  
Number: 0042835

**G. Rengarajan**  
Partner  
Membership Number: 219922  
UDIN: 24219922BKCLRD4173

Kochi  
May 02, 2024



**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED FOR THE YEAR ENDED 31 MARCH 2024**

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date]

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls with reference to Standalone Financial Statements of The Federal Bank Limited ("the Bank") as of March 31, 2024 in conjunction with our audit of the Standalone Financial Statements of the Bank for the year ended on that date.

**Opinion**

In our opinion, the Bank has, in all material respects, an adequate internal financial controls with reference to Standalone Financial Statements and such internal financial controls with reference to Standalone Financial Statements were operating effectively as at March 31, 2024, based on the internal control with reference to Standalone Financial Statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the ICAI") ("the Guidance Note").

**Management's Responsibility for Internal Financial Controls**

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to Standalone Financial Statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to Standalone Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by 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 with reference to Standalone Financial Statements 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 internal financial controls with reference to Standalone Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone Financial Statements included obtaining an understanding of internal financial controls with reference to Standalone Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to Standalone Financial Statements.

**Meaning of Internal Financial Controls with Reference to Standalone Financial Statements**

Bank's internal financial control with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Financial Statements for external purposes in accordance with generally accepted accounting principles. Bank's internal financial control with reference to Standalone Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Financial Statements in accordance with



## INDEPENDENT AUDITORS' REPORT (Contd.)

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 Standalone Financial Statements.

#### **Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements**

Because of the inherent limitations of internal financial controls with reference to Standalone Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Standalone Financial Statements to future periods are subject to the risk that the internal financial control with reference to Standalone

Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration  
Number: 105047W

**Swapnil Kale**

Partner

Membership Number: 117812

UDIN: 24117812BKFIEN7320

Mumbai

May 02, 2024

For **Suri & Co**

Chartered Accountants

ICAI Firm Registration  
Number: 004283S

**G. Rengarajan**

Partner

Membership Number: 219922

UDIN: 24219922BKCLRD4173

Kochi

May 02, 2024

**FORM A****THE FEDERAL BANK LIMITED****BALANCE SHEET**

AS ON MARCH 31, 2024

(₹ in Thousands)

	Schedule	As on March 31, 2024	As on March 31, 2023
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	4,870,703	4,232,402
Reserves and surplus	2	286,073,479	210,829,966
Deposits	3	2,525,340,153	2,133,860,385
Borrowings	4	180,264,164	193,192,891
Other liabilities and provisions	5	86,569,518	61,302,651
<b>TOTAL</b>		<b>3,083,118,017</b>	<b>2,603,418,295</b>
<b>ASSETS</b>			
Cash and balances with Reserve Bank of India	6	114,935,677	125,908,463
Balances with Banks and money at call and short notice	7	74,693,490	50,978,343
Investments	8	608,595,267	489,833,470
Advances	9	2,094,033,349	1,744,468,846
Fixed assets	10	10,200,583	9,339,740
Other assets	11	180,659,651	182,889,433
<b>TOTAL</b>		<b>3,083,118,017</b>	<b>2,603,418,295</b>
Contingent liabilities	12	1,020,725,470	766,018,373
Bills for collection		71,578,413	56,694,543
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

As per our report of even date

For The Federal Bank Limited

**For M S K A & Associates**Chartered Accountants  
ICAI Firm Registration No: 105047W**A P Hota**Chairman  
DIN: 02593219**Shyam Srinivasan**Managing Director & CEO  
DIN: 02274773**Swapnil Kale**Partner  
Membership No: 117812  
Place: Mumbai**Shalini Warriar**Executive Director  
DIN: 08257526**Harsh Dugar**Executive Director  
DIN: 00832748**For Suri & Co**Chartered Accountants  
ICAI Firm Registration No: 0042835**Venkatraman Venkateswaran**

Chief Financial Officer

**Samir P Rajdev**

Company Secretary

**G. Rengarajan**Partner  
Membership No: 219922  
Place: Kochi**Manikandan Muthiah**

Head - Financial Reporting

Place: Kochi

Date : May 02, 2024

## FORM B

## THE FEDERAL BANK LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2024

(₹ in Thousands)

	Schedule	Year ended March 31, 2024	Year ended March 31, 2023
<b>I. INCOME</b>			
Interest earned	13	221,882,573	168,036,338
Other income	14	30,792,717	23,300,006
<b>TOTAL</b>		<b>252,675,290</b>	<b>191,336,344</b>
<b>II. EXPENDITURE</b>			
Interest expended	15	138,947,754	95,714,736
Operating expenses	16	61,982,694	47,677,655
Provisions and contingencies (Refer Note 1.12.5 of Schedule 18)		14,538,861	17,838,010
<b>TOTAL</b>		<b>215,469,309</b>	<b>161,230,401</b>
<b>III. PROFIT/(LOSS)</b>			
Net profit for the year		<b>37,205,981</b>	<b>30,105,943</b>
Profit brought forward		53,852,696	41,055,453
<b>TOTAL</b>		<b>91,058,677</b>	<b>71,161,396</b>
<b>IV. APPROPRIATIONS</b>			
Transfer to Revenue Reserve		5,542,518	4,265,747
Transfer to Statutory Reserve		9,301,495	7,526,486
Transfer to Capital Reserve		817,635	113,247
Transfer to Investment Fluctuation Reserve		668,442	9,690
Transfer to Investment Reserve		162,431	-
Transfer to Special Reserve		1,736,800	1,606,900
Dividend pertaining to previous year paid during the year (Note 3.2 E of Schedule 18)		2,349,108	3,786,630
Balance carried over to Balance Sheet		70,480,248	53,852,696
<b>TOTAL</b>		<b>91,058,677</b>	<b>71,161,396</b>
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 3.1 of Schedule 18)			
Basic		16.07	14.27
Diluted		15.87	14.13
Significant accounting policies	17		
Notes to accounts	18		

Schedules referred to above form an integral part of the Profit and Loss account

As per our report of even date

For The Federal Bank Limited

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No: 105047W

**A P Hota**  
Chairman  
DIN: 02593219

**Shyam Srinivasan**  
Managing Director & CEO  
DIN: 02274773

**Swapnil Kale**  
Partner  
Membership No: 117812  
Place: Mumbai

**Shalini Warriar**  
Executive Director  
DIN: 08257526

**Harsh Dugar**  
Executive Director  
DIN: 00832748

For **Suri & Co**  
Chartered Accountants  
ICAI Firm Registration No: 0042835

**Venkatraman Venkateswaran**  
Chief Financial Officer

**Samir P Rajdev**  
Company Secretary

**G. Rengarajan**  
Partner  
Membership No: 219922  
Place: Kochi

**Manikandan Muthiah**  
Head - Financial Reporting

Place: Kochi  
Date : May 02, 2024





THE FEDERAL BANK LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2024

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxes	49,783,781	40,445,043
<b>Adjustments for:</b>		
Depreciation on Bank's Property	2,151,484	1,646,071
Provision / Depreciation on Investments	(277,189)	411,319
Amortisation of Premium on Held to Maturity Investments	1,731,776	1,744,601
Provision / Charge for Non Performing Advances	4,011,458	5,913,370
Provision for Standard Assets and Contingencies	(2,063,000)	1,652,330
Profit on sale of fixed assets (net)	(84,332)	(8,228)
Profit on Sale of Investment in Subsidiary	(991,140)	-
Dividend From Subsidiaries / Associates	(165,846)	(83,748)
Employees Stock Option Expense	15,824	11,075
	<b>54,112,816</b>	<b>51,731,833</b>
<b>Adjustments for working capital changes:-</b>		
Increase in Investments [excluding Held to Maturity Investments]	(33,468,877)	(6,566,878)
Increase in Advances	(353,575,962)	(301,098,970)
(Increase)/ Decrease in Other Assets	2,344,707	(29,749,203)
Increase in Deposits	391,479,768	316,854,524
Increase in Other Liabilities and Provisions	27,052,792	9,062,641
	<b>33,832,428</b>	<b>(11,497,886)</b>
Direct taxes paid (net)	(12,415,649)	(11,537,004)
<b>Net Cash Flow from Operating Activities</b>	<b>75,529,595</b>	<b>28,696,943</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3,036,718)	(4,668,282)
Proceeds from Sale of Fixed Assets	108,723	30,144
Dividend From Subsidiaries / Associates	165,846	83,748
Proceeds from sale of investment in Subsidiary	1,150,000	-
Purchase of Held to Maturity Investments (net)	(86,906,367)	(93,627,897)
<b>Net Cash flow used in Investing Activities</b>	<b>(88,518,516)</b>	<b>(98,182,287)</b>

## THE FEDERAL BANK LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

	(₹ in Thousands)	
	Year ended March 31, 2024	Year ended March 31, 2023
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	638,301	27,314
Proceeds from Share Premium (Net of share issue expenses)	40,408,749	924,872
Proceeds from Issue of Subordinate Debt	-	9,950,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(12,928,727)	29,311,740
Dividend Paid	(2,349,108)	(3,786,630)
<b>Net Cash flow from Financing Activities</b>	<b>25,769,215</b>	<b>36,427,296</b>
<b>Effect of exchange fluctuation on translation reserve</b>	<b>(37,933)</b>	<b>(158,601)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>12,742,361</b>	<b>(33,216,649)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>176,886,806</b>	<b>210,103,455</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>189,629,167</b>	<b>176,886,806</b>

**Notes:**

- Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with Banks and money at call and short notice (Refer Schedules 6 and 7 of the Balance Sheet)
- Corporate Social Responsibility related expenses spent in cash during the year is ₹ 575,507 Thousands (Previous Year: ₹ 438,803 Thousands)

As per our report of even date

For The Federal Bank Limited

For **M S K A & Associates**Chartered Accountants  
ICAI Firm Registration No: 105047W**A P Hota**Chairman  
DIN: 02593219**Shyam Srinivasan**Managing Director & CEO  
DIN: 02274773**Swapnil Kale**Partner  
Membership No: 117812  
Place: Mumbai**Shalini Warriar**Executive Director  
DIN: 08257526**Harsh Dugar**Executive Director  
DIN: 00832748For **Suri & Co**Chartered Accountants  
ICAI Firm Registration No: 0042835**Venkatraman Venkateswaran**

Chief Financial Officer

**Samir P Rajdev**

Company Secretary

**G. Rengarajan**Partner  
Membership No: 219922  
Place: Kochi**Manikandan Muthiah**

Head - Financial Reporting

Place: Kochi

Date : May 02, 2024



THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE 1 - CAPITAL

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>Authorised Capital</b>	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) equity shares of ₹ 2/- each		
<b>Issued Capital</b>	4,873,354	4,235,053
2,436,677,233 (Previous year 2,117,526,438) equity shares of ₹ 2/-each		
<b>Subscribed, Called-up and Paid-up Capital</b>	4,870,704	4,232,403
2,435,351,938 (Previous year 2,116,201,143) equity shares of ₹ 2/-each		
Less: Calls unpaid	1	1
<b>Total</b>	<b>4,870,703</b>	<b>4,232,402</b>

Refer Note 3.2 of Schedule 18

### SCHEDULE 2 - RESERVES AND SURPLUS

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>I. Statutory Reserve</b>		
Opening balance	46,060,766	38,534,280
Additions during the year	9,301,495	7,526,486
Deductions during the year	-	-
	<b>55,362,261</b>	<b>46,060,766</b>
<b>II. Capital Reserves</b>		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
Deductions during the year	-	-
	<b>50,091</b>	<b>50,091</b>
b) Others		
Opening balance	7,567,743	7,454,496
Additions during the year*	817,635	113,247
Deductions during the year	-	-
	<b>8,385,378</b>	<b>7,567,743</b>
<b>Total (a+b)</b>	<b>8,435,469</b>	<b>7,617,834</b>
<b>III. Share premium (Refer Note 3.2 of Schedule 18)</b>		
Opening balance	61,716,219	60,791,347
Additions during the year	40,818,546	924,872
Deductions during the year	(403,331)	-
	<b>102,131,434</b>	<b>61,716,219</b>

## THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
<b>IV. Revenue and Other Reserves</b>		
a) Revenue Reserve		
Opening balance	29,399,164	25,133,417
Additions during the year	5,542,518	4,265,747
Deductions during the year	-	-
	<b>34,941,682</b>	<b>29,399,164</b>
b) Investment Fluctuation Reserve (Refer Note 1.2.1 B of Schedule 18)		
Opening balance	1,906,890	1,897,200
Additions during the year	668,442	9,690
Deductions during the year	-	-
	<b>2,575,332</b>	<b>1,906,890</b>
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	10,090,100	8,483,200
Additions during the year	1,736,800	1,606,900
Deductions during the year	-	-
	<b>11,826,900</b>	<b>10,090,100</b>
<b>V. Investment Reserve Account</b>		
Opening balance	-	-
Additions during the year	162,431	-
Deductions during the year	-	-
	<b>162,431</b>	<b>-</b>
<b>VI. Foreign Currency Translation Reserve [Refer Schedule 17 (4.6)]</b>		
Opening balance	(139,485)	19,116
Additions during the year	-	-
Deductions during the year	(37,933)	(158,601)
	<b>(177,418)</b>	<b>(139,485)</b>
<b>VII. ESOP Reserve</b>		
Opening balance	24,779	13,704
Additions during the year	15,824	11,075
Deductions during the year	(6,466)	-
	<b>34,137</b>	<b>24,779</b>
<b>VIII. Contingency Reserve</b>		
Opening balance	301,003	301,003
Additions during the year	-	-
Deductions during the year	-	-
	<b>301,003</b>	<b>301,003</b>
<b>IX. Balance in Profit and Loss Account</b>	<b>70,480,248</b>	<b>53,852,696</b>
<b>Grand Total (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>286,073,479</b>	<b>210,829,966</b>

\* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :

- a) Gain on sale of Held to Maturity Investments ₹ 769,514 Thousands (Previous year ₹ 111,106 Thousands)
- b) Profit on sale of Premises ₹ 48,121 Thousands (Previous year ₹ 2,141 Thousands)



## THE FEDERAL BANK LIMITED

### SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

#### SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
A. I. Demand Deposits		
i. From Banks	2,199,300	2,179,831
ii. From others	165,721,589	155,654,726
	<b>167,920,889</b>	<b>157,834,557</b>
II. Savings Bank Deposits	<b>578,587,491</b>	<b>543,369,909</b>
III. Term Deposits		
i. From Banks	4,988,325	23,697,209
ii. From others	1,736,843,448	1,408,958,710
	<b>1,778,831,773</b>	<b>1,432,655,919</b>
<b>Grand Total (I+II+III)</b>	<b>2,525,340,153</b>	<b>2,133,860,385</b>
B. I. Deposits of branches in India	2,524,784,328	2,133,576,516
II. Deposits of branches outside India	555,825	283,869
<b>Total</b>	<b>2,525,340,153</b>	<b>2,133,860,385</b>

#### SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Borrowings in India		
i. Reserve Bank of India	28,510,000	-
ii. Other Banks	5,771,000	978,000
iii. Other institutions and agencies	109,996,027	161,875,129
<b>Total</b>	<b>144,277,027</b>	<b>162,853,129</b>
II. Borrowings outside India	35,987,137	30,339,762
<b>Grand Total (I and II)</b>	<b>180,264,164</b>	<b>193,192,891</b>
a) Secured borrowings included in I and II above	119,177,027	142,903,129
b) Tier II bond included in I(ii) & I(iii) above	19,950,000	19,950,000

#### SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Bills payable	6,535,793	6,254,620
II. Inter - office adjustment (net)	-	-
III. Interest accrued	6,763,260	5,972,034
IV. Others (including provisions)*	73,270,465	49,075,997
<b>Total</b>	<b>86,569,518</b>	<b>61,302,651</b>
*Includes		
(a) General provision for standard assets (Refer Note 1.4.12 of Schedule 18)	12,464,103	14,484,103
(b) Deferred Tax Liability (Net) (Refer Note 2.4 of Schedule 18)	277,075	-

**THE FEDERAL BANK LIMITED**

## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

**SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA**

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Cash in hand (including foreign currency notes)	9,529,372	10,705,056
II. Balance with Reserve Bank of India		
i. in Current Accounts	105,406,305	99,203,407
ii. in Other Accounts	-	16,000,000
<b>Total (I+II)</b>	<b>114,935,677</b>	<b>125,908,463</b>

**SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. In India		
i. Balances with Banks		
a. in Current Accounts	4,685,889	5,695,142
b. in Other Deposit Accounts	10,500	402,500
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	4,490,520	4,992,580
<b>Total</b>	<b>9,186,909</b>	<b>11,090,222</b>
II. Outside India		
i. in Current Accounts	8,829,647	5,376,721
ii. in Other Deposit Accounts	55,676,074	34,511,400
iii. Money at call and short notice	1,000,860	-
<b>Total</b>	<b>65,506,581</b>	<b>39,888,121</b>
<b>Grand Total (I and II)</b>	<b>74,693,490</b>	<b>50,978,343</b>

**SCHEDULE 8 - INVESTMENTS**

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Investments in India in		
i. Government securities <sup>#</sup>	518,403,558	423,955,328
ii. Other approved securities	-	-
iii. Shares	5,954,893	5,525,238
iv. Debentures and bonds	32,926,764	23,478,022
v. Subsidiaries and/or joint ventures	6,529,160	6,688,020
vi. Others <sup>@</sup>	44,658,365	28,837,118
<b>Total</b>	<b>608,472,740</b>	<b>488,483,726</b>





## THE FEDERAL BANK LIMITED

### SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
II. Investments outside India in		
i. Government securities (including local authorities)	32,048	24,526
ii. Subsidiaries and/or joint ventures abroad	-	-
iii. Other investments		
a. Debentures and bonds	80,221	504,502
b. Shares	10,258	10,105
c. Others (Certificate of Deposit)	-	810,611
<b>Total</b>	<b>122,527</b>	<b>1,349,744</b>
<b>Grand Total (I and II)</b>	<b>608,595,267</b>	<b>489,833,470</b>
Gross Investments		
In India	613,613,718	493,849,157
Outside India	122,527	1,351,468
<b>Total</b>	<b>613,736,245</b>	<b>495,200,625</b>
Depreciation/ Provision for Investments		
In India	5,140,978	5,365,431
Outside India	-	1,724
<b>Total</b>	<b>5,140,978</b>	<b>5,367,155</b>
Net Investments		
In India	608,472,740	488,483,726
Outside India	122,527	1,349,744
<b>Total</b>	<b>608,595,267</b>	<b>489,833,470</b>

# Securities costing ₹ 110,164,457 Thousands (Previous Year ₹ 95,151,628 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of:

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
Pass Through Certificates (PTCs)	36,231,924	25,761,611
Certificate of Deposits	3,946,751	1,340,611
Commercial Paper	3,128,680	492,518
Venture Capital Funds (VCFs)	1,351,010	1,242,378
<b>Total</b>	<b>44,658,365</b>	<b>28,837,118</b>

### SCHEDULE 9 - ADVANCES

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
A. i. Bills purchased and discounted	47,518,540	41,692,972
ii. Cash credits, overdrafts and loans repayable on demand	878,825,323	760,275,257
iii. Term loans	1,167,689,486	942,500,617
<b>Total</b>	<b>2,094,033,349</b>	<b>1,744,468,846</b>
B. i. Secured by tangible assets*	1,794,407,743	1,461,807,416
ii. Covered by Bank/Government guarantees#	15,894,240	18,521,711
iii. Unsecured	283,731,366	264,139,719
<b>Total</b>	<b>2,094,033,349</b>	<b>1,744,468,846</b>
C. I. Advances in India		
i. Priority sector	681,141,619	559,026,962

## THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
ii. Public sector	-	124,018
iii. Banks	25,564,911	1,275,342
iv. Others	1,356,613,988	1,156,967,913
<b>Total</b>	<b>2,063,320,518</b>	<b>1,717,394,235</b>
<b>C. II. Advances outside India (Refer note 1.4.3 of Schedule 18)</b>		
i. Due from Banks	1,256,913	794,011
ii. Due from others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	13,319,911	9,938,657
c) Others	16,136,007	16,341,943
<b>Total</b>	<b>30,712,831</b>	<b>27,074,611</b>
<b>Grand Total (C I and C II)</b>	<b>2,094,033,349</b>	<b>1,744,468,846</b>

\* Includes Advances against book debts

# Includes Advances against Letter of Credit issued by Banks

(Advances are net of provisions)

## SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
<b>A. Premises#</b>		
<b>Gross Block</b>		
At cost as on 31 <sup>st</sup> March of the preceding year	3,742,876	2,968,642
Additions during the year	477,506	780,062
Deductions during the year	8,938	5,828
At the end of the year	<b>4,211,444</b>	<b>3,742,876</b>
<b>Depreciation</b>		
As at the beginning of the year	1,126,704	1,065,719
Charge for the Year	95,113	62,800
Deductions during the year	5,513	1,815
Depreciation to date	<b>1,216,304</b>	<b>1,126,704</b>
<b>Net Block</b>	<b>2,995,140</b>	<b>2,616,172</b>
<b>B. Other fixed assets</b>		
(including furniture and fixtures)		
<b>Gross Block</b>		
At cost as on 31 <sup>st</sup> March of the preceding year	17,356,552	14,520,202
Additions during the year	2,708,953	3,361,381
Deductions during the year	412,462	525,031
At the end of the year	<b>19,653,043</b>	<b>17,356,552</b>
<b>Depreciation</b>		
As at the beginning of the year	11,441,639	10,365,498
Charge for the year	2,056,371	1,583,271
Deductions during the year	391,495	507,130
Depreciation to date	<b>13,106,515</b>	<b>11,441,639</b>
<b>Net Block</b>	<b>6,546,528</b>	<b>5,914,913</b>
<b>C. Capital Work in progress (Including Capital Advances)</b>	<b>658,915</b>	<b>808,655</b>
<b>Grand Total (A+B+C)</b>	<b>10,200,583</b>	<b>9,339,740</b>

# Includes buildings constructed on leasehold land at different places having original cost of ₹ 1,610,074 Thousands (Previous Year ₹ 1,206,265 Thousands) and Written down value of ₹ 1,337,753 Thousands (Previous Year ₹ 976,551 Thousands) with remaining lease period varying from 51 - 62 years.



## THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

### SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Inter - office adjustments (net)	-	-
II. Interest accrued	19,064,977	15,274,277
III. Tax paid in advance/ tax deducted at source (Net of provision)	14,307,767	13,375,417
IV. Stationery and Stamps	18,754	15,676
V. Non-banking assets acquired in satisfaction of claims	2,926	2,926
VI. Others#	147,265,227	154,221,137
<b>Total</b>	<b>180,659,651</b>	<b>182,889,433</b>
# Includes		
(a) Priority sector shortfall deposits	112,344,840	131,167,873
(b) Security deposits	2,737,641	2,392,736
(c) Deferred tax asset (net) (Refer Note 2.4 of Schedule 18)	-	817,425

### SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Claims against the Bank not acknowledged as debts	25,069,076	18,463,344
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts**	824,272,509	610,661,759
IV. Guarantees given on behalf of constituents		
a) In India	135,182,233	107,735,581
b) Outside India	-	-
V. Acceptances, endorsements and other obligations	31,506,803	25,350,115
VI. Other items for which the Bank is contingently liable@	4,694,849	3,807,574
<b>Total</b>	<b>1,020,725,470</b>	<b>766,018,373</b>
(Refer Note 3.6 of Schedule 18)		
** - Includes		
(a) Contingent liability on Forward Exchange Contracts	457,788,582	384,868,019
(b) Contingent liability for Derivatives	366,483,928	225,793,740

@ - includes ₹ 3,098,654 Thousands (Previous Year : ₹ 2,796,757 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 1.8 of Schedule 18).

## THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

## SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Interest/discount on advances/bills	177,345,214	134,918,414
II. Income on investments	36,916,182	27,955,686
III. Interest on balances with Reserve Bank of India and other inter-Bank funds	3,388,721	2,062,522
IV. Others*	4,232,456	3,099,716
<b>Total</b>	<b>221,882,573</b>	<b>168,036,338</b>

\* - Includes interest on Income tax refunds amounting to ₹ 195,809 Thousands (Previous year ₹ Nil) accounted based on assessment orders received.

## SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Commission, exchange and brokerage	22,404,829	18,021,479
II. Profit on sale of investments (Net)	2,465,551	775,334
III. Profit / (Loss) on revaluation of investments (Net)	289,792	(478,109)
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	84,332	8,228
V. Profit on foreign exchange/derivative transactions (Net)	2,106,429	2,971,391
VI. Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures abroad / in India.	165,846	83,748
VII. Miscellaneous income**	3,275,938	1,917,935
<b>Total</b>	<b>30,792,717</b>	<b>23,300,006</b>

\*\* - Includes Recoveries in assets written off ₹ 1,475,138 Thousands (Previous year ₹ 1,407,335 Thousands)

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Interest on deposits	126,994,227	86,130,177
II. Interest on Reserve Bank of India/Inter Bank borrowings	1,839,455	906,535
III. Others	10,114,072	8,678,024
<b>Total</b>	<b>138,947,754</b>	<b>95,714,736</b>

## SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Payments to and provisions for employees	28,230,905	21,730,020
II. Rent, taxes and lighting	4,509,137	3,719,346
III. Printing and stationery	559,665	501,645
IV. Advertisement and publicity	360,426	391,789
V. Depreciation on Bank's property	2,151,484	1,646,071
VI. Directors' fees, allowances and expenses	45,165	34,762
VII. Auditors' fees and expenses (including branch auditors)	46,826	52,562
VIII. Law charges	240,755	207,059
IX. Postage, Telegrams, Telephones etc	1,322,298	1,139,026
X. Repairs and maintenance	892,583	916,082
XI. Insurance	2,832,900	2,296,985
XII. Other expenditure#	20,790,550	15,042,308
<b>Total</b>	<b>61,982,694</b>	<b>47,677,655</b>

# - Includes Corporate Social Responsibility expenditure amounting to ₹ 575,507 Thousands (Previous Year: ₹ 438,803 Thousands)



## THE FEDERAL BANK LIMITED

# SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

### 1. BACKGROUND

The Federal Bank Limited ('the Bank') was incorporated on April 23, 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank is a publicly held banking company with a network of 1,504 banking outlets in India and provides banking and financial services including retail and corporate banking, para banking activities such as debit and credit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The Global Depository Receipts issued by the Bank in 2006 have been listed on London Stock Exchange. The Bank also has its Digital Banking Unit at Kolkata, Representative Office at Abu Dhabi & Dubai and had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

### 2. BASIS OF PREPARATION

The Standalone Financial Statements ('Financial Statements') have been prepared and presented in accordance with the statutory requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars, notifications, guidelines and directives issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) as prescribed under Section 133 of the Companies Act, 2013 ("the Act") read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Act, and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except as otherwise stated.

### 3. USE OF ESTIMATES

The preparation of the financial statements in conformity with the generally accepted accounting principles in India requires the Management to make estimates and necessary assumptions that affect the reported amounts of assets and liabilities including disclosure of contingent

liabilities as at the date of the financial statements and the reported revenues and expenses during the reporting period. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to the accounting estimates are recognized prospectively in the current and future periods.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Investments

##### Classification

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

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

Under each of these categories, investments are further classified under six groups ('hereinafter called groups') - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

##### Basis of Classification

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

Investments which are not classified in either of the above two categories are classified as "Available for Sale."

##### Transfer of securities between Categories

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

##### Acquisition Cost

In determining the acquisition cost of the Investment:

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

**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)****Valuation**

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

- a. Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The 'market value' for quoted securities included under AFS and HFT categories shall be the prices declared by the Financial Benchmark India Pvt. Ltd. (FBIL). For securities whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/trading platforms authorized by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Net depreciation, if any, within each category of each investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of each investment classification is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Depreciation on the securities acquired by way of conversion of outstanding loan (restructured) is not offset against the appreciation in other securities. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- b. Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d. Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Association of Mutual Funds in India (AMFI).
- e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
  - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL and suitably marked up for credit risk published by FIMMDA applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose.
  - Pass Through Certificates ('PTC') including Priority Sector PTCs are valued as per extant FIMMDA guidelines
  - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
  - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company based on the stipulated norms as per RBI circular.
  - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
  - Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per the extant asset classification and provisioning norms as applicable to the underlying loans as per RBI guidelines.
- f. Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.
- g. The Bank follows settlement date method of accounting for purchase and sale of investments.
- h. Non-Performing Investments are identified and valued based on RBI Guidelines. Provision for depreciation on non-performing investments is not offset against the appreciation in respect of other performing securities. Interest on non-performing





## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

investments is not reckoned in Profit and Loss Account until it is received.

#### Disposal of Investments

- a. Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss Account.
- b. Held to Maturity – Profit on sale / redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve in accordance with the RBI Guidelines. Loss on sale / redemption is charged to the Profit and Loss Account.

#### Repurchase and Reverse Repurchase Transactions

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

#### Short Sales

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

## 4.2 Advances

#### Classification

Advances are classified into Standard Assets 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. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria as per Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC) issued by RBI. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in Profit and Loss Account until received.

#### Provisioning

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

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

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

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

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

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution frameworks are made as per extant RBI guidelines.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with

**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

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

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

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

**4.3 Securitisation and transfer of assets**

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

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

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

**4.4 Country risk**

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderately low, moderate, moderately high, high, very high as per Export Credit

Guarantee Corporation of India Limited (ECGC) guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the Bank's total funded assets.

**4.5 Priority Sector Lending Certificates (PSLC)**

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

**4.6 Transactions involving foreign exchange**

In respect of domestic operations:

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

In respect of Non-Integral Foreign Branches:

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

Valuation of Foreign Exchange Spot and Forward Contracts

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



## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

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

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

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

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

#### 4.7 Derivative transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Profit and Loss Account. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles. When applying fair value hedge accounting, the hedging instrument and hedged items are measured at fair value with changes in fair value recognised in the Profit and Loss Account.

In case of cash flow hedge, the hedging instrument is measured at fair value, but any gain or loss that is determined to be an effective hedge is recognised in Reserves and Surplus under cash flow hedge reserve and ineffective portion of an effective hedging relationship, if any, is recognised in the Profit and Loss Account. In order to match the gains and losses of the hedged item and the hedging instrument in Profit and Loss Account, the changes in fair value of the hedging instrument recognised in cash flow hedge reserve is transferred from cash flow

hedge reserve and recognised in Profit and Loss Account at the same time that the impact from the hedged item is recognised in the Profit and Loss Account.

#### 4.8 Revenue Recognition

- Interest income is recognised in the Profit and Loss Account on an accrual basis in accordance with AS – 9, 'Revenue Recognition' as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on "first in first out" policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees, are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.
- Dividend on Equity Shares and Preference Shares 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

**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

**4.9 Fixed assets and depreciation / amortization**

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortization and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset before it is ready to use. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit / functioning capability from / of such assets.

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

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

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

The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes

in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

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

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

Depreciation on assets sold during the year is recognized on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognized as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI guidelines.

Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

**4.10 Impairment of Assets**

The Bank assesses at each Balance Sheet date whether there is any indication based on internal / external factors that an asset is impaired. Impairment loss, if any, is provided in the profit and Loss Account to the extent



## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

the carrying amount of assets exceeds their estimated recoverable amount.

#### 4.11 Non-Banking Assets acquired in Satisfaction of Claims

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realizable value.

#### 4.12 Lease transactions

##### Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms in accordance with AS-19, Leases. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognized as expense immediately in the Profit and Loss Account.

#### 4.13 Employee benefits

##### Defined Contribution Plan

##### a) Provident Fund

Employees covered under contributory provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution paid/payable by the Bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss Account.

##### b) National Pension System ('NPS')

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution and recognises such contributions as an expense in the year incurred.

##### Defined Benefit Plan

##### a) Pension Fund

Employees covered under the pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid/payable by the Bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss Account.

##### b) Gratuity

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution paid/payable by the Bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss Account.

##### Other Employee Benefits

##### Compensation for absence on Privilege / Sick / Casual Leave / Leave Travel Concession (LTC) & other Short-term employee benefits

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

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employees render the service. These benefits include performance incentives.



**THE FEDERAL BANK LIMITED****SCHEDULE 17:** SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**4.14 Employee Stock Option Scheme**

The Bank has formulated Employee Stock Option Scheme (ESOS 2010), Employee Stock Option Scheme (ESOS 2017) & Employee Stock Option Scheme 2023 (ESOS 2023) and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Schemes provided for grant of options to Employees and whole time Directors of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI Guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI, the Bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the closing market price of the share on the date preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.

The market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

However, the stock options granted to Material risk takers, after March 31, 2021, are accounted as per 'Fair value method' using Black-Scholes model, which is recognized as compensation expense over the vesting period in line with extant RBI guidelines.

**4.15 Employee Stock Incentive Scheme**

The Bank has formulated the Federal Bank Limited Employee Stock Incentive Scheme 2023 (ESIS 2023) in accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI Regulations") and other applicable laws. The Scheme provided for grant of options to Employees and whole time Directors of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period.

Stock options under this scheme are granted at face value of shares. Options granted under this scheme are accounted as per 'Fair value method' using Black-Scholes model in accordance with the SEBI Guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI.

**4.16 Debit and Credit card reward points**

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the

Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption, spends, discount rate, value of reward points etc. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss Account and liabilities on the outstanding reward points as at the Balance Sheet date is included in 'Others' under Schedule 5 - Other liabilities and provisions.

**4.17 Taxation**

Income tax expense is the aggregate amount of current tax expense and the net change in the deferred tax asset or liability during the year. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards and as per Accounting Standard 22 - "Accounting for Taxes on Income" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021.

Deferred income taxes reflect the impact of current year timing 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 assets and liabilities are measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize the assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off and when the Bank intends to settle on a net basis. Deferred tax assets are recognized and reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realized.





## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The Bank has exercised option referred u/s 115BAA with respect to tax rate, accordingly Minimum Alternative Tax ('MAT') provision u/s 115JB are not applicable on Bank.

#### 4.18 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.

#### 4.19 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

#### 4.20 Corporate Social Responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 is recognized in the Profit and Loss Account.

#### 4.21 Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with Accounting Standard 20 - "Earnings per Share" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during 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 during the year except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split and a reverse share split.

#### 4.22 Provisions, contingent liabilities, and contingent assets

In accordance with Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, a provision is recognized when the Bank has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

No provision is recognized, and a disclosure of contingent liability is made when there is:

- I. a possible obligation arising from a past event and the existence of which will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
- II. a present obligation arising from a past event which is not recognized because:
  - a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - b) a reliable estimate of the amount of the obligation cannot be made.

The Bank does not expect the outcome of these contingencies to have a materially adverse effect on its financial results.

No provision or disclosure of contingent liability is made when there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote.

Contingent assets, if any, are not recognized nor disclosed in the financial statements since this may result in the recognition of income that may never be realized. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the financial statements of the period in which the change occurs.

#### 4.23 Segment information

The disclosure relating to segment information is in accordance with Accounting Standard 17 - "Segment Reporting" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and as per RBI Master Direction on Financial Statements-Presentation and Disclosures, (as amended from time to time). As per the Master Direction, the reportable segments are identified as 'Treasury', 'Corporate

**THE FEDERAL BANK LIMITED****SCHEDULE 17:** SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

/ Wholesale Banking', 'Retail Banking' and 'Other banking operations.

- Treasury' includes the entire investment portfolio of the Bank.
- Retail Banking include exposures which fulfill the four criteria of orientation, product, granularity, and low value of individual exposures for retail exposures laid down in Master Directions on Basel III: Capital Regulations. Individual housing loans also form part of Retail Banking segment. Further, 'Digital Banking' has been identified as a sub-segment of the existing 'Retail Banking' segment as per Reserve Bank of India (RBI) guidelines.
- Corporate / Wholesale Banking include all advances to trusts, partnership firms, companies, and statutory bodies, which are not included under 'Retail Banking'.
- Other Banking Business includes all other banking operations not covered under 'Treasury, 'Wholesale Banking' and 'Retail Banking' segments. It also includes all other residual operations such as para banking transactions / activities.

**4.24 Accounting for Dividend**

In terms of Accounting Standard 4 - "Contingencies and Events occurring after the Balance sheet date" issued by the ICAI, as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, the Bank does not account for proposed dividend or Dividend declared after balance sheet date as a liability through appropriation from Profit and Loss Account in current year balance sheet. This is disclosed in the notes to accounts. The same is recognized in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

**4.25 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 TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

**1. DISCLOSURE REQUIREMENT AS PER RBI'S MASTER DIRECTION ON FINANCIAL STATEMENTS – PRESENTATION AND DISCLOSURES**

Amounts in notes forming part of the financial statements for the year ended March 31, 2024 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

**1.1 REGULATORY CAPITAL**

**1.1. A. Capital To Risk-Weighted Assets Ratio (Capital Adequacy Ratio)**

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI. Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 11.50% (previous year 11.50%) including Capital Conservation Buffer (CCB) at 2.50% (previous year 2.50%) of the total risk weighted assets (RWA). Out of the MTC, at least 8.00% (previous year 8.00%), shall be from Common Equity Tier 1 (CET1) capital and at least 9.50% (previous Year 9.50%) from Tier 1 capital, including 2.50% (previous year 2.50%) towards CCB.

**The Composition of Regulatory Capital of the Bank is set out below:**

			(Amount in ₹ Crore)	
Sr. No.	Particulars	As at March 31, 2024	As at March 31, 2023	
i)	Common Equity Tier 1 Capital (CET 1) *	27,707.50	20,431.35	
ii)	Additional Tier 1 capital	-	-	
iii)	Tier 1 Capital (i + ii)	27,707.50	20,431.35	
iv)	Tier 2 Capital	2,888.59	2,813.15	
v)	Total Capital (Tier 1+Tier 2)	30,596.09	23,244.50	
vi)	Total Risk Weighted Assets (RWAs)	189,689.76	156,915.57	
<b>Capital Ratios</b>				
vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	14.61%	13.02%	
viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	14.61%	13.02%	
ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.52%	1.79%	
x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	16.13%	14.81%	
xi)	Leverage Ratio	8.15%	7.18%	
xii)	Percentage of the shareholding of the Government of India	-	-	
xiii)	Amount of Paid Up Equity Capital raised during the year*	60.63	-	
xiv)	Amount of Non - Equity Tier 1 Capital raised during the year	-	-	
xv)	Amount of Tier 2 Capital raised during the year, of which:	-	995.00	
	a) Basel III compliant Debt Capital instruments**	-	995.00	
	b) Basel III compliant Preference Share Capital Instruments: <i>[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]</i>	-	-	

\*Adjusted for proposed dividend of ₹ 1.20 per share (previous year: ₹ 1.00 per share). (Refer Note 3.2.E)

**#Capital Infusion:** During the year, the Bank had issued 230,477,634 equity shares of ₹ 2 each for cash pursuant to a Qualified Institution Placement (QIP) as per the relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 at ₹ 131.90 per share aggregating to ₹ 3,040.00 Crore (including share premium). This resulted in an increase of ₹ 46.10 Crore in share capital and ₹ 2,954.17 Crore (net of issue expenses) in share premium account (previous year Nil)

During the year, Bank had issued 72,682,048 equity shares of ₹ 2 each for cash pursuant to a preferential allotment as per the relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 at ₹ 131.91 per share aggregating to ₹ 958.75 Crore (including share premium). This resulted in an increase of ₹ 14.53 Crore in share capital and ₹ 943.62 Crore (net of share issue expenses) in share premium account. (previous year Nil).

**THE FEDERAL BANK LIMITED****SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Note:

1. During the year, the Bank has allotted 15,991,113 (previous year 13,637,270) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 3.20 Crore (previous year ₹ 2.73 Crore) and share premium account increased by ₹ 143.73 Crore (previous year ₹ 92.40 Crore).
2. During the previous year, the share capital of the Bank increased by ₹ 0.35 Lakhs and share premium account increased by ₹ 8.40 Lakhs consequent to allotment of 17,500 shares pertaining to Rights issue of 2007, which were kept in abeyance following Orders from Courts. Further, the share capital increased by ₹ 0.04 Lakhs and share premium account increased by ₹ 0.53 Lakhs consequent to receipt of calls in arrears pertaining to 2,500 shares.

The details of the movement in the paid-up equity share capital of the Bank are given below:

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Opening Balance	423.24	420.51
Addition pursuant to employee stock options/Release of rights kept in abeyance/Receipt of calls in arrears	3.20	2.73
Addition pursuant to Qualified Institutional Placement	46.10	-
Addition pursuant to preferential allotment	14.53	-
<b>Closing Balance</b>	<b>487.07</b>	<b>423.24</b>

\*\*During the year ended March 31, 2024, the Bank had not raised Tier 2 capital by way of issuance of Tier 2 Bonds. Details of Unsecured Basel III compliant Tier 2 Bonds issued are given below:

Particulars	March 31, 2024	March 31, 2023
Instrument	-	Subordinated Debt
Capital	-	Tier 2
Date of Maturity	-	March 29, 2033
Period	-	10 Years
Coupon	-	8.84%
Amount in ₹ Crore	-	995.00

During the year ended March 31, 2024 and March 31, 2023 the Bank has not redeemed debt instruments eligible for Tier-1/Tier-2 capital.

In accordance with RBI Guidelines banks are required to make Consolidated Pillar 3 and Net Stable Funding Ratio (NSFR) disclosures under Basel III capital regulations. The Bank has made these disclosures and the same is available in Bank's website at the following link: <https://www.federalbank.co.in/regulatory-disclosures>. The disclosures have not been subjected to audit.

**1.1. B. Reserves and Surplus****Statutory Reserve**

During the year ended March 31, 2024, the Bank had appropriated ₹ 930.15 crore (previous year: ₹ 752.65 Crore) out of profits for the year ended March 31, 2024 to the Statutory Reserve in terms of sections 17 of the Banking Regulation Act, 1949 and RBI guidelines.

**Capital Reserve**

During the year ended March 31, 2024, the Bank had appropriated ₹ 81.76 Crore (previous year: ₹ 11.32 Crore), being the profit from sale or redemption of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### Revenue Reserve

During the year ended March 31, 2024, the Bank had appropriated ₹ 554.25 Crore (previous year: ₹ 426.57 Crore) out of profits for the year ended March 31, 2024 to the Revenue Reserve.

#### Investment Fluctuation Reserve

During the year ended March 31, 2024, the Bank had appropriated ₹ 66.84 Crore (previous year: ₹ 0.97 Crore) to Investment Fluctuation Reserve in compliance with extant RBI guidelines.

#### Special Reserve

During the year ended March 31, 2024, the Bank had appropriated ₹ 173.68 Crore (previous year: ₹ 160.69 Crore) out of profits for the year ended March 31, 2024 to the Special Reserve as required under Income Tax Act, 1961.

#### Investment Reserve

During the year ended March 31, 2024, the Bank had appropriated ₹ 16.24 Crore (previous year: Nil) to Investment Reserve in compliance with extant RBI guidelines.

#### Employees Stock Options Reserve

During the year ended March 31, 2024, the Bank has recognised ₹ 1.58 Crore (previous year: ₹ 1.11 Crore) as Employees Stock Options Reserve on account of fair valuation of share-linked instruments and an amount of ₹ 0.65 Crore (previous year: Nil) is transferred from Employees Stock Options Reserve on exercise of share-linked instruments, to share premium.

#### Draw down from Reserves

The Bank has not drawn down any amount from any reserves during the years ended March 31, 2024 and March 31, 2023.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (CONTD.)

## 1.2 INVESTMENTS

### 1.2.1. A. Composition of Investment Portfolio

The details of investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) as at March 31, 2024 are as under:

	(Amount in ₹ Crore)											
	Investments in India					Investments outside India						
	Government Securities	Other Approved Securities	Shares	Debentures & Bonds	Subsidiaries and/or Joint Venture	Others	Total Investments In India	Government Securities (Including Local Authorities)	Subsidiaries and/or Joint Venture	Others	Total Investments Outside India	Total Investments
<b>Held to Maturity</b>												
Gross Value	47,742.67	-	-	-	652.92	101.38	48,496.97	-	-	-	-	48,496.97
Less: Provision for Non- Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	-	-	-	9.78	9.78	-	-	-	-	9.78
Net Value	47,742.67	-	-	-	652.92	91.60	48,487.19	-	-	-	-	48,487.19
<b>Available for Sale</b>												
Gross Value	4,097.69	-	621.75	3,365.69	-	4,779.27	12,864.40	3.20	-	9.05	12.25	12,876.65
Less: Provision for Non- Performing Investments	-	-	14.63	60.87	-	-	75.50	-	-	-	-	75.50
Less: Provision for Depreciation	-	-	11.63	12.14	-	405.04	428.81	-	-	-	-	428.81
Net Value	4,097.69	-	595.49	3,292.68	-	4,374.23	12,360.09	3.20	-	9.05	12.25	12,372.34
<b>Held for Trading</b>												
Gross Value	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Non- Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Investments</b>												
Gross Value	51,840.36	-	621.75	3,365.69	652.92	4,880.65	61,361.37	3.20	-	9.05	12.25	61,373.62
Less: Provision for Non- Performing Investments	-	-	14.63	60.87	-	-	75.50	-	-	-	-	75.50
Less: Provision for Depreciation	-	-	11.63	12.14	-	414.82	438.59	-	-	-	-	438.59
Net Value	51,840.36	-	595.49	3,292.68	652.92	4,465.83	60,847.28	3.20	-	9.05	12.25	60,859.53





SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (CONTD.)

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) as at March 31, 2023 are as under:

(Amount in ₹ Crore)

	Investments in India						Investments outside India					Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures & Bonds	Subsidiaries and/or Joint Venture	Others	Total Investments In India	Government Securities (Including Local Authorities)	Subsidiaries and/or Joint Venture	Others	Total Investments Outside India	
<b>Held to Maturity</b>												
Gross Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-	-	-	-	39,985.61
Less: Provision for Non- Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-	-	-	-	39,985.61
<b>Available for Sale</b>												
Gross Value	3,188.13	-	587.42	2,423.94	-	3,199.42	9,398.91	2.45	-	132.69	135.14	9,534.05
Less: Provision for Non- Performing Investments	-	-	14.63	63.23	-	-	77.86	-	-	-	-	77.86
Less: Provision for Depreciation	17.88	-	20.66	12.90	-	407.23	458.67	-	-	0.17	0.17	458.84
Net Value	3,170.25	-	552.13	2,347.81	-	2,792.19	8,862.38	2.45	-	132.52	134.97	8,997.35
<b>Held for Trading</b>												
Gross Value	-	-	0.40	-	-	-	0.40	-	-	-	-	0.40
Less: Provision for Non- Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	0.01	-	-	-	0.01	-	-	-	-	0.01
Net Value	-	-	0.39	-	-	-	0.39	-	-	-	-	0.39
<b>Total Investments</b>												
Gross Value	42,413.41	-	587.82	2,423.94	668.80	3,290.95	49,384.92	2.45	-	132.69	135.14	49,520.06
Less: Provision for Non- Performing Investments	-	-	14.63	63.23	-	-	77.86	-	-	-	-	77.86
Less: Provision for Depreciation	17.88	-	20.67	12.90	-	407.23	458.68	-	-	0.17	0.17	458.85
Net Value	42,395.53	-	552.52	2,347.81	668.80	2,883.72	48,848.38	2.45	-	132.52	134.97	48,983.35

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.2.1. B. Movement of Provisions for Depreciation and Investment Fluctuation Reserve**

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
(1) Movement of provisions held towards provision / depreciation on standard investments*		
a) Opening Balance	458.85	407.37
b) Add: Provisions made during the year	21.58	97.32
c) Add: Transfer (to) / from loan loss provision	5.10	8.04
d) Less: Write off / (Write back) of excess provisions during the year	46.93	53.88
e) Closing Balance	438.60	458.85
(2) Movement of provisions for Non-performing investments (NPIs)		
a) Opening Balance	77.86	89.00
b) Add: Provisions made during the year	-	-
c) Add: Transfer (to) / from loan loss provision	-	28.14
d) Less: Write off / (Write back) of excess provision during the year	2.36	39.28
e) Closing Balance	75.50	77.86
(3) Movement of Investment Fluctuation Reserve		
a) Opening balance	190.69	189.72
b) Add: Amount Transferred during the year	66.84	0.97
c) Less: Drawdown	-	-
d) Closing Balance	257.53	190.69
(4) Closing balance in IFR as a percentage of closing balance of Investments# in AFS and HFT/Current category	2.08%	2.12%

\*Movement have been reckoned on a yearly basis.

#The carrying value less net depreciation (ignoring net appreciation) ie, the net amount reflected in Balance Sheet.

**1.2.1. C. Additional Details on Investments:**

- Investments under SLR HTM as at March 31, 2024 account for 19.25% (previous year 18.82%) of demand and time liabilities, as against permitted ceiling of 23.00% (previous Year : 23.00 %) stipulated by RBI.
- In respect of securities held under HTM category premium of ₹ 173.18 Crore (previous year: ₹ 174.46 Crore) has been amortised during the year and debited under interest received on Government securities.
- Profit on sale of securities from HTM category amounting to ₹ 137.29 Crore (previous year: ₹ 19.90 Crore) has been taken to Profit and Loss Account. This includes Profit on sale / redemption on maturity of investments amounting to ₹ 5.48 Crore (previous year: ₹ 0.20 Lakhs). During the year the Bank had appropriated ₹ 76.95 Crore (previous year ₹ 11.11 Crore) [net of taxes and transfer to statutory reserve] to the Capital Reserve being the gain on sale / redemption of HTM Investments in accordance with RBI guidelines. (Also Refer Note 1.2.4)
- As per Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021, Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio on a continuing basis.

As on March 31, 2024 the Bank is maintaining an IFR of ₹ 257.53 Crore (previous year: ₹ 190.69 Crore) and considered it as part of Tier II capital for capital adequacy purposes.



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**1.2.2. Repo Transactions**

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2024 under repos/ reverse repos:

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2024
	Minimum	Maximum	Daily Average	
<b>A.1 Securities sold under RBI Repo</b>				
a) Government Securities	-	2,851.00	195.77	2,851.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>A.2 Securities purchased under RBI Reverse Repo</b>				
a) Government Securities	-	1,943.00	75.69	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.1 Securities sold under Market Repo</b>				
a) Government Securities	-	2,376.76	412.27	193.07
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.2 Securities purchased under Reverse Market Repo</b>				
a) Government Securities	-	1,896.09	118.33	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.1 Securities sold under TREPS</b>				
a) Government Securities	-	3,516.30	1,371.43	93.05
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.2 Securities purchased under TREPS</b>				
a) Government Securities	-	1,599.72	81.27	449.05
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2023 under repos/ reverse repos:

Particulars	Outstanding during the year			Outstanding as on March 31, 2023
	Minimum	Maximum	Daily Average	
(Amount in ₹ Crore)				
<b>A.1 Securities sold under RBI Repo</b>				
a) Government Securities	-	350.00	7.51	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>A.2 Securities purchased under RBI Reverse Repo</b>				
a) Government Securities	-	7,900.00	2,190.08	1,600.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.1 Securities sold under Market Repo</b>				
a) Government Securities	-	3,842.59	1,307.61	508.06
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.2 Securities purchased under Reverse Market Repo</b>				
a) Government Securities	-	1,555.80	165.71	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.1 Securities sold under TREPS</b>				
a) Government Securities	-	3,398.14	1,793.49	3,398.11
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.2 Securities purchased under TREPS</b>				
a) Government Securities	-	1,499.38	68.45	499.26
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

**1.2.3. Details of Non-SLR investment portfolio –**

a) Issuer composition as at March 31, 2024 of Non-SLR investments

(Amount in ₹ Crore)

Sl. No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities**	Extent of 'unrated' securities**	Extent of 'unlisted' Securities**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	81.50	81.50	-	-	-
2	Financial Institutions	1,298.47	908.56	-	-	-
3	Banks	952.87	844.87	-	-	-
4	Private Corporates	1,366.06	633.65	-	-	100.00
5	Subsidiaries / Joint ventures	892.62	892.62	-	-	5.00
6	Others*	4,941.74	2,372.50	-	-	5.00
7	Less: Provision / depreciation on standard investments	438.60				
8	Less: Provision held towards non- performing investments	75.50				
<b>Total</b>		<b>9,019.16</b>	<b>5,733.70</b>	<b>-</b>	<b>-</b>	<b>110.00</b>

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

\* Includes Investments in Non-SLR government securities amounting to ₹ 3.20 Crore.

\*\* Excludes investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Securities acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

Issuer composition as at March 31, 2023 of Non-SLR investments

(Amount in ₹ Crore)

Sl. No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities**	Extent of 'unrated' securities**	Extent of 'unlisted' Securities**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	56.50	56.50	-	-	-
2	Financial Institutions	1,010.47	483.71	-	-	-
3	Banks	695.91	564.23	-	-	-
4	Private Corporates	266.30	252.40	-	-	100.00
5	Subsidiaries / Joint ventures	908.50	908.50	-	-	5.00
6	Others*	4,168.97	1,404.52	-	-	5.00
7	Less: Provision / depreciation on standard investments	440.98				
8	Less: Provision held towards non- performing investments	77.86				
<b>Total</b>		<b>6,587.81</b>	<b>3,669.86</b>	<b>-</b>	<b>-</b>	<b>110.00</b>

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

\* Includes Investments in Non-SLR government securities amounting to ₹ 2.45 Crore.

\*\* Excludes investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Securities acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

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

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023
Shares	595.49	552.52
Debentures and Bonds	3,292.68	2,347.80
Subsidiaries/Joint Ventures	652.92	668.80
Others *	4,465.82	2,883.72
Investment outside India**	12.25	134.97
<b>Total</b>	<b>9,019.16</b>	<b>6,587.81</b>

\* Includes investment in certificate of deposits, Commercial papers, Mutual Funds, Pass through certificates, Security Receipts and Venture Capital Fund.

\*\* Includes Investments in Non-SLR government securities amounting to ₹ 3.20 Crore (Previous year: ₹ 2.45 Crore).

## c) Non-performing Non-SLR investments:

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023
Opening Balance	78.25	100.20
Additions during the year	-	-
Additions due to transfer (to) / from loan loss provision	-	28.14
Reductions during the year	2.75	50.09
Transfer (to) / from Overdue Investments	-	-
<b>Closing Balance</b>	<b>75.50</b>	<b>78.25</b>
<b>Total Provisions held</b>	<b>75.50</b>	<b>77.86</b>

**1.2.4. Sale and transfers to/ from HTM Category**

During the years ended March 31, 2024 and March 31, 2023, the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the respective years.

**1.2.5 Government Security Lending (GSL) transactions**

During the years ended March 31, 2024 and March 31, 2023, Bank has not participated in GSL transactions.

**1.3. DERIVATIVES**

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

**1.3.1 A) Exchange Traded Interest Rate Derivatives:**

(Amount in ₹ Crore)

Sl. No	Particulars	March 31, 2024	March 31, 2023
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
a)	6.10 G-Sec 2031(NSE)	-	70.40
b)	6.10 G-Sec 2031(BSE)	-	-
c)	5.85 G-Sec 2030 (NSE)	-	-
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	-	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**1.3.1. B)** The Bank had dealt in exchange traded currency futures during the financial year ended March 31, 2024 and March 31, 2023. As at March 31, 2024, the notional principal amount outstanding on open contracts is ₹ 15,243.70 Crore (Previous year: ₹ 3,153.01 Crore).

**1.3.1. C)** The credit exposure with clients, as compared to inter-Bank counterparties, are generally secured by permitted collaterals. The credit exposure includes exposure arising out of swap contracts. However, generally, the collaterals provided by the clients are not specifically earmarked towards derivatives or swaps. Hence the amount of exposure is arrived conservatively without netting with the collateral.

#### 1.3.2. A) Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

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

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023
(i) The notional principal of swap agreements	22,036.37	11,080.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	2.23	0.17
(iii) Collateral required by the Bank upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	219.92	109.08
(v) The fair value of the swap book	(44.27)	4.53

The nature and terms of the IRS as on March 31, 2024 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	471	₹ 9,980.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	451	₹ 9,805.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	4	₹ 191.52 Crore	Fixed Vs 1M/ON SOFR	Fixed receivable v/s floating payable
Trading	3	₹ 166.55 Crore	Fixed Vs 1M SOFR	Fixed payable v/s floating receivable
Trading	4	₹ 138.30 Crore	O/N SOFR Vs 6M SOFR	Floating payable v/s floating receivable
Trading	36	₹ 1,755.00 Crore	FBIL yield	Sell FRA

The nature and terms of the IRS as on March 31, 2023 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	225	₹ 5,475.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	229	₹ 5,605.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	Nil	Nil	USD LIBOR 3M	Fixed receivable v/s floating payable
Trading	Nil	Nil	USD LIBOR 3M	Fixed receivable v/s floating payable

**1.3.2.B) Credit default swaps:** The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the years ended March 31, 2024 and March 31, 2023.

#### 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 underlying parameter's like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines. Proprietary trading includes Interest Rate Futures, Currency Futures, Non Deliverable Forwards and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc.) in over the counter/exchange traded derivatives.



**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

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 reputational. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Policy for Investment, Forex and Derivative Activities and Market Risk Management Policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Net loss, deal size and Price Value of a Basis Point (PVBP). Actual positions are monitored against these limits on a daily basis and breaches if any are reported promptly. Risk assessment of the portfolio is undertaken periodically.

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

**Interest rate contracts**

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date at a price determined at the time of the contract.

**Exchange rate contracts**

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options (including Exchange Traded Currency Option) give the buyer on payment of a premium, the right but not an obligation to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Currency futures contract is a standardised contract traded on an exchange to buy or sell a certain underlying currency at a certain date in the future at a specified price. The contract specifies the rate of exchange between one unit of currency with another.

**Non-Deliverable Derivative Contracts**

Non Deliverable Forwards are foreign exchange derivative contract involving the Rupee, entered into with a person resident outside India and which is settled without involving delivery of the Rupee.

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

Bank deals in derivatives for hedging domestic or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Transactions related to foreign exchange forward / Interest rate Future/IRS/Currency futures are marked to market daily and the MTM is accounted in the books.

**(c) Collateral Security**

Bank has provided sufficient collateral to central counter parties and exchanges wherever applicable. As per market practice no collateral is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs)



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

etc. but if a Credit Support Annexure (CSA) is signed then collateral is insisted as per the terms of CSA agreement. For deals with Corporate Clients appropriate collateral security/margin etc. is stipulated wherever considered necessary as per the CSA agreement.

**(d) Credit Risk Mitigation**

In the Interbank Space the Bank deals with other major Banks and the default risk is perceived as low in this segment. Wherever the Credit Support Annexure (CSA) is signed the collateral is insisted as per the terms of the CSA agreement. This risk is managed under the limit framework laid down by the policy on Sovereign and Counterparty Bank Limits. Exposure against clients is mitigated by collecting proper collateral securities / margin as envisaged by the credit sanctioning team as per the CSA.

**Quantitative Disclosures**

(Amount in ₹ Crore)

Sl. No	Particulars	Currency Derivatives <sup>#</sup>		Interest rate Derivatives	
		Year ended March 31, 2024	Year ended March 31, 2023	Year ended March 31, 2024	Year ended March 31, 2023
(i)	Derivatives (Notional Principal Amount)				
a)	For hedging	-	-	-	-
b)	For trading	27,193.05	13,113.52	22,036.37	11,080.00
(ii)	Marked to Market positions				
a)	Asset (+)	130.27	179.39	97.50	79.61
b)	Liabilities (-)	91.94	129.98	141.78	75.08
(iii)	Credit Exposure	1,198.97	775.78	219.92	109.08
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
a)	on hedging derivatives	-	-	-	-
b)	on trading derivatives	-	-	177.40	5.25
(v)	Maximum and Minimum of 100*PV01 observed during the year				
a)	on hedging	-	-	-	-
b)	on trading	-	Max = 0.48 Min = 0.00	Max = 184.17 Min = 0.19	Max = 12.41 Min = 0.01

<sup>#</sup> excludes forward exchange contract and includes Non-deliverable forwards.

- The notional principal amount of forward exchange contracts (excluding Cash, tom and spot contracts) classified as Hedging and Trading outstanding as on March 31, 2024 amounted to ₹ 2,209.73 Crore (previous year ₹ 2,638.33 Crore) and ₹ 21,292.74 Crore (previous year ₹ 24,959.01 Crore) respectively. For the trading contract, as at March 31, 2024 the marked to market position was asset of ₹ 301.30 Crore and liability of ₹ 278.56 Crore (previous year asset ₹ 519.38 Crore and liability of ₹ 457.43 Crore). Credit exposure on forward exchange contracts classified as Hedging and Trading as at March 31, 2024 amounted to ₹ 57.24 Crore (previous year ₹ 53.42 Crore) and ₹ 1,001.24 Crore (previous year ₹ 1,154.85 Crore) respectively. The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.
- Interest rate derivative represents interest rate swaps and bond FRA.
- The Bank has computed the maximum and minimum of PV01 for the year based on the daily balances for Interest rate Derivatives and Currency Derivatives.
- 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.

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**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.4. ASSET QUALITY****1.4.1. A1. Classification of advances and provisions held as on March 31, 2024**

(Amount in ₹ Crore)

	Standard		Non-Performing			Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
<b>Gross Standard Advances and NPAs</b>						
Opening Balance	173,192.76	1,017.07	2,721.41	445.29	4,183.77	177,376.53
Add: Additions during the year					1,741.53	
Less: Reductions during the year*					1,396.43	
Closing balance	208,093.79	1,145.95	2,865.77	517.15	4,528.87	212,622.66
*Reductions in Gross NPAs due to:						
(i) Upgradation					354.02	
(ii) Recoveries (excluding recoveries from upgraded accounts)					895.32	
(iii) Technical / Prudential write offs					-	
(iv) Write-offs other than those under (iii) above					45.28	
(v) Reduction by Sale of Assets to ARCs					101.81	
(vi) Reduction by conversion into debt / equity					-	
<b>Provisions (excluding Floating Provisions)</b>						
Opening balance of provisions held	1,435.66	303.94	2,111.24	445.29	2,860.47	4,296.13
Add: Fresh provisions made during the year					1,028.11	
Less: Excess provision reversed/ Write-off loans					738.44	
Closing balance of provisions held	1,233.66	345.26	2,287.73	517.15	3,150.14	4,383.80
<b>Net NPAs*</b>						
Opening Balance		713.13	491.88	-	1,205.01	
Add: Fresh additions during the year					713.41	
Less: Reductions during the year					663.09	
Closing Balance		800.68	454.65	-	1,255.33	
<b>Floating Provisions</b>						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
<b>Technical write-offs and the recoveries made thereon</b>						
Opening balance of Technical/ Prudential written-off accounts						3,115.21
Add: Technical/ Prudential write-offs during the year						-
Add: Change in balance of existing technically written off account due to exchange rate						3.13
Less: Recoveries made from previously technical/prudential written-off accounts during the year						116.87
Less: Reinstatement of technically written off accounts into advances/ Conversion of debt to investment or other securities						-
Less: Sacrifice made from previously technical/prudential written-off accounts during the year						197.71
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year						84.81
Closing balance						2,718.95

Note: Movement is the aggregate of quarterly movement during the year.

\* Computed as per Annex – 1 of RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances.



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**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**Classification of advances and provisions held as on March 31, 2023**

(Amount in ₹ Crore)

	Standard		Non-Performing			Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
<b>Gross Standard Advances and NPAs</b>						
Opening Balance	143,502.71	1,148.60	2,500.14	488.00	4,136.74	147,639.45
Add: Additions during the year					1,719.13	
Less: Reductions during the year*					1,672.10	
Closing balance	173,192.76	1,017.07	2,721.41	445.29	4,183.77	177,376.53
*Reductions in Gross NPAs due to:						
(i) Upgradation					423.24	
(ii) Recoveries (excluding recoveries from upgraded accounts)					865.81	
(iii) Technical / Prudential write offs					302.66	
(iv) Write-offs other than those under (iii) above					72.37	
(v) Reduction by Sale of Assets to ARCs					-	
(vi) Reduction by conversion into debt / equity					8.02	
<b>Provisions (excluding Floating Provisions)</b>						
Opening balance of provisions held	1,302.76	368.11	1,785.83	488.00	2,641.94	3,944.70
Add: Fresh provisions made during the year					1,201.36	
Less: Excess provision reversed/ Write-off loans					982.83	
Closing balance of provisions held	1,435.66	303.94	2,111.24	445.29	2,860.47	4,296.13
<b>Net NPAs*</b>						
Opening Balance		780.48	612.14	-	1,392.62	
Add: Fresh additions during the year					499.65	
Less: Reductions during the year					687.26	
Closing Balance		713.13	491.88	-	1,205.01	
<b>Floating Provisions</b>						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
<b>Technical write-offs and the recoveries made thereon</b>						
Opening balance of Technical/ Prudential written-off accounts						3,039.96
Add: Technical/ Prudential write-offs during the year						302.66
Add: Change in balance of existing technically written off account due to exchange rate						14.81
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						131.82
Less: Reinstatement of technically written off accounts into advances/ Conversion to investment or other securities						28.47
Less: Sacrifice made from previously technical/ prudential written-off accounts during the year						81.93
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year						-
Closing balance						3,115.21

Note: 1. Movement is the aggregate of quarterly movement during the year.

\* Computed as per Annex – 1 of RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances.

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.4.1. A2 Details of accounts subjected to restructuring<sup>1,2</sup>**

(Amount in ₹ Crore except number of borrowers)

		Agriculture and allied activities		Corporates (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
		As on March 31, 2024	As on March 31, 2023	As on March 31, 2024	As on March 31, 2023	As on March 31, 2024	As on March 31, 2023	As on March 31, 2024	As on March 31, 2023	As on March 31, 2024	As on March 31, 2023
Standard	Number of borrowers	18	52	4	4	24	28	101	233	147	317
	Gross Amount	1.14	4.42	10.27	18.54	33.46	49.57	4.62	15.65	49.49	88.18
	Provision held	0.05	0.20	0.53	0.93	1.06	1.79	0.23	0.76	1.87	3.68
Sub-standard	Number of borrowers	5	6	-	-	4	2	8	17	17	25
	Gross Amount	3.01	0.08	-	-	4.00	12.00	0.74	1.78	7.75	13.86
	Provision held	0.45	0.01	-	-	1.17	10.03	0.11	0.27	1.73	10.31
Doubtful	Number of borrowers	68	61	4	6	30	23	163	180	265	270
	Gross Amount	34.75	26.90	22.51	29.33	76.75	31.68	24.92	8.52	158.93	96.43
	Provision held	31.33	26.23	22.51	29.26	65.60	27.15	17.86	5.63	137.30	88.27
Loss	Number of borrowers	30	24	-	-	11	-	57	66	98	90
	Gross Amount	8.40	0.12	-	-	0.55	-	2.11	1.14	11.06	1.26
	Provision held	8.40	0.12	-	-	0.55	-	2.11	1.14	11.06	1.26
Total	Number of borrowers	121	143	8	10	69	53	329	496	527	702
	Gross Amount	47.30	31.52	32.78	47.87	114.76	93.25	32.39	27.09	227.23	199.73
	Provision held	40.23	26.56	23.04	30.19	68.38	38.97	20.31	7.80	151.96	103.52

Note:

- Accounts where resolution plan is implemented under RBI Resolution Framework for Covid-19 related stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) are excluded.
- Technically written off accounts are excluded.

**1.4.1. B. Significant Ratios**

Particulars	(in %)	
	March 31, 2024	March 31, 2023
Gross non-performing assets as a percentage of gross advances	2.13	2.36
Net non-performing assets as a percentage of net advances.	0.60	0.69
Provision Coverage Ratio (Including Technical write-offs)	82.68	83.49
Provision Coverage Ratio (Excluding Technical write-offs)	71.08	70.02



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**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**1.4.2. Sector-wise Advances and Gross NPAs**

(Amount in ₹ Crore)

Sl. No.	Sector	March 31, 2024			March 31, 2023		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
<b>A</b>	<b>Priority Sector</b>						
1.	Agriculture and allied activities	25,650.89	755.77	2.95	22,433.96	852.14	3.80
2.	Advances to industries sector eligible as priority sector lending	17,020.86	731.14	4.30	15,035.44	718.65	4.78
	Of which:						
	<i>Food Processing</i>	<i>3,094.69</i>	<i>261.62</i>	<i>8.45</i>	<i>2,866.08</i>	<i>313.94</i>	<i>10.95</i>
	<i>Infrastructure</i>	<i>3,366.13</i>	<i>193.11</i>	<i>5.74</i>	<i>2,950.46</i>	<i>155.80</i>	<i>5.28</i>
	<i>Textiles</i>	<i>2,716.70</i>	<i>50.80</i>	<i>1.87</i>	<i>2,137.55</i>	<i>53.76</i>	<i>2.52</i>
3.	Services	23,929.65	468.29	1.96	16,426.97	362.67	2.21
	Of which:						
	<i>Real Estate</i>	<i>1,914.43</i>	<i>2.86</i>	<i>0.15</i>	<i>1,384.84</i>	<i>3.47</i>	<i>0.25</i>
	<i>Trade</i>	<i>6,656.98</i>	<i>210.49</i>	<i>3.16</i>	<i>5,228.55</i>	<i>148.03</i>	<i>2.83</i>
4.	Personal loans	-	-	-	-	-	-
5.	Others	3,014.94	226.45	7.51	3,433.77	239.98	6.99
	<b>Sub-total (A)</b>	<b>69,616.34</b>	<b>2,181.65</b>	<b>3.13</b>	<b>57,330.14</b>	<b>2,173.44</b>	<b>3.79</b>
<b>B</b>	<b>Non-Priority Sector</b>						
1.	Agriculture and allied activities	1,103.03	47.05	4.27	941.32	47.81	5.08
2.	Industry	34,043.37	250.39	0.74	26,740.82	231.16	0.86
	Of which:						
	<i>Infrastructure</i>	<i>11,506.15</i>	<i>73.02</i>	<i>0.63</i>	<i>8,081.79</i>	<i>84.02</i>	<i>1.04</i>
	<i>Petroleum, Coal Products and Nuclear Fuels</i>	<i>3,367.58</i>	<i>0.50</i>	<i>0.01</i>	<i>1,858.77</i>	<i>0.50</i>	<i>0.03</i>
3.	Services	38,970.26	687.13	1.76	37,645.18	782.71	2.08
	Of which:						
	<i>Financial Intermediation</i>	<i>24,008.94</i>	<i>2.02</i>	<i>0.01</i>	<i>20,442.23</i>	<i>1.36</i>	<i>0.01</i>
	<i>Real Estate</i>	<i>4,806.31</i>	<i>30.53</i>	<i>0.64</i>	<i>4,330.29</i>	<i>31.64</i>	<i>0.73</i>
	<i>Trade</i>	<i>5,379.82</i>	<i>302.62</i>	<i>5.63</i>	<i>5,664.82</i>	<i>389.69</i>	<i>6.88</i>
4.	Personal loans	5,355.98	255.66	4.77	3,005.09	143.05	4.76
5.	Others	63,533.68	1,106.99	1.74	51,713.98	805.60	1.56
	<b>Sub-total (B)</b>	<b>143,006.32</b>	<b>2,347.22</b>	<b>1.64</b>	<b>120,046.39</b>	<b>2,010.33</b>	<b>1.67</b>
	<b>Total (A+B)</b>	<b>212,622.66</b>	<b>4,528.87</b>	<b>2.13</b>	<b>177,376.53</b>	<b>4,183.77</b>	<b>2.36</b>

Note:

1. Disclosure of sub-sectors is made where the outstanding advances exceeds 10% of the outstanding total advances to that sector as per extant RBI Guidelines.
2. Previous year's figures are reclassified to conform to current period classification as per extant RBI Guidelines.

**THE FEDERAL BANK LIMITED****SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.4.3. Details of Overseas Assets, NPAs and Revenue**

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Financial Services Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT City) and business transactions from the same are considered as a Foreign branch for most Regulatory purposes as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 01, 2015. Apart from the said IBU, the Bank did not have any overseas branch as on March 31, 2024 and March 31, 2023. Details of Assets, NPAs and Revenue of IBU are given below:

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Total Assets	3,569.10	3,098.75
Total NPAs	208.51	205.42
Total Revenue	219.91	94.55

**1.4.4. Divergence in Asset classification and Provisioning for NPAs**

The divergence observed by RBI for the financial years 2022-23 and 2021-22 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Master Direction on 'Financial Statements-Presentation and Disclosures' on 'Divergence in the asset classification and provisioning', is not required to be made.

**1.4.5. Implementation of Resolution Plans (RPs):**

Cases eligible for RPs during the year ended March 31, 2024		RPs Successfully implemented during the year ended March 31, 2024		RPs under implementation during the year ended March 31, 2024	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
49.42	3	-	-	49.42	3

Out of the above, 2 cases are technically written off in our books amounting to total of ₹ 33.99 Crore.

Cases eligible for RPs during the year ended March 31, 2023		RPs Successfully implemented during the year ended March 31, 2023		RPs under implementation during the year ended March 31, 2023	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
209.34	7	157.70	4	51.64	3

Out of the above, 2 cases are technically written off in our books amounting to total of ₹ 41.43 Crore.





**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**1.4.6. Details of resolution plans implemented under the RBI Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) are given below:**

**During the half year ended March 31, 2024**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year ended September 30, 2023 (A) <sup>(1)</sup>	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year <sup>(2)</sup>	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31, 2024 <sup>(1),(3)</sup>
Personal Loans	1,469.14	65.33	0.25	131.78	1,292.45
Corporate persons	139.02	4.60	-	5.48	128.94
Of which MSMEs	-	-	-	-	-
Others	223.26	4.31	-	48.83	170.84
<b>Total</b>	<b>1,831.42</b>	<b>74.24</b>	<b>0.25</b>	<b>186.09</b>	<b>1592.23</b>

1. Excludes other facilities to the borrowers which have not been restructured.
2. Represents net movement in balance outstanding.
3. Includes accounts which were classified as NPA earlier and subsequently upgraded to standard during the half year ended March 31, 2024.

**During the half year ended September 30, 2023**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year ended March 31, 2023 <sup>(1)</sup>	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year <sup>(2)</sup>	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended September 30, 2023 <sup>(1),(3)</sup>
Personal Loans	1,711.25	105.50	0.02	149.31	1,469.14
Corporate persons	187.81	1.71	-	48.37	139.02
Of which MSMEs	-	-	-	-	-
Others	268.91	11.45	-	37.71	223.26
<b>Total</b>	<b>2,167.97</b>	<b>118.66</b>	<b>0.02</b>	<b>235.39</b>	<b>1,831.42</b>

1. Excludes other facilities to the borrowers which have not been restructured.
2. Represents net movement in balance outstanding.
3. Includes accounts which were classified as NPA earlier and subsequently upgraded to standard during the half year ended September 30, 2023.

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**During the half year ended March 31, 2023**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year ended September 30, 2022 (A) <sup>(1)</sup>	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half- year	Of (A) amount paid by the borrowers during the half- year <sup>(2)</sup>	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31, 2023 <sup>(1),(3)</sup>
Personal Loans	1,910.30	80.32	0.31	134.50	1,711.25
Corporate persons	234.99	5.29	-	42.72	187.81
Of which MSMEs	-	-	-	-	-
Others	338.29	23.08	-	46.52	268.91
<b>Total</b>	<b>2,483.58</b>	<b>108.69</b>	<b>0.31</b>	<b>223.74</b>	<b>2,167.97</b>

1. Represents net movement in balance outstanding
2. Excludes other facilities to the borrowers which have not been restructured.
3. Includes accounts which were classified as NPA earlier and subsequently upgraded to standard during the half year ended March 31, 2023.

**During the half year ended September 30, 2022**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year ended March 31, 2022 (A) <sup>(1)</sup>	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half- year	Of (A) amount paid by the borrowers during the half- year <sup>(2)</sup>	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended September 30, 2022 <sup>(1),(3)</sup>
Personal Loans	2,071.31	108.67	0.09	60.43	1,910.30
Corporate persons	252.41	13.87	0.06	3.49	234.99
Of which MSMEs	-	-	-	-	-
Others	368.19	15.63	-	14.58	338.29
<b>Total</b>	<b>2,691.91</b>	<b>138.17</b>	<b>0.15</b>	<b>78.50</b>	<b>2,483.58</b>

1. Excludes other facilities to the borrowers which have not been restructured.
2. Represents net movement in balance outstanding.
3. Includes accounts which were classified as NPA earlier and subsequently upgraded to standard during the half year ended September 30, 2022.



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**1.4.7. Disclosures as per 'Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021' dated September 24, 2021 for the loans transferred / acquired are given below:**

i) Details of loans not in default acquired through assignment during the year ended March 31, 2024 are given below:

Particulars	March 31, 2024	March 31, 2023
Aggregate amount of loans acquired (₹ in Crore)	1,956.07	92.25
Weighted average residual maturity (in years)	7.23	6.50
Weighted average holding period by originator (in years)	1.17	0.50
Retention of beneficial economic interest by the originator (₹ in Crore)	217.34	Nil
Tangible security coverage	151.03%	93.56%
Rating-wise distribution of rated loans	Non-Corporate Borrowers	AA-

ii) Details of non-performing assets (NPAs) (excluding prudentially written off advances) transferred during the year ended March 31, 2024 and March 31, 2023 are given below:

(Amount in ₹ Crore except number of accounts)

Particulars	To ARCs		To permitted transferees		To other transferees	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Number of accounts	61	-	-	-	-	-
Aggregate principal outstanding of loans transferred	101.81	-	-	-	-	-
Weighted average residual tenor of the loans transferred (in years)	0.31	-	-	-	-	-
Net book value of loans transferred (at the time of transfer)	3.86	-	-	-	-	-
Aggregate consideration	36.70	-	-	-	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-	-	-	-	-
Provisions reversed to the Profit and Loss Account on account of sale of stressed loans	27.44	-	-	-	-	-

iii) During the years ended March 31, 2024 and March 31, 2023, the Bank has not acquired any stressed loans and not transferred any loan not in default / Special Mention Accounts (SMA).

iv) During the years ended March 31, 2024, the Bank has invested ₹ 5.10 Crore in Security Receipts (SR) issued by an Asset Reconstruction Company (ARC) pursuant to transfer of Non-Performing asset to ARC. (Previous year Nil).

Details of the recovery ratings assigned to Security Receipts Outstanding as on March 31, 2024 are given below:

**As on March 31, 2024**

(Amount in ₹ Crore)

Rating	Recovery Rating	Gross Book Value	Provision held	Net Book Value
RR5	0-25%	32.79	32.79	-
RR4	25%- 50%	79.36	79.36	-
RR1	100% - 150%	4.43	4.43	-
Unrated	-	285.65	285.65	-
<b>Total</b>		<b>402.23</b>	<b>402.23</b>	<b>-</b>

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**As on March 31, 2023**

(Amount in ₹ Crore)				
Rating	Recovery Rating	Gross Book Value	Provision held	Net Book Value
RR5	0-25%	13.45	13.45	-
RR4	25%- 50%	113.61	113.61	-
RR2	75% - 100%	2.28	2.28	-
Unrated	-	277.90	277.90	-
<b>Total</b>		<b>407.24</b>	<b>407.24</b>	<b>-</b>

**1.4.8. Securitisation Transactions**

The Bank has not sold standard assets under securitisation during the year ended March 31, 2024 and March 31, 2023.

**1.4.9. Sponsored SPVs**

The Bank has not sponsored any Off- Balance Sheet SPVs which is required to be consolidated as per accounting norms as at March 31, 2024 and March 31, 2023.

**1.4.10. Accounts restructured under Micro, Small and Medium Enterprises (MSME) sector**

The following table sets forth, for the periods indicated, the details of accounts restructured under MSME sector under RBI guidelines issued in January 2019 and subsequent changes thereafter.

**Position as on March 31, 2024**

(Amount in ₹ Crore except number of accounts)		
Number of accounts restructured	Amount Restructured	Amount outstanding
1,014	855.39	568.09

**Position as on March 31, 2023**

(Amount in ₹ Crore except number of accounts)		
Number of accounts restructured	Amount Restructured	Amount outstanding
1,230	1,025.13	755.99

**1.4.11. Fraud accounts and Provisioning**

(Amount in ₹ Crore except number of frauds)		
Particulars	March 31, 2024	March 31, 2023
No. of frauds reported during the year	12,420	1,298
Amount involved in fraud	127.77	181.45
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year requiring provision	52.81	75.63
Provision made during yesteryears for the above accounts	9.61	25.28
Provision made during the year	43.20	50.35
Provision held as at the end of the year for the above accounts	52.81	75.63
Amount of unamortised provision debited from "other reserves" as at the end of the year.	-	-



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### 1.4.12. Movement of Provision on Standard Assets

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
(a) Opening balance	1,448.41	1,315.51
(b) Additions during the year	-	132.90
(c) Deduction during the year	202.00	-
<b>(d) Closing balance *</b>	<b>1,246.41</b>	<b>1,448.41</b>

\* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 56.82 Crore (previous Year: ₹ 73.78 Crore) and floating provision of ₹ 12.75 Crore (previous year ₹ 12.75 Crore).

## 1.5. ASSET LIABILITY MANAGEMENT

### 1.5.1 Maturity pattern of certain items of assets and liabilities

#### As at March 31, 2024

Maturity Pattern	(Amount in ₹ Crore)					
	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	1,261.74	4,124.30	12,375.72	699.00	1,146.77	184.54
2 – 7 days	6,164.35	929.60	710.12	2,615.65	4,019.63	112.72
8-14 days	1,823.38	1,845.76	512.47	908.73	1,066.53	258.27
15-30 days	2,673.02	2,789.42	1,236.12	1,030.82	1,268.12	790.46
31 days & up to 2 months	6,377.20	5,438.41	1,249.53	536.34	292.79	637.93
Over 2 months & up to 3 months	7,593.58	8,965.14	1,823.92	953.63	612.49	690.77
Over 3 months & up to 6 months	21,775.42	19,658.21	1,536.79	1,716.66	1,230.45	1,129.13
Over 6 months & up to 1 year	44,434.35	17,381.44	2,176.65	3,488.81	459.61	3,221.66
Over 1 year & up to 3 years	109,194.45	93,104.49	10,583.08	3,747.76	1,217.82	1,218.44
Over 3 years & up to 5 years	17,273.33	25,641.12	11,685.53	322.77	1,109.35	577.99
Over 5 years	33,963.20	29,525.44	16,969.60	2,006.25	90.07	-
<b>Total</b>	<b>252,534.02</b>	<b>209,403.33</b>	<b>60,859.53</b>	<b>18,026.42</b>	<b>12,513.63</b>	<b>8,821.91</b>

#### As at March 31, 2023

Maturity Pattern	(Amount in ₹ Crore)					
	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	1,147.67	2,550.19	9,256.56	-	652.86	137.88
2 -7 days	4,332.91	1,482.89	375.77	3,912.42	3,494.63	30.95
8-14 days	1,376.57	1,145.59	493.34	668.23	85.83	33.27
15-30 days	3,709.52	2,661.64	1,200.96	872.35	251.64	451.03
31 days and up to 2 months	6,473.61	6,523.82	1,042.71	383.33	838.75	514.36
Over 2 months and up to 3 months	4,191.17	6,042.12	432.62	290.23	409.26	428.27
Over 3 months and up to 6 months	12,886.97	17,519.88	855.63	1,959.53	1,127.71	1,458.61
Over 6 months and up to 1 year	25,312.57	17,487.08	1,815.25	2,833.39	1,058.14	2,077.58
Over 1 year and up to 3 years	103,530.96	80,365.50	7,554.30	5,513.54	544.35	1,538.64
Over 3 years and up to 5 years	25,178.42	18,951.05	11,104.35	891.27	1,269.73	933.35
Over 5 years	25,245.67	19,717.12	14,851.86	1,995.00	385.17	0.17
<b>Total</b>	<b>213,386.04</b>	<b>174,446.88</b>	<b>48,983.35</b>	<b>19,319.29</b>	<b>10,118.07</b>	<b>7,604.11</b>

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Note: Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities excludes forward exchange contracts and off-balance sheet items.

**1.5.2 Liquidity Coverage Ratio (LCR)****a) Quantitative Disclosure**

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2024:

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2024		Quarter ended December 31, 2023		Quarter ended September 30, 2023		Quarter ended June 30, 2023	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
<b>1 Total High Quality Liquid Assets (HQLA)</b>		<b>49,596.39</b>		<b>45,332.84</b>		<b>44,132.10</b>		<b>41,306.58</b>
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	173,957.19	15,782.87	165,679.01	14,832.11	162,614.39	14,582.46	162,377.12	14,574.23
(i) Stable deposits	32,256.92	1,612.85	34,715.80	1,735.79	33,579.78	1,678.99	33,269.62	1,663.48
(ii) Less stable deposits	141,700.27	14,170.02	130,963.21	13,096.32	129,034.61	12,903.47	129,107.50	12,910.75
3 Unsecured wholesale funding, of which:	35,438.77	26,693.76	33,594.87	26,091.01	29,432.70	22,493.33	26,068.49	20,189.53
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	35,438.77	26,693.76	33,594.87	26,091.01	29,432.70	22,493.33	26,068.49	20,189.53
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	37.83	37.83	-	-	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirements	37.83	37.83	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	60,943.55	6,651.01	59,430.11	6,437.29	55,202.24	6,276.50	53,680.36	5,996.18
7 Other contingent funding obligations	16,890.57	506.72	15,611.19	468.34	13,959.80	418.79	13,764.24	412.93
<b>8 TOTAL CASH OUTFLOWS</b>		<b>49,672.19</b>		<b>47,828.75</b>		<b>43,771.08</b>		<b>41,172.87</b>
Cash Inflows								
9 Secured lending (e.g. reverse repos)	239.47	-	79.20	-	273.37	-	494.36	-
10 Inflows from fully performing exposures	14,363.48	10,829.13	13,782.15	9,990.30	11,595.22	8,374.52	11,198.93	8,092.42
11 Other cash inflows	46.55	46.55	34.60	34.60	34.84	34.84	37.57	37.57



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2024		Quarter ended December 31, 2023		Quarter ended September 30, 2023		Quarter ended June 30, 2023	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
<b>12 TOTAL CASH INFLOWS</b>	<b>14,649.50</b>	<b>10,875.68</b>	<b>13,895.95</b>	<b>10,024.90</b>	<b>11,903.43</b>	<b>8,409.36</b>	<b>11,730.86</b>	<b>8,129.99</b>
	<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>	
13 <b>TOTAL HQLA</b>		49,596.39		45,332.84		44,132.10		41,306.58
14 <b>TOTAL NET CASH OUTFLOWS</b>		38,796.51		37,803.85		35,361.72		33,042.88
15 <b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>127.84%</b>		<b>119.92%</b>		<b>124.80%</b>		<b>125.01%</b>

Note: LCR data has been computed based on simple average of daily observations.

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2023:

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
<b>1 Total High Quality Liquid Assets (HQLA)</b>		<b>40,760.71</b>		<b>38,423.55</b>		<b>37,907.06</b>		<b>35,960.21</b>
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	161,348.61	14,488.64	157,887.26	14,195.24	153,099.54	13,773.80	152,661.14	13,723.73
(i) Stable deposits	32,924.40	1,646.22	31,869.82	1,593.50	30,723.08	1,536.15	30,847.67	1,542.38
(ii) Less stable deposits	128,424.21	12,842.42	126,017.44	12,601.74	122,376.46	12,237.65	121,813.47	12,181.35
3 Unsecured wholesale funding, of which:	24,233.25	18,919.37	19,589.00	14,503.92	18,422.97	13,279.16	18,240.60	13,077.02
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	24,233.25	18,919.37	19,589.00	14,503.92	18,422.97	13,279.16	18,240.60	13,077.02
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	0.60	0.60	5.62	5.62	2.83	2.83	1.87	1.87
(i) Outflows related to derivative exposures and other collateral requirements	0.60	0.60	5.62	5.62	2.83	2.83	1.87	1.87
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	49,008.48	5,526.33	45,553.08	5,128.31	41,645.34	5,007.91	40,776.01	5,015.92



## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
7 Other contingent funding obligations	12,992.22	389.77	11,863.27	355.90	11,302.56	339.08	10,642.73	319.28
<b>8 TOTAL CASH OUTFLOWS</b>		<b>39,324.71</b>		<b>34,188.99</b>		<b>32,402.78</b>		<b>32,137.82</b>
Cash Inflows								
9 Secured lending (e.g. reverse repos)	319.12	-	182.50	-	1,829.92	-	1,867.20	-
10 Inflows from fully performing exposures	10,594.44	7,490.10	10,650.36	7,718.39	8,196.41	5,587.90	8,397.33	6,172.09
11 Other cash inflows	20.51	20.51	7.14	7.14	10.86	10.86	11.21	11.21
<b>12 TOTAL CASH INFLOWS</b>	<b>10,934.07</b>	<b>7,510.61</b>	<b>10,840.00</b>	<b>7,725.53</b>	<b>10,037.19</b>	<b>5,598.76</b>	<b>10,275.74</b>	<b>6,183.30</b>
	<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>	
13 <b>TOTAL HQLA</b>		40,760.71		38,423.55		37,907.06		35,960.21
14 <b>TOTAL NET CASH OUTFLOWS</b>		31,814.10		26,463.46		26,804.02		25,954.52
15 <b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>128.12%</b>		<b>145.19%</b>		<b>141.42%</b>		<b>138.55%</b>

Note: LCR data has been computed based on simple average of daily observations.

**b) Qualitative Disclosure****As at March 31, 2024**

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to Banks in India with effect from January 1, 2015. The regulatory threshold is embedded into the Risk Appetite Statement of the Bank and hence maintenance of LCR is subject to periodic review of Risk Management Committee/Board. The Bank computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review as well as to the Risk Management Committee of the Board. Liquidity Coverage Ratio (LCR) promotes short-term resilience of Banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed daily from 1<sup>st</sup> January 2017 and in accordance with regulatory prescriptions, the LCR disclosures contain data on simple average of daily observations over a period of 90 days. The Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. Bank has consistently maintained LCR above the prescribed regulatory minimum.

On average, 98% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as per RBI guidelines from time to time, constitutes Level 1 HQLA. Level 2 assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development Banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a Bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds and commercial papers, not issued by a Bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and shall provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered stable from a liquidity perspective is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and appraises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board.

#### As at March 31, 2023

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to Banks in India with effect from January 01, 2015. The regulatory threshold is embedded into the Risk Appetite Statement of the Bank and hence maintenance of LCR is subject to periodic review of Risk Management Committee/Board. The Bank computes the LCR and reports the same to the Asset Liability Committee (ALCO) every month as well as to the Risk Management Committee of the Board. Liquidity Coverage Ratio (LCR) promotes short-term resilience of Banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from January 01, 2017 and in accordance with regulatory prescriptions. The LCR disclosures contain data on simple average of daily observations over a period of 90 days. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. Bank has consistently maintained LCR above the prescribed regulatory minimum.

On average, 97% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as per RBI guidelines from time to time, constitutes Level 1 HQLA. Level 2 assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development Banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a Bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds and commercial papers, not issued by a Bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and shall provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable deposits from a liquidity perspective is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and appraises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

## 1.6. EXPOSURES

### 1.6.1 Exposure to Real Estate Sector

(Amount in ₹ Crore)		
Category	March 31, 2024	March 31, 2023
<b>A. Direct Exposure:</b>		
i) Residential Mortgages:		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; Exposure also includes non-fund based (NFB) limits; (of which individual housing loans eligible for inclusion in Priority sector advances).	33,449.05	30,045.06
	(2,650.51)	(3,009.25)
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;	10,360.85	8,143.12

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

(Amount in ₹ Crore)

Category	March 31, 2024	March 31, 2023
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a) Residential	-	-
b) Commercial Real Estate	-	-
<b>B. Indirect Exposure:</b>		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	5,189.72	7,879.89
<b>Total Exposure to Real Estate sector</b>	<b>48,999.62</b>	<b>46,068.07</b>

**1.6.2 Exposure to Capital Market**

(Amount in ₹ Crore)

Category	March 31, 2024	March 31, 2023
(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;	428.13	396.55
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	42.07	25.94
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	1,214.63	1,171.89
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,472.83	1,009.94
(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)	211.37	172.10
<b>Total Exposure to Capital Market</b>	<b>3,369.03</b>	<b>2,776.42</b>

**1.6.3 Risk Category wise Country Exposure**

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required to be made in respect of country risk as per the RBI guidelines:

(Amount in ₹ Crore)

Risk category*	Exposure (net) March 31, 2024	Provision held March 31, 2024	Exposure (net) March 31, 2023	Provision held March 31, 2023
Insignificant	2,213.19	-	1,978.23	-
Low	599.32	-	530.51	-
Moderately low	353.06	-	59.95	-
Moderate	8.34	-	-	-
Moderately high	7.20	-	4.04	-
High	-	-	-	-
Very High	-	-	-	-
<b>Total</b>	<b>3,181.11</b>	<b>-</b>	<b>2,572.73</b>	<b>-</b>

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



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Note: The Bank has compiled the data for the purpose of disclosure in Note No. 1.6.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

- 1.6.4.** During the years ended March 31, 2024 and March 31, 2023, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.
- 1.6.5 Unsecured Advances:** During the years ended March 31, 2024 and March 31, 2023 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. have been taken as collateral by the Bank.
- 1.6.6 Factoring exposure:** The factoring exposure of the Bank as on March 31, 2024 is ₹ 4,228.41 Crore (previous year: ₹ 1,020.44 Crore)
- 1.6.7 Unhedged Foreign Currency Exposure:** The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the Bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 56.82 Crore (previous year ₹ 73.78 Crore) as provision and ₹ 102.83 Crore (previous year ₹ 100.89 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers.

#### 1.6.8 Details of Intra-Group Exposure

		(Amount in ₹ Crore)	
Sl. No.	Particulars	March 31, 2024	March 31, 2023
1	Total amount of intra-group exposures*	1,151.61	358.92
2	Total amount of top-20 intra group exposures*	1,151.61	358.92
3	Percentage of intra group exposures to total exposure of the Bank to borrowers/ customers *	0.38%	0.15%
4	Details of breach of limits on intra-group exposures and regulatory action thereon if any	-	-

\*Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir. BC.12/13.03.00/ 2015-16 dated July 01, 2015.

## 1.7. CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAs

### 1.7.1 Information on Concentration of deposits:

		(Amount in ₹ Crore)	
Particulars	March 31, 2024	March 31, 2023	
Total deposits of twenty largest depositors	17,743.76	11,082.46	
Percentage of deposits of twenty largest depositors to total deposits of the Bank	7.03%	5.19%	

Note: Excludes holders of certificate of deposits which are tradable instruments.

**THE FEDERAL BANK LIMITED****SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.7.2 Information on Concentration of advances:**

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Total advances to the twenty largest borrowers	22,188.63	18,271.67
Percentage of advances to the twenty largest borrowers to total advances of the Bank	7.73%	8.03%

Note: As per Master Direction, Advances is computed based on credit exposure i.e. funded and non-funded limits including derivative exposures. The sanctioned limits or outstanding, whichever are higher, is reckoned. However, in the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, Bank reckon the outstanding as the credit exposure.

**1.7.3 Information on Concentration of exposures:**

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Total exposures to the twenty largest borrowers/customers	22,427.13	19,204.04
Percentage of exposures to the twenty largest borrowers/customers to the total exposure of the Bank on borrowers/customers	7.39%	8.11%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

**1.7.4 Information on Concentration of NPAs:**

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Total exposures to the top twenty NPA accounts*	650.31	610.56
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	14.36%	14.59%

\* Above represents Gross NPA

**1.8. TRANSFERS TO DEPOSITOR EDUCATION AND AWARENESS (DEA) FUND**

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEA Fund. Details of amounts transferred to / reimbursed by DEA Fund are set out below:

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Opening balance of amounts transferred to DEA Fund	279.68	248.65
Add: Amounts transferred to DEA Fund during the year	48.13	38.88
Less: Amounts reimbursed by DEA Fund towards claims	17.94	7.85
Closing balance of amounts transferred to DEA Fund	309.87	279.68

Note: The closing balance of the amount transferred to DEA Fund, is included under Schedule 12 - Contingent Liabilities - Other items for which the Bank is contingently liable.



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**1.9. DISCLOSURE OF COMPLAINTS**

**A. Summary information on complaints received by the Bank from customers and from the Offices of Ombudsman**

Sl. No.	Particulars	Year ended March 31, 2024	Year ended March 31, 2023
<b>Complaints received by the Bank from its customers</b>			
1	Number of complaints pending at beginning of the year	5,864	5,390
2	Number of complaints received during the year	260,580	170,278
3	Number of complaints disposed during the year	259,787	169,804
3.1.	Of which, number of complaints rejected by the Bank	166,232	73,002
4	Number of complaints pending at the end of the year	6,657	5,864
<b>Maintainable complaints received by the Bank from Offices of Ombudsman</b>			
5	Number of maintainable complaints received by the Bank from Office of Ombudsman	1,572	1,049
5.1.	Of which, number of complaints resolved in favour of the Bank by Office of Ombudsman	801	467
5.2.	Of which, number of complaints resolved through conciliation/ mediation/advisories issued by Office of Ombudsman	771	571
5.3.	Of which, number of complaints resolved after Passing of Awards by Office of Ombudsman against the Bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Integrated Ombudsman Scheme, 2021) and covered within the ambit of the Scheme.

**B) Top Five grounds of complaints received by the Bank from customers.**

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/ (decrease) in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
	1	2	3	4	5	6	7	8	9	10
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
ATM/CDM/Debit Cards	2,353	2,038	65,100	109,776	(40.70)	(6.32)	1,349	2,353	137	263
Internet/Mobile/Electronic Banking	3,086	3,288	167,488	50,612	230.93	39.17	4,393	3,086	63	81
Loans and advances	25	31	4,782	2,659	79.84	47.80	37	25	1	-
Credit Cards	334	1	17,107	2,524	577.77	164.29	616	334	5	64
Account opening/difficulty in operation of accounts	27	14	3,154	2,035	54.99	67.90	179	27	4	-
Others	39	18	2,949	2,672	10.37	(20.07)	83	39	1	-
<b>Total</b>	<b>5,864</b>	<b>5,390</b>	<b>260,580</b>	<b>170,278</b>	<b>-</b>	<b>-</b>	<b>6,657</b>	<b>5,864</b>	<b>211</b>	<b>408</b>

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.10. DETAILS OF PENALTIES IMPOSED BY THE RESERVE BANK OF INDIA**

Particulars	(Amount in ₹ Lakh)	
	March 31, 2024	March 31, 2023
a) Penalty imposed on currency chests		
Number of instances of default	18	14
Quantum of penalty imposed	1.95	3.07
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	54	81
Quantum of penalty imposed	47.25	630.65

**1.11. DISCLOSURES ON REMUNERATION****i) Qualitative disclosures****a) Information relating to the composition and mandate of the Nomination, Remuneration, Ethics and Compensation Committee (or Remuneration Committee in short):**

The Nomination, Remuneration, Ethics and Compensation Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. As per the code of corporate governance and code of conduct for the board of directors and management, The Committee shall consist of only Non-Executive Directors and the minimum number of members shall be three. At least half of the members attending the meeting of the Remuneration Committee shall be independent directors, of which one shall be a member of the Risk Management Committee of the Board.

As on March 31, 2024, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. Siddhartha Sengupta (Chairman)
- Mr. A P Hota
- Mr. Manoj Fadnis

Out of the above, Mr. Siddhartha Sengupta is also a member of Risk Management Committee of the Board.

The Nomination, Remuneration, Ethics and Compensation Committee of the Board functions with the following mandate, in respect of matters related to remuneration:

- i. To oversee the framing, review and implementation of an effective Compensation Policy, as per RBI Guidelines.
- ii. To review the compensation package for the MD & CEO and Executive Directors and recommend revisions for Board approval.
- iii. To consider and approve issuance and allotment of shares under ESOS to MD & CEO /EDs and employees of the Bank.
- iv. Work in coordination with Risk Management Committee of the Bank, to achieve effective alignment between risk and remuneration.

**b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.**

The Bank has formulated and adopted a comprehensive compensation policy covering all the employees and the policy is reviewed on an annual basis. The policy covers all aspects of the compensation structure such as fixed pay, variable compensation, perquisites, performance bonus, guaranteed bonus (joining/sign-on bonus), severance package, share-linked instruments e.g. Employee Stock Option Scheme (ESOS), pension, gratuity, etc., taking into account the Guidelines issued by Reserve Bank of India from time to time.





## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The objectives of the remuneration policy are four-fold:

- To align compensation with prudent risk taken
- To drive sustainable performance in the Bank
- To ensure financial stability of the Bank; and
- To attract and retain talent

The compensation paid to the **Chief Executive Officer (CEO) / Whole Time Directors (WTDs) / Material Risk Takers (MRTs)** is divided into two components:

1. **Fixed Pay and Perquisites:** The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will also be treated as part of fixed pay.
2. **Variable Compensation:** The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is fixed based on organizational performance (both business-unit and firm-wide) and KPAs set for the official. The organization's performance is charted based on Performance Scorecard which takes into account various financial indicators like revenue earned, cost incurred, profit earned, NPA position and other intangible factors like leadership and employee development. The Scorecard provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. Additionally, serious supervisory observations (if any) are also factored. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments.

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

**Grander Compensation Package to Executives in Level IV and above:** The Compensation package applicable to Executives in Level IV and above are governed under the provisions of Grander Compensation Package, a performance linked pay structure implemented in the Bank with effect from May 01, 2017. Annual Increment under the "Grander Compensation Package" is based on the annual performance rating of the Executive concerned.

**Compensation paid to Employees on IBA Package:** The compensation paid to Award Staff and Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks' Association. The present scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package is as per provisions of 12<sup>th</sup> Bipartite Settlement/ Joint note dated March 08, 2024.

#### c) **Description of the ways in which current and future risks are taken into account in the remuneration processes.**

For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the Bank are arranged under the following three categories:

1. MD & CEO/Whole Time Directors/ Material Risk Takers (MRTs)
2. Risk Control and Compliance Staff
3. Other Categories of Staff

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, the Bank maintains proper balance between fixed pay and variable pay. A

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

significant portion (i.e. at least 50 per cent) of total compensation payable to MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) is variable.

**Committees to mitigate risks caused by an individual decision.**

In order to further balance the impact of market or credit risks caused to the Bank by an individual decision taken by a senior level executive, MD & CEO or ED, the Bank has constituted various committees to take decisions on various aspects:

- Credit limits are sanctioned by committees at different levels.
- Investment decisions of the Bank are taken and monitored by Investment committee and there is an upper limit in treasury dealings where individual decisions can be taken.
- Interest rates on asset and liability products for different buckets are decided and monitored by the Asset Liability Committee of the Board (ALCO). Banks' exposures to liquidity risk are also monitored by ALCO.

**Hedging**

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

**Committee of Management for reviewing the linkage of Risk Based Performance with Remuneration:** A Committee, comprising of CFO and Heads of Risk Division and HR Department would assist the Nomination and Remuneration Committee of the Board to monitor, review and control various risks and to balance prudent risk taking with the compensation paid out to top Executives, WTDs and other employees

**d) Linkage of performance during a performance measurement period with levels of remuneration.**

The Bank's performance is charted based on performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through Scorecard for MD & CEO / EDs. The scorecard provides a mix of financial and non-financial, quantitative and qualitative metrics.

The compensation package applicable to Executives in Level IV to VII was earlier fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance-based compensation package called "Grander Compensation Package" has been introduced for Executives in Level IV (Associate Vice President / Assistant Vice President) and above with effect from May 01, 2017.

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks Association.

**e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.****MD & CEO, Whole Time Directors and Material Risk Takers (MRTs).**

**Deferral of Variable Pay:** For MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the Bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 Crore, deferral requirements would not be necessary.

**Period of Deferral Arrangement:** The deferral period would be minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.

**Vesting:** Deferred remuneration would either vest fully at the end of the deferral period or be spread out over the course of the deferral period, subject to the following conditions:



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

- The first such vesting will be not before one year from the commencement of the deferral period.
- The vesting will be no faster than on a pro rata basis.
- Vesting will not take place more frequently than on a yearly basis.

In case of deferred compensation (cash component), the payment will be made as per the Schedule mentioned below.

Proportion of deferred Variable Pay	Timelines*
50.00%	Year N - Upfront
16.50%	Year N +1
16.50%	Year N +2
17.00%	Year N+3

(\* subject to approval of RBI for MD & CEO and WTD's)

#### Risk Control and Compliance Staff

At least 25% of the total compensation would be variable and the total variable pay will be limited to a maximum of 100% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 75% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 Crore, deferral requirements would not be necessary.

#### Other categories of Staff

The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 Crore, deferral requirements would not be necessary.

#### Malus / Claw back arrangement

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

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

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

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**f) Description of the different forms of variable remuneration**

The variable pay is in the form of share-linked instruments, or a mix of cash and share-linked instruments. The Bank uses an optimum and proper mix of cash (Performance Linked Incentive/Ex- Gratia) and share-linked instruments (Stock Options) to decide the compensation of employees in all categories.

The distribution of Stock Options and variable Performance Linked Incentives are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments.

**ii) Quantitative disclosures**

The quantitative disclosures include only Whole Time Directors/Chief Executive Officer/Material Risk Takers

Particulars	March 31, 2024	March 31, 2023
(a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	15 ₹ 0.15 Crore	3 ₹ 0.03 Crore
(b) (i) Number of employees having received a variable remuneration award during the financial year.	8	8 <sup>#</sup>
(ii) Number and total amount of sign-on/joining bonus made during the financial year.	-	-
(iii) Details of severance pay in addition to accrued benefits if any.	-	-
(c) (i) Total amount of outstanding deferred remuneration split into cash, shares and share-linked instruments and other forms	Cash – ₹ 0.28 Crore Shares – Nil Share-linked instruments (Unvested Stock Options granted after April 01, 2021) - 1,500,450 Options having Fair Value of ₹ 5.11 Crore.	Cash – Nil Shares – Nil Share-linked instruments (Unvested Stock Options granted after April 01, 2021) - 1,206,400 Options having Fair Value of ₹ 3.78 Crore.
(ii) Total amount of deferred remuneration paid out in the financial year.	154,750 Options having Fair Value of ₹ 0.45 Crore.	-
(d) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Fixed - ₹ 9.03 Crore Variable - ₹ 3.33 Crore Deferred - ₹ 2.05 Crore (Cash – ₹ 0.28 Crore Share-linked instruments - Fair Value of 448,800 Options granted during the year)	Fixed - ₹ 10.10 Crore Variable - ₹ 2.87 Crore Deferred - ₹ 1.84 Crore (Fair Value of 587,400 Options granted during the year)
(e) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	₹ 5.39 Crore	₹ 3.78 Crore
(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments	-	-
(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
(f) Number of MRTs identified.	8	9 <sup>#</sup>
(g) (i) Number of cases where malus has been exercised.	-	-
(ii) Number of cases where clawback has been exercised.	-	-
(iii) Number of cases where both malus and claw back have been exercised.	-	-

#Variable Pay includes one MRT who had retired from the service on June 30, 2022.

Note: Only the stock Options granted after April 01, 2021, i.e. after including Stock Options as a part of Variable Pay as per the revised criteria given by RBI in its guidelines dated November 04, 2019 are included.



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### iii) General Quantitative Disclosure

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
(i) The mean pay for the Bank as a whole (excluding sub-staff) *	0.13	0.13
(ii) The deviation of the pay of each of its WTDs from the mean pay.		
▪ Mr. Shyam Srinivasan, Managing Director & CEO	2.86	2.83
▪ Mr. Ashutosh Khajuria, Executive Director (Ceased to be WTD on April 30, 2023)	0.07	1.14
▪ Ms. Shalini Warriar, Executive Director	1.15	1.19
▪ Mr. Harsh Dugar, Executive Director (Appointed as WTD on June 23, 2023)	0.76	NA

\*Mean pay is computed on annual fixed pay that includes basic salary, other allowances, and performance linked incentive / ex-gratia paid to the employees along with the value of perquisites

iv) Remuneration (including sitting fees, fixed remuneration and honorarium) paid to non-executive directors during the year is ₹ 4.70 Crore (previous year ₹ 3.46 Crore)

## 1.12. OTHER DISCLOSURES

### 1.12.1. The Key business ratios and other information:

Particulars	March 31, 2024	March 31, 2023
(i) Interest Income as a percentage to Working Funds* (%)	7.86	7.13
(ii) Non-interest income as a percentage to Working Funds* (%)	1.09	0.99
(iii) Cost of Deposits (%)	5.63	4.58
(iv) Net Interest Margin (%) **	3.20	3.37
(v) Operating Profit <sup>§</sup> as a percentage to Working Funds* (%)	1.83	2.04
(vi) Return on Assets [Based on Average Working Fund] *(%)	1.32	1.28
(vii) Business (Deposits less inter-Bank deposits plus advances) per employee (Amount in ₹ Crore) ***	31.92	29.36
(viii) Profit per employee (Amount in ₹ Crore) ***	0.26	0.23

\* Working Funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year.

\*\* Net Interest Income / Average Earning Assets. (Net Interest Income = Interest Income – Interest Expense).

\*\*\* Productivity ratios are based on average number of employees for the year.

§ Operating profit represents total income as reduced by interest expended and operating expenses.

### 1.12.2. Bancassurance Business

Details of income earned from Bancassurance business:

Sl. No.	Nature of Income	(Amount in ₹ Crore)	
		March 31, 2024	March 31, 2023
1	For selling life insurance policies	127.03	86.47
2	For selling non-life insurance policies	40.58	26.69
	<b>Total</b>	<b>167.61</b>	<b>113.16</b>

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)****1.12.3. Marketing and distribution (excluding Bancassurance Business)**

Details of income earned from marketing and distribution business:

(Amount in ₹ Crore)

Sl. No.	Nature of Income	March 31, 2024	March 31, 2023
1	For Wealth Management Services	20.29	21.10
2	Others - Etrade/PIS/SGB/NPS/ASBA/DP	13.08	9.28
	<b>Total</b>	<b>33.37</b>	<b>30.38</b>

**1.12.4 Priority Sector Lending Certificates (PSLC)**

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 07, 2016 the PSLCs purchased and sold is given below:

(Amount in ₹ Crore)

Particulars	March 31, 2024		March 31, 2023	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	1,925.00	-	2,433.00
PSLC – Micro Enterprises	1,500.00	-	4,850.00	-
PSLC – General	-	1,000.00	-	-
PSLC – Small & Marginal Farmers	-	2,467.50	-	-

**1.12.5. Provisions and Contingencies recognised in the Profit and Loss Account include:**

(Amount in ₹ Crore)

Provision debited to Profit and Loss Account	Year ended March 31, 2024	Year ended March 31, 2023
i) Provision towards Non-Performing Assets	401.15	591.34
ii) Provision for Investments	1.26	(6.68)
iii) Provision for Standard Assets	(202.00)	132.90
iv) Provision for Taxation@	1,257.78	1,033.91
v) Provision towards diminution in fair value of restructured assets, other contingencies, etc.	(4.30)	32.33
<b>Total</b>	<b>1,453.89</b>	<b>1,783.80</b>

**@Amount of Provisions made for income-tax during the year**

(Amount in ₹ Crore)

Particulars	Year ended March 31, 2024	Year ended March 31, 2023
Provision for Income tax		
a) Current tax	1,148.76	1,030.36
b) Deferred tax	109.02	3.55
<b>Total</b>	<b>1,257.78</b>	<b>1,033.91</b>

**1.12.6. Implementation of IFRS converged Indian Accounting Standards (Ind AS)**

The Ministry of Corporate Affairs (MCA), Government of India notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release dated January 18, 2016, was issued by the MCA outlining the roadmap for implementation of IFRS converged Ind AS for Banks. This roadmap required Banks to prepare Ind AS based standalone & consolidated financial statements for the accounting periods beginning April 01, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. RBI, through its notification dated February 11, 2016, required all scheduled commercial Banks to comply with Ind AS for financial statements from the stated periods and also stated that early adoption of Ind AS is not permitted.



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The implementation of Ind AS by banks requires certain legislative amendments to make the format of financial statements, prescribed in the Third Schedule to Banking Regulation Act, 1949, compatible with accounts under Ind AS. Considering the amendments needed to the Banking Regulation Act, 1949, as well as the level of preparedness of several Banks, RBI, through its Statement on Developmental and Regulatory Policies dated April 05, 2018, had deferred the implementation of Ind AS by a year.

The legislative amendments recommended by the Reserve Bank are under consideration of the Government of India. Accordingly, RBI through its notification dated March 22, 2019 deferred the implementation of Ind AS till further notice.

Even though RBI has deferred the implementation, the Bank is gearing itself to bring the necessary systems and processes in place to facilitate the Proforma submission to RBI and seamless transition to Ind AS. With respect to the various instructions from the Ministry of Corporate Affairs and Reserve Bank of India (RBI), the actions taken by the Bank are summarized as follows:

- A steering committee was formed by MD & CEO with ED as its Chairman with members from all cross-functional departments. The Committee oversees the progress of Ind AS implementation in the Bank and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management.
- The implementation of IT solution procured to automate the computation of Expected Credit Losses (ECL), Effective Interest Rate, Fair valuation and other accounting changes required under Ind AS is completed and Bank is generating extracts from the system on a half yearly basis.
- The Bank is now in the process of implementing the other assessed changes required in existing IT architecture and other processes to enable smooth transition to Ind AS.
- The Bank is continuing to submit the quarterly progress report on the status of Ind AS implementation to the Audit Committee of the Board.
- The Bank is submitting half yearly Proforma Ind AS financial statements to the RBI within the stipulated timeline.
- Training to the employees is imparted in a phased manner.

The key impact areas during the implementation of Ind AS for the Bank include effective interest rate accounting, fair valuation inputs, methodologies and assumptions, specific valuation considerations in many instruments, expected credit losses, employee stock options and implementation of technology systems.

#### 1.12.7. Payment of DICGC Insurance Premium

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2024	March 31, 2023
i)	Payment of DICGC Insurance Premium	265.25	221.27
ii)	Arrears in payment of DICGC premium	-	-

#### 1.12.8. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the years ended March 31, 2024 and March 31, 2023.

#### 1.12.9. Income and Expenses exceeding one percentage of the Total Income

Details of items under "Other expenditure" in Schedule 16 – Operating Expenses & "Miscellaneous income" in Schedule 14 – Operating Income exceeding 1% of total income of the Bank are given below:

(Amount in ₹ Crore)

Sl. No.	Nature	Description	March 31, 2024	March 31, 2023
i)	Other Expense	Service Charge payment to various service providers	626.24	314.10
ii)	Other Expense	Channel transaction expense to card networks	375.46	339.78



**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)****1.12.10. Assets and Liabilities exceeding one percentage of the Total Asset**

Details of items under "Others (including provisions)" in Schedule 5 – Other Liabilities and provisions & "Others" in Schedule 11 – Other Assets exceeding 1% of total assets of the Bank are given below:

			(Amount in ₹ Crore)	
Sl. No.	Nature	Description	March 31, 2024	March 31, 2023
i)	Other Assets	Priority sector shortfall deposits	11,234.48	13,116.79

**2. DISCLOSURE REQUIREMENTS AS PER ACCOUNTING STANDARDS WHERE RBI HAS ISSUED GUIDELINES IN RESPECT OF DISCLOSURE ITEMS FOR 'NOTES TO ACCOUNTS'****2.1. EMPLOYEE BENEFITS (AS 15)****a) Defined Contribution Plan****Provident Fund**

Employees who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

The Bank recognised ₹ 0.69 Crore (previous year: ₹ 0.65 Crore) for provident fund contribution in the Profit and Loss Account.

**National Pension System**

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the National Pension System (introduced for employees of Central Government) was implemented and employees who are covered under National Pension System are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank shall contribute 14% of the Basic Pay and Dearness Allowance towards DCPS. There is no separate Provident Fund for employees covered under National Pension System.

The Bank recognised ₹ 101.45 Crore (previous year: ₹ 83.04 Crore) for DCPS contribution in the Profit and Loss Account.

**b) Defined Benefit Plan****Gratuity**

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of 4 years and 240 days of service as per Payment of Gratuity Act, 1972 and its amendment with effect from March 29, 2018 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

**Superannuation / Pension**

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognised in the Bank's Financial Statements for the years indicated:

**i) Change in benefit obligations:**

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Projected benefit obligation at the beginning of the year	440.73	451.29	1,701.56	1,747.94
Current Service Cost	38.38	30.56	426.23	381.76
Interest cost	30.20	31.45	112.06	116.86
Actuarial (gain)/ loss	144.88	(7.48)	(89.83)	(165.37)
Benefits paid	(45.89)	(65.09)	(298.77)	(379.63)
<b>Projected benefit obligation at the end of the year</b>	<b>608.30</b>	<b>440.73</b>	<b>1,851.25</b>	<b>1,701.56</b>

**ii) Change in plan assets:**

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Plan assets at the beginning of the year at fair value	464.10	493.78	1,697.14	1,803.99
Expected return on plan assets	33.55	35.40	122.53	131.15
Actuarial gain/(loss)	1.41	0.01	7.50	0.09
Employer's Contributions	20.89	-	222.75	141.54
Benefits paid	(45.89)	(65.09)	(298.77)	(379.63)
<b>Plan assets at the end of the year at fair value</b>	<b>474.06</b>	<b>464.10</b>	<b>1,751.15</b>	<b>1,697.14</b>

**iii) Reconciliation of present value of the obligation and the fair value of the plan assets:**

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Fair value of plan assets at the end of the year	474.06	464.10	1,751.15	1,697.14
Present value of the defined benefit obligations at the end of the year	608.30	440.73	1,851.25	1,701.56
<b>Liability/ (Asset) recognised in the Balance Sheet</b>	<b>134.24</b>	<b>(23.37)</b>	<b>100.10</b>	<b>4.42</b>

**iv) Gratuity/ pension cost**

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Current Service cost	38.38	30.56	426.23	381.76
Interest cost	30.20	31.45	112.06	116.86
Expected return on plan assets	(33.55)	(35.40)	(122.53)	(131.15)
Actuarial (gain)/loss	143.47	(7.50)	(97.33)	(165.45)
Net Cost	178.50	19.11	318.43	202.02
Other direct contributions to the Fund	-	-	(0.10)	(0.51)
Net cost Debit to Profit and Loss Account	178.50	19.11	318.33	201.51
Actual return on plan assets*	34.96	35.42	130.04	131.23

\* - Figures taken from Audited Financial Statements of respective trusts.

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**v) Investment details of plan Assets\***

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	-	-
Balance in Saving Bank account with the Bank	1.49	0.86	1.87	13.04
Net current assets	-	-	-	-
Balance with LIC/ABSL <sup>#</sup>	472.57	463.24	1,749.28	1,684.10
<b>Total</b>	<b>474.06</b>	<b>464.10</b>	<b>1,751.15</b>	<b>1,697.14</b>

\* - Figures taken from Audited Financial statements of respective trusts.

<sup>#</sup> In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.**vi) Experience adjustments****i) Gratuity Plan**

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined Benefit Obligations	608.30	440.73	451.29	467.81	374.63	329.19
Plan Assets	474.06	464.10	493.78	469.49	369.30	334.23
Surplus/(Deficit)	(134.24)	23.37	42.49	1.68	(5.33)	5.04
Experience adjustments on Plan Liabilities [(Gain) / Loss]	119.72	2.78	8.09	(89.21)	(10.09)	(6.56)
Experience Adjustments on Plan Assets [Gain / (Loss)]	2.71	4.11	(7.67)	7.20	3.29	0.77

**ii) Pension Plan**

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined Benefit Obligations	1,851.25	1,701.56	1,747.94	1,486.28	1,197.98	983.39
Plan Assets	1,751.15	1,697.14	1,803.99	1,494.71	1,129.93	978.09
Surplus/ (Deficit)	(100.10)	(4.42)	56.05	8.43	(68.05)	(5.30)
Experience adjustments on Plan Liabilities [(Gain) / Loss]	(132.83)	(128.95)	(342.70)	(327.78)	(95.10)	(39.39)
Experience Adjustments on Plan Assets [Gain / (Loss)]	12.25	13.25	(0.49)	13.79	7.54	(3.14)

**vii) Assumptions**

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Discount rate	7.23%	7.51%	7.22%	7.50%
Annuity rate per Rupee (in ₹)	-	-	134.11	134.64
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.23%	7.17%	7.22%	7.27%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

#### (c) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 144.63 Crore (previous year ₹ 86.76 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

The actuarial liability of compensated absences of accumulated privilege, sick, casual leave and leave travel concession of the employees of the Bank is given below:

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Privilege leave	513.17	389.17
Sick leave	39.96	27.60
Leave travel concession	51.27	44.21
Casual leave	3.13	1.92
<b>Total actuarial liability</b>	<b>607.53</b>	<b>462.90</b>
<b>Assumptions</b>		
Discount rate	7.23%	7.51%
Salary escalation rate	5.00%	5.00%
Attrition rate	2.00%	2.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

## 2.2. SEGMENT REPORTING (AS 17)

### A. Business Segments

Business of the Bank is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and Other Banking Operations. The principal activities of these segments and income and expenses structure are as follows:

#### Treasury

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings in the form of interest from the investment portfolio of the Bank, gains, losses, margins and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consist of diminution in the value of non-performing portfolio of the segment.

**THE FEDERAL BANK LIMITED****SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**Corporate/Wholesale Banking:**

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the approved methodology. Provisions allocated to the segment include the loan loss provision and standard asset provision created for the portfolio under the segment.

**Retail banking:**

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, on the basis of the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the approved methodology. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Digital Banking Business is separately reported as a sub-segment under Retail Banking Segment as per the RBI guideline. The Sub Segment includes the businesses involving digital banking products acquired by the Digital Banking Unit together with the existing digital banking products.

**Other Banking Operations**

This segment includes banking operations, not covered under any of the above segments such as para banking operations. The income from such services and associated costs are disclosed in this segment.

**Unallocated**

All items that are reckoned at enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, fixed assets, cash and balances in other Bank current accounts, etc. Unallocated segment revenue consists of profit on sale of fixed assets, notice pay on resignation of employees etc.

**The following table sets forth, for the years indicated, the business segment results:**

**March 31, 2024:**

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking <sup>#</sup>	Other Banking Operations	Total
Revenue	3,533.36	7,215.36	14,312.46	200.71	25,261.89
Result (net of provisions)	565.72	1,621.57	2,614.86	170.60	4,972.75
Unallocated Income / (expense)					5.63
Operating profit (PBT)					4,978.38
Income taxes					(1,257.78)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					3,720.60
<b>OTHER INFORMATION</b>					
Segment Assets	63,096.35	111,573.72	125,559.59	-	300,229.66
Unallocated assets					8,082.14
Total assets					308,311.80
Segment liabilities	28,804.92	32,026.46	213,106.63	-	273,938.01
Unallocated liabilities					5,279.37
Total liabilities					279,217.38

<sup>#</sup> Sub segments included in retail banking are as follows:



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (net of provision)	Segment Assets	Segment liabilities
Digital Banking	1,501.03	225.59	6,812.96	16,263.28
Other Retail Banking	12,811.43	2,389.27	118,746.63	196,843.35

**March 31, 2023:**

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking*	Other Banking Operations	Total
Revenue	2,539.96	5,240.48	11,204.82	143.50	19,128.76
Result (net of provisions)	505.77	953.99	2,457.89	121.98	4,039.63
Unallocated Income / (expense)					4.87
Operating profit (PBT)					4,044.50
Income taxes					(1,033.91)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					3,010.59
<b>OTHER INFORMATION</b>					
Segment Assets	52,306.29	96,996.51	104,414.27	-	253,717.07
Unallocated assets					6,624.76
Total assets					260,341.83
Segment liabilities	29,138.18	24,244.09	182,777.23	-	236,159.50
Unallocated liabilities					2,676.09
Total liabilities					238,835.59

\* Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (net of provisions)	Segment Assets	Segment liabilities
Digital Banking	903.54	113.59	4,165.92	12,037.20
Other Retail Banking	10,301.28	2,344.30	100,248.35	170,740.03

**B. Geographical Segment Information**

The Business operations of the Bank are largely concentrated in India and for purpose of Segment reporting, the Bank considered to operate only in domestic segment, though the Bank has its operation in International Financial Services Centre (IFSC) Banking Unit in Gujarat International Finance Tec-City (GIFT City). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

**2.3. RELATED PARTY DISCLOSURES (AS 18)**

**a) Details of Related Parties:**

Name of the entity	Nature of Relationship
Fedbank Financial Services Limited	Subsidiary
Federal Operations and Services Limited	Subsidiary
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Federal Bank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**Key Management Personnel (KMP)**

Name of the Key Management personnel	Relatives of the Key Management Personnel	Description of Relationships
Mr. Shyam Srinivasan, Managing Director & CEO	<ul style="list-style-type: none"> <li>▪ Mr. T S Srinivasan</li> <li>▪ Ms. Kamala Srinivasan</li> <li>▪ Ms. Maya Shyam</li> <li>▪ Ms. Meena Lochani</li> <li>▪ Ms. Rohini</li> </ul>	<ul style="list-style-type: none"> <li>▪ Father</li> <li>▪ Mother</li> <li>▪ Wife</li> <li>▪ Sister</li> <li>▪ Sister</li> </ul>
Mr. Ashutosh Khajuria, Executive Director (Ceased on April 30, 2023)	<ul style="list-style-type: none"> <li>▪ Ms. Sunita Khajuria</li> <li>▪ Ms. Vasundhara Khajuria</li> <li>▪ Ms. Yashodhara Khajuria</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wife</li> <li>▪ Daughter</li> <li>▪ Daughter</li> </ul>
Ms. Shalini Warriar, Executive Director	<ul style="list-style-type: none"> <li>▪ Ms. Parvathi Warriar</li> <li>▪ Ms. Asha Warriar</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mother</li> <li>▪ Sister</li> </ul>
Mr. Harsh Dugar Executive Director (Appointed on June 23, 2023)	<ul style="list-style-type: none"> <li>▪ Umed Mal Dugar</li> <li>▪ Saroj Devi Dugar</li> <li>▪ Siddhartha Dugar</li> <li>▪ Shilpa Pagaria</li> <li>▪ Ektaa Dugar</li> <li>▪ Tarasha Dugar</li> <li>▪ Anaika Dugar</li> </ul>	<ul style="list-style-type: none"> <li>▪ Father</li> <li>▪ Mother</li> <li>▪ Brother</li> <li>▪ Sister</li> <li>▪ Spouse</li> <li>▪ Daughter</li> <li>▪ Daughter</li> </ul>

**b) Transactions with related parties****For the year ended March 31, 2024:**

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	KMP	Relatives of KMP	Total
Deposits <sup>#</sup>	87.87	75.75	6.84	4.36	174.82
	(616.18)	(75.75)	(10.33)	(5.39)	(707.65)
Advances <sup>#</sup>	796.61	-	1.29	1.46	799.36
	(796.61)	(4.73)	(1.35)	(1.54)	(804.23)
Investments in shares <sup>#</sup>	449.92	232.01	-	-	681.93
	(465.80)	(232.01)	-	-	(697.81)
Other investments (NCD, PTC held through trust etc)	234.70	-	-	-	234.70
	(234.70)	-	-	-	(234.70)
Interest paid	0.32	*	0.48	0.27	1.07
Interest received	72.61	0.03	0.04	0.12	72.80
Income from services rendered	5.95	127.24	-	-	133.19
Expenses for receiving services	113.15	0.51	-	-	113.66
Leasing arrangements provided	*	-	-	-	*
Leasing arrangements availed	1.90	-	-	-	1.90
Receivable <sup>#</sup>	1.50	15.78	-	-	17.28
	(2.68)	(45.28)	-	-	(47.96)
Payable <sup>#</sup>	12.34	-	-	-	12.34
	(16.79)	-	-	-	(16.79)
Directors sitting fee received	-	0.36	-	-	0.36
Remuneration paid	-	-	5.22	-	5.22
Dividend received	0.43	16.16	-	-	16.59
Dividend paid	-	-	0.18	*	0.18
Purchase of Financial assets	272.00	-	-	-	272.00
Share capital received on exercise of ESOS	-	-	14.78	-	14.78
Number of options granted under ESOS	-	-	175,800	-	175,800
Number of options outstanding under ESOS.	-	-	3,874,200	-	3,874,200

\* Denotes figures less than ₹ 1 Lakh.

# - Represents outstanding as on March 31, 2024





**THE FEDERAL BANK LIMITED**

**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

**For the year ended March 31, 2023:**

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	KMP	Relatives of KMP	Total
Deposits <sup>#</sup>	403.61	71.79	6.58	2.69	484.67
	(403.86)	(76.35)	(6.79)	(2.79)	(489.79)
Advances <sup>#</sup>	333.17	-	0.17	0.07	333.41
	(545.32)	(1.04)	(0.21)	(0.10)	(546.67)
Investments in shares <sup>#</sup>	465.80	232.01	-	-	697.81
	(465.80)	(232.01)	-	-	(697.81)
Other investments (NCD, PTC held through trust, etc)	234.70	-	-	-	234.70
	(234.70)	-	-	-	(234.70)
Interest paid	0.26	*	0.35	0.13	0.74
Interest received	60.01	0.13	0.01	0.01	60.16
Income from services rendered	10.72	86.53	-	-	97.25
Expenses for receiving services	93.64	-	-	-	93.64
Leasing arrangements provided	*	-	-	-	*
Leasing arrangements availed	0.84	-	-	-	0.84
Receivable <sup>#</sup>	0.21	13.73	-	-	13.94
	(1.36)	(76.63)	-	-	(77.99)
Payable <sup>#</sup>	8.90	-	-	-	8.90
	(19.72)	-	-	-	(19.72)
Directors sitting fee received	-	0.31	-	-	0.31
Remuneration paid	-	-	5.56	-	5.56
Dividend received	0.43	7.95	-	-	8.38
Dividend paid	-	-	0.24	-	0.24
Purchase of Financial assets	-	-	-	-	-
Share capital received on exercise of ESOS	-	-	2.31	-	2.31
Number of options granted under ESOS	-	-	157,400	-	157,400
Number of options outstanding under ESOS.	-	-	3,234,080	-	3,234,080

\* Denotes figures less than ₹ 1 Lakh.

# - Represents outstanding as on March 31, 2023

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The significant transactions between the Bank and the related parties during the year ended March 31, 2024 and March 31, 2023 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(Amount in ₹ Crore)			
Nature of Transaction	Name of the Related party	March 31, 2024	March 31, 2023
Deposits	Ageas Federal Life Insurance Company Limited	74.74	70.61
	Fedbank Financial Services Limited	77.74	392.39
Advances	Fedbank Financial Services Limited	796.61	333.17
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
	Fedbank Financial Services Limited	439.92	455.80
Other investments (NCD,PTC held through trust etc)	Fedbank Financial Services Limited	234.70	234.70
Interest paid	Mr. Shyam Srinivasan	0.35	0.29
	Ms. Shalini Warriar	0.11	0.06 <sup>#</sup>
	Fedbank Financial Services Limited	0.26	- <sup>#</sup>
	Federal Operations and Services Limited	0.06 <sup>@</sup>	0.26
Interest received	Fedbank Financial Services Limited	72.61	60.01
Income from services rendered	Ageas Federal Life Insurance Company Limited	127.22	86.53
	Federal Operations and Services Limited	4.94 <sup>@</sup>	10.72
Expenses for receiving services	Fedbank Financial Services Limited	36.68	34.07
	Federal Operations and Services Limited	76.47	59.56
Leasing arrangements availed	Federal Operations and Services Limited	1.90	0.84
Leasing arrangements Provided	Federal Operations and Services Limited	*	*
Receivable	Ageas Federal Life Insurance Company Limited	15.78	13.73
Payable	Fedbank Financial Services Limited	4.22	4.21
	Federal Operations and Services Limited	8.12	4.68
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.36	0.23
	Equirus Capital Private Limited	- <sup>@</sup>	0.08
Remuneration paid	Mr. Shyam Srinivasan	2.99	2.96
	Mr. Ashutosh Khajuria	0.08 <sup>@</sup>	1.27
	Mr. Harsh Dugar	0.86	NA
	Ms. Shalini Warriar	1.28	1.32
Dividend received	Ageas Federal Life Insurance Company Limited	14.82	7.28
Dividend paid	Mr. Shyam Srinivasan	0.08	0.14
	Mr. Harsh Dugar	0.02	NA
	Ms. Shalini Warriar	0.03	- <sup>#</sup>
	Mr. Ashutosh Khajuria	0.06	0.09
Purchase of Financial assets	Fedbank Financial Services Limited	272.00	-
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	3.51	0.76
	Mr. Shyam Srinivasan	1.99	- <sup>#</sup>
	Mr. Harsh Dugar	3.48	NA
	Ms. Shalini Warriar	5.81	1.55
Number of options granted under ESOS	Mr. Ashutosh Khajuria	- <sup>@</sup>	91,000
	Mr. Harsh Dugar	85,000	NA
	Ms. Shalini Warriar	90,800	66,400
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	551,500	851,500
	Mr. Harsh Dugar	1,785,000	NA
	Ms. Shalini Warriar	1,537,700	2,061,900

<sup>@</sup> Not significant related party transaction in FY 2023-24

<sup>#</sup> Not significant related party transaction in FY 2022-23

\* Denotes figures less than ₹ 1 Lakh.

NA - Not a related party during the FY 2022-23



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### 2.4. DEFERRED TAX ASSETS / LIABILITY (AS 22)

The major components of deferred tax assets and deferred tax liabilities are as under:

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	242.82	198.40
(ii) Depreciation on Investments	3.37	3.37
(iii) Depreciation on Fixed assets	6.39	4.81
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	283.31	239.43
(v) Others	7.64	3.41
<b>Total - (A)</b>	<b>543.53</b>	<b>449.42</b>
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.36	0.36
(ii) Provision for Standard Assets	313.70	364.54
(iii) Others	201.76	166.26
<b>Total - (B)</b>	<b>515.82</b>	<b>531.16</b>
<b>Net Deferred tax liability/ (Asset) (A-B)</b>	<b>27.71</b>	<b>(81.74)</b>

### 3. OTHER DISCLOSURES

#### 3.1. EARNINGS PER SHARE (AS 20)

Basic and diluted earnings per equity share of the Bank have been computed in accordance with AS 20 – Earnings Per Share. Basic earnings per equity share has been computed by dividing net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share has been computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effect of all dilutive potential equity shares outstanding during the period. The dilutive impact is on account of stock options granted to employees by the Bank.

The following table sets forth, for the years indicated, the computation of earnings per share.

Particulars	March 31, 2024	March 31, 2023
Earnings used in the computation of basic and diluted earnings per share (Net profit after tax) (₹ in Crore)	3,720.60	3,010.59
Basic earnings per share (in ₹)	16.07	14.27
Effect of potential equity shares (in ₹)	(0.20)	(0.14)
Diluted earnings per share (in ₹)	15.87	14.13
Nominal value per share (in ₹)	2.00	2.00
<b>Reconciliation between weighted average number of equity shares used in computation of basic and diluted earnings per share</b>		
Basic weighted average number of equity shares outstanding (in Crore)	231.58	210.91
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	2.88	2.22
Diluted weighted average number of equity shares outstanding (in Crore)	234.46	213.13

#### 3.2. SHARE CAPITAL

##### A. Equity Issue

During the year, the Bank had issued 230,477,634 equity shares of ₹ 2 each for cash pursuant to a Qualified Institution Placement (QIP) as per the relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 at ₹ 131.90 per share aggregating to ₹ 3,040.00 Crore (including share premium). This resulted in an increase of ₹ 46.10 Crore in share capital and ₹ 2,954.17 Crore (net of issue expenses) in share premium account (previous year Nil)

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

During the year, Bank had issued 72,682,048 equity shares of ₹ 2 each for cash pursuant to a preferential allotment as per the relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 at ₹ 131.91 per share aggregating to ₹ 958.75 Crore (including share premium). This resulted in an increase of ₹ 14.53 Crore in Share Capital and ₹ 943.62 Crore (net of share issue expenses) in share premium account. (previous year Nil).

During the year, the Bank has allotted 15,991,113 (previous year 13,637,270) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 3.20 Crore (previous year ₹ 2.73 Crore) and share premium account increased by ₹ 143.73 Crore (previous year ₹ 92.40 Crore).

During the previous year, the share capital of the Bank increased by ₹ 0.35 Lakhs and Reserves (share premium) increased by ₹ 8.40 Lakhs consequent to allotment of 17,500 shares pertaining to Rights issue of 2007, which were kept in abeyance following Orders from Courts. Further, the share capital increased by ₹ 0.04 Lakhs and Reserves (share premium) increased by ₹ 0.53 Lakhs consequent to receipt of calls in arrears pertaining 2,500 shares.

**B. Subscribed and paid up capital includes:**

- (i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 24,656,664 underlying equity shares of ₹ 2/- each (previous year 25,361,023 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

**C. The following allotments are kept pending following Orders from various Courts:**

- (i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share.
- (ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share.
- (iii) 1,056,665 equity shares of ₹ 2/- each (previous year 1,056,665 equity shares of ₹ 2/- each) at a premium of ₹ 48/- per share pertaining to Rights issue of 2007.

Listing of shares and credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various Courts.

- (i) 396,670 equity shares of ₹ 2/- each (previous year 396,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- (ii) 597,005 equity shares of ₹ 2/- each (previous year 597,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

**D. Employee Stock Option Scheme (ESOS)****(i) Employee Stock Option Scheme 2010 (ESOS 2010)**

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

Stock option activity under the Scheme for the year ended March 31, 2024 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	1,559,870	53.70-112.35	67.76	0.97
Granted during the year*	5,529,550	125.25-125.25	125.25	7.66
Exercised during the year	1,139,220	53.70-112.35	64.33	-
Forfeited/lapsed during the year	52,650	62.00-125.25	94.44	-
Outstanding at the end of the year	5,897,550	53.70-125.25	122.09	7.21
Exercisable at the end of the year	395,000	53.70-112.35	78.05	0.97

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	8,277,686	28.63 - 112.35	51.40	0.81
Granted during the year	-	-	-	-
Exercised during the year	5,038,853	28.63- 79.45	48.76	-
Forfeited/lapsed during the year	1,678,963	28.63 - 62.00	44.09	-
Outstanding at the end of the year	1,559,870	53.70 -112.35	67.76	0.97
Exercisable at the end of the year	1,559,870	53.70 -112.35	67.76	0.97

\*Details of options granted during the year ended March 31, 2024 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
May 27, 2023	5,529,550	125.25

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2024 (previous year Nil).

**ii) Employee Stock Option Scheme 2017 (ESOS 2017)**

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) in the AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Stock option activity under the Scheme for the year ended March 31, 2024 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	72,283,662	38.30-135.65	81.81	3.84
Granted during the year*	105,000	126.15-148.10	140.11	7.70
Exercised during the year	14,851,893	38.30-116.85	93.56	-
Forfeited/lapsed during the year	1,709,279	38.30-116.85	107.07	-
Outstanding at the end of the year	55,827,490	38.30-148.10	78.02	3.40
Exercisable at the end of the year	40,646,578	38.30-116.85	80.69	2.47

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,129,660	38.30 - 116.85	81.24	4.49
Granted during the year**	4,503,375	87.30-135.65	89.07	7.49
Exercised during the year	8,598,417	38.30-116.85	82.05	-
Forfeited/lapsed during the year	750,956	38.30-116.85	64.12	-
Outstanding at the end of the year	72,283,662	38.30-135.65	81.81	3.83
Exercisable at the end of the year	47,477,097	38.30-116.85	91.75	2.48

\*Details of options granted during the year ended March 31, 2024 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
May 20, 2023	25,000	126.15
July 05, 2023	5,000	132.00
August 29, 2023	50,000	143.90
November 18, 2023	25,000	148.10

\*\*Details of options granted during the year ended March 31, 2023 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
June 18, 2022	4,258,375	87.30
July 07, 2022	35,000	95.55
October 07, 2022	150,000	120.85
November 14, 2022	5,000	135.05
January 10, 2023	5,000	135.65
February 17, 2023	50,000	130.25

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2024 (previous year Nil).



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

In compliance with RBI guidelines, stock options granted to Whole Time Directors/Chief Executive Officer and Material Risk Takers after the year ended March 31, 2021 have been accounted using fair value method. Accordingly, the Bank has recognised ₹ 1.51 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2024 (previous year ₹ 1.11 Crore).

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2024 was ₹ 142.02 (previous year ₹ 116.59).

#### iii) Employee Stock Option Scheme 2023 (ESOS 2023)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2023 (ESOS 2023) in the AGM held on August 18, 2023, 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 0.71% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options. During the year, no options were granted.

#### iv) Employee Stock Incentive Scheme 2023 (ESIS 2023)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Incentive Scheme 2023 (ESIS 2023) in the AGM held on August 18, 2023, 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 0.30% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of four years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2024 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year *	25,000	2.00	2.00	5.69
Exercised during the year	-	-	-	-
Forfeited/lapsed during the year	-	-	-	-
Outstanding at the end of the year	25,000	2.00	2.00	5.69
Exercisable at the end of the year	-	-	-	-

\*Details of options granted during the year ended March 31, 2024 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
December 04, 2023	25,000	2.00

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for stock options can be done either under the "Intrinsic value method" or "Fair value method". As per the approval of shareholders, the Bank has adopted 'Fair value method' for accounting of stock options. Accordingly, the Bank has recognised ₹ 0.07 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2024.

#### v) Effect of Fair value method of accounting ESOS & ESIS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 14.27 Crore (previous year ₹ 15.17 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 16.00 and ₹ 15.82 (previous year ₹ 14.20 and ₹ 14.07) respectively.



## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Weighted average fair value of options granted during the years ended March 31, 2024 and March 31, 2023 are as follows:

Particulars	March 31, 2024	March 31, 2023
Weighted average fair value of options granted during the year (in ₹)	40.01	31.93

The fair value of the options is estimated on the date of the grant using the Black-Scholes pricing model, with the following assumptions:

Particulars	March 31, 2024	March 31, 2023
Dividend yield	0.8% - 2%	1% - 2%
Expected life (in years)	2.5 - 5	3 - 5
Risk free interest rate	5.00% - 8.50%	5.00% - 8.50%
Expected volatility	20% - 50%	20% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

Note: The above information is certified by the actuary and relied upon by the auditors.

**E. Dividend**

The Board of Directors have recommended a final dividend of 60% i.e. ₹ 1.20 per Equity Share on face value of ₹ 2.00 each for the year 2023-24 (Previous Year ₹ 1.00 per Equity Share) subject to the approval of the members at the ensuing Annual General Meeting.

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 292.24 Crore from the Profit and Loss Account for the year ended March 31, 2024. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio.

During the year, the Bank paid a final dividend of ₹ 1.00 per equity share amounting ₹ 234.91 Crore pertaining to year ended March 31, 2023, has been considered as an appropriation from the Profit and Loss Account during the year.

**3.3. FIXED ASSETS****a) Fixed Assets as per Schedule 10 include Software and System Development Expenditure. Details regarding the same are tabulated below:**

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
<b>Gross Block</b>		
At cost as on 31 <sup>st</sup> March of the preceeding year	503.96	370.81
Additions during the year	53.17	133.15
Deductions / Adjustments during the year	-	-
At the end of the year	<b>557.13</b>	<b>503.96</b>
<b>Depreciation / Amortization</b>		
At the beginning of the year	314.22	261.07
Charge for the year	74.34	53.15
Deductions / Adjustments during the year	-	-
Depreciation to date	<b>388.56</b>	<b>314.22</b>
<b>Net Block</b>	<b>168.57</b>	<b>189.74</b>



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### b) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2024 and March 31, 2023.

#### 3.4. LEASES (AS 19)

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 218.15 Crore (previous year: ₹ 192.72 Crore) was charged to Profit and Loss Account.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

#### 3.5. PROVISIONS AND CONTINGENCIES

##### a) Movement in provision for non-credit related\* frauds included under other liabilities

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Opening balance	29.73	6.67
Additions during the year	5.23	23.16
Reductions during the year	0.30	0.10
<b>Closing balance</b>	<b>34.66</b>	<b>29.73</b>

\* Provision for credit related frauds is included in Provision towards NPAs.

##### b) Movement in provision for other contingencies

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Opening provision	85.31	76.47
Provision made during the year	2.41	11.10
Provision utilized for write off during the year	1.02	0.78
Reductions during the year	11.65	1.48
<b>Closing provision</b>	<b>75.05</b>	<b>85.31</b>

##### c) Movement in floating provision

Particulars	(Amount in ₹ Crore)			
	Standard Asset Provision		NPA Provision	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Amount drawn down during the year	-	-	-	-
<b>Closing balance</b>	<b>12.75</b>	<b>12.75</b>	<b>69.18</b>	<b>69.18</b>

#### 3.6. DESCRIPTION OF CONTINGENT LIABILITIES:

##### a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Bank.

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)****b) Liability on account of forward exchange and derivative contracts**

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

**c) Guarantees given on behalf of constituents**

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

**d) Acceptances, endorsements and other obligations**

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

**e) Other items for which the Bank is contingently liable**

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund etc,

(Refer schedule 12 for amounts relating to Contingent Liabilities).

**3.7. INTER-BANK PARTICIPATION WITH RISK SHARING**

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2024 was ₹ 4,019.07 Crore (previous year: ₹ 4,813.29 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2024 was ₹ 4,105.00 Crore (previous year: ₹ 1,120.00 Crore).

**3.8. PROVISION FOR LONG TERM CONTRACTS**

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any Law/Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

**3.9. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

- a) The gross amount required to be spent by the Bank on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2024, was ₹ 57.55 Crore (previous year ₹ 43.88 Crore).
- b) The amount approved by the Board of the Bank to be spent during the year was ₹ 57.55 Crore (previous year ₹ 43.88 Crore).
- c) Amount spent/transferred to separate CSR unspent account during the year is given below:



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The following table sets forth, for the years indicated, the amount spent by the Bank on CSR related activities.

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2024			March 31, 2023		
		Spent during the year	Transferred to separate CSR unspent account	Total	Spent during the year	Transferred to separate CSR unspent account	Total
1.	Construction / acquisition of any asset	-	-	-	-	-	-
2.	On purpose other than (1) above	60.67*	10.34 <sup>§</sup>	71.01	30.86 <sup>@</sup>	15.97	46.83

\*Includes ₹ 13.46 Crore spent from unspent CSR account pertaining to ongoing projects of FY 2022-23.

<sup>§</sup> ₹ 10.34 Crore pertaining to ongoing projects of FY 2023-24 was transferred to unspent CSR account within the prescribed timeline.

<sup>@</sup> Includes ₹ 2.95 Crore spent from unspent CSR account pertaining to ongoing projects of FY 2021-22.

The following table sets forth the summary of amount pertaining to ongoing projects transferred to separate CSR unspent account:

(Amount in ₹ Crore)

Year	Opening Balance in Separate CSR unspent account	Amount required to be spent during the year	Amount spent during the year		Amount transferred to Separate CSR unspent account during the year	Closing Balance in Separate CSR unspent account
			From Bank's account	From Separate CSR unspent account		
2022-23	3.29	43.88	27.91	2.95	15.97	16.31
2023-24	16.31	57.55	47.21	13.46	10.34 <sup>§</sup>	13.19

<sup>§</sup> ₹ 10.34 Crore was transferred to Unspent CSR Account within the prescribed timeline.

The following table sets forth, for the years indicated, the details of related party transactions pertaining to CSR related activities as per Accounting Standard (AS) 18, Related Party Disclosures.

(Amount in ₹ Crore)

Sl. No.	Related Party	March 31, 2024	March 31, 2023
1	Federal Bank Hormis Memorial Foundation*	59.23**	27.30
	<b>Total</b>	<b>59.23</b>	<b>27.30</b>

\*Federal Bank Hormis Memorial Foundation (FHMF) is a trust in which KMPs of the Bank can exercise significant influence and is the implementation agency for Bank's CSR activities / programs / projects.

\*\* Includes Donations to FHMF for projects sanctioned during FY 2023-24 amounting to ₹ 45.96 Crore and Donations to FHMF from unspent CSR account for ongoing projects identified during FY 2022-23 amounting to ₹ 13.27 Crore.

### 3.10. INVESTOR EDUCATION AND PROTECTION FUND

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank during the years ended March 31, 2024 and March 31, 2023.

### 3.11. SMALL AND MICRO INDUSTRIES

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended March 31, 2024 and March 31, 2023. The above is based on the information available with the Bank which has been relied upon by the auditors.

**THE FEDERAL BANK LIMITED****SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**3.12. DISCLOSURE UNDER RULE 11(E) OF THE COMPANIES (AUDIT AND AUDITORS) RULES, 2014**

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity (ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank ("Ultimate Beneficiaries"). The Bank has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

**3.13. PORTFOLIO-LEVEL INFORMATION ON THE USE OF FUNDS RAISED FROM GREEN DEPOSITS**

Bank has not accepted any Green Deposits under Framework for acceptance of Green Deposits issued by RBI.

**3.14.** Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

As per our report of even date

For The Federal Bank Limited

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No: 105047W

**A P Hota**  
Chairman  
DIN: 02593219

**Shyam Srinivasan**  
Managing Director & CEO  
DIN: 02274773

**Swapnil Kale**  
Partner  
Membership No: 117812  
Place: Mumbai

**Shalini Warriar**  
Executive Director  
DIN: 08257526

**Harsh Dugar**  
Executive Director  
DIN: 00832748

For **Suri & Co**  
Chartered Accountants  
ICAI Firm Registration No: 0042835

**Venkatraman Venkateswaran**  
Chief Financial Officer

**Samir P Rajdev**  
Company Secretary

**G. Rengarajan**  
Partner  
Membership No: 219922  
Place: Kochi

**Manikandan Muthiah**  
Head - Financial Reporting

Place: Kochi  
Date : May 02, 2024



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE FEDERAL BANK LIMITED

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying Consolidated Financial Statements of The Federal Bank Limited (hereinafter referred to as the "Bank") and its subsidiaries (Bank and its subsidiaries together referred to as "the Group") and its associates, which comprises the Consolidated Balance Sheet as at March 31, 2024, the Consolidated Profit and Loss Account, the Consolidated Cash Flows Statement for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of reports of other auditors on separate audited financial statements of the two subsidiaries and one associate and financial information of one associate as certified by the Management of the associate, the aforesaid Consolidated Financial Statements give the information required by the Banking Regulation Act, 1949, circular, directions and the guidelines issued by the Reserve Bank of India ("the RBI") from time to time ("the RBI Guidelines") and the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India, of their consolidated state of affairs of the Group and its associates as

at March 31, 2024, of consolidated profit, and its consolidated cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountant of India ("the ICAI"). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associates in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in India in terms of the Code of Ethics issued by the ICAI, and the relevant provisions of the Act and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and on consideration of audit reports of other auditors referred to in the "Other Matters" paragraph below is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the year ended March 31, 2024. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
1	<p><b>Identification of and provisioning for Non-Performing Advances ("NPA")</b></p> <p>Total Loans and Advances (Net of Provisions) as at March 31, 2024: ₹ 2,18,11,02,815 thousands</p> <p>Provision for NPA as at March 31, 2024: ₹ 3,25,75,202 thousands of which Total Loans and Advances (Net of Provision) as at March 31, 2024: ₹ 2,09,40,33,349 thousands* &amp; Provision of NPA as at March 31, 2024: ₹ 3,21,93,202 thousands* relates to the Bank. (Refer to Schedule 9 and Schedule 17(5.5.2))</p> <p>* the amounts relating to the Bank are before consolidation adjustments including intercompany eliminations, if any.</p>	<p><b>Our audit procedures in respect of this area included, but not limited to:</b></p> <p><b>Process understanding and control testing:</b></p> <ul style="list-style-type: none"> <li>▪ Obtained an understanding of management's process, systems/ applications and controls implemented in relation to advances, identification of NPA and provisions thereon.</li> <li>▪ Tested system/application controls including automated process, controls and system-based reconciliations pertaining to advances, NPA identification and provision on advances as per IRAC norms and Board approved policy.</li> </ul> <p><b>Performed other substantive procedures including the following, but not limited to:</b></p> <ul style="list-style-type: none"> <li>▪ Selected samples for testing, based on quantitative and qualitative risk factors. For the selected samples, tested accuracy of days past due computation, assets classification at borrower level and provisioning as per IRAC norms and Board approved policy.</li> <li>▪ Verified samples selected based on quantitative and qualitative factors to test their conduct, security valuation, impairment indicators basis their financial strength or external factors if any.</li> </ul>

## INDEPENDENT AUDITORS' REPORT (Contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
	<p>Since the identification of NPAs and provisioning for advances requires a significant level of estimation and given its significance to the overall audit including possible observation by RBI which could result into disclosure in the financial statements, we have ascertained identification and provisioning for NPAs as a key audit matter.</p>	<ul style="list-style-type: none"> <li>▪ Inquired with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which needs to be factored in classification of account as NPA.</li> <li>▪ Discussed with the management of the Bank on sectors where there is perceived credit risk and the steps taken by management to mitigate the risks pertaining to identified stress sectors.</li> </ul>
<b>2</b>	<b>Information Technology ("IT") systems and controls impacting financial controls</b>	<b>Key IT audit procedures performed included the following, but not limited to:</b>
	<p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated.</p> <p>Amongst its multiple IT systems, we scoped in systems that are key for overall financial reporting.</p> <p>Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.</p> <p>We have identified 'IT systems and controls' as a key audit matter considering the high level of automation, significant number of systems being used by management and the complexity of the IT architecture and its impact on overall financial reporting process and regulatory expectation on automation.</p>	<ul style="list-style-type: none"> <li>▪ For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by the Bank's IT systems.</li> <li>▪ Obtained a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology.</li> <li>▪ Key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access), change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to, backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed, and authorized.</li> <li>▪ In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation / record / reports, observation, and re-performance. We also tested few controls using negative testing technique.</li> <li>▪ Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant changes made to the IT landscape during the audit period.</li> </ul>

The following Key Audit Matters were included in the Annexure to highlights memorandum as a part of Group Audit Instructions dated April 29, 2024 of Fedbank Financial Services Limited, a subsidiary of the Bank issued by their auditors BSR & Co. LLP, independent firm of Chartered accountants reproduced by us as under:

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
<b>1</b>	<b>Provision on loans and advances ('Provision')</b>	
	<p>Refer to the accounting policies in "Note 2.10 and 2.21 to the Special Purpose Financial Statements".</p> <p>Charge to the Statement of Profit and Loss: ₹ 40,830 thousands</p> <p>Provision as at March 31, 2024: ₹ 11,63,867 thousands</p>	
	<p>Loans represent significant portion of the Company's assets.</p> <p>Provisions are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to "Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulations) Directions, 2023 read with note 2.10 to the special purpose financial statements (collectively referred as Group Accounting policies).</p>	<p>In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> <li>▪ Performed walkthroughs and assessed the design and implementation of controls in respect of the Company's provision process such as the timely recognition of provision, the completeness and accuracy of reports used in the provision process and management review processes on computation of provision as per Companies policy.</li> <li>▪ Understanding and testing the processes, systems and controls implemented in relation to provision process.</li> <li>▪ Testing the controls over determination of days past due status.</li> </ul>





## INDEPENDENT AUDITORS' REPORT (Contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
	<p>The Company also assesses adequacy of provision through an "expected credit loss" (ECL) model which is based on probability of default and loss given default methodology. The difference between ECL and provisions determined as stated above is recorded as a management overlay.</p> <p>Recognition and measurement of loss allowance for Provision on loans and advances involves management judgement</p> <p>The Company's ECL loss allowance is derived from estimates including consideration of the historical default and loss ratios and forward-looking risk variables. The Company exercises judgements in determining the quantum of loss based on a range of other factors.</p> <p>The most significant factors are:</p> <ul style="list-style-type: none"> <li>▪ Segmentation of loan book</li> <li>▪ Determination of exposure at default</li> <li>▪ Loan staging criteria</li> <li>▪ Calculation of probability of default / loss given default</li> <li>▪ Consideration of probability weighted scenarios and forward looking macro-economic factors</li> </ul> <p>The application of ECL model requires several data inputs, including estimation of 12-month ECL for a pool of loans and lifetime for other pool of loans. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model.</p> <p>The underlying forecasts and assumptions used in the estimates of impairment loss allowance are subject to uncertainties which are often outside the control of the Company. Given the size of loan portfolio relative to the balance sheet and the impact of impairment allowance on the financial statements, we have considered this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>▪ Testing the controls over 'Governance Framework' in line with the RBI guidance and with Company's laid down policy.</li> <li>▪ Assessing the design and implementation of key internal financial controls over identification, classification, and measurement of provision, including for loans which were restructured.</li> <li>▪ Testing of key review controls over measurement of loss allowances and disclosures in special purpose financial statements.</li> </ul> <p>We involved financial risk modelling specialists for the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluating the appropriateness of the Company's ECL methodology and reasonableness of assumptions used.</li> <li>▪ Test of details over of calculation of provision for assessing the completeness, accuracy, and relevance of data as per regulatory guidelines and the Company's accounting policies.</li> <li>▪ Tested through independent check, Company's assessment of restructured pool impacts on segments of its loan portfolio and the resultant loss allowance.</li> <li>▪ Verifying application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model.</li> <li>▪ Test of details over of calculation of loss allowance for assessing the completeness, accuracy, and relevance of data.</li> <li>▪ For model derived outputs, verifying the calculations through re-computation where practicable.</li> <li>▪ Checking data for assessing reasonableness of judgments made in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral (including collateral in the form of gold).</li> </ul>
<b>2</b>	<b>Information Technology (IT) systems and controls</b>	
	<p>The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses multiple systems for its overall special purpose financial reporting process.</p> <p>We have identified 'Information Technology systems' as key audit matter because of the significant level of automation, the various layers and elements of the IT architecture.</p>	<p>Our audit procedures to assess the IT system management included the following:</p> <p>Understand General IT Controls (GITC) i.e., Access Controls, Program/ System Change, Computer Operations (i.e., Job Processing, Data/System Backup) over key financial accounting and reporting systems and supporting control systems (referred to as in-scope systems).</p> <p>Understand IT infrastructure i.e., operating systems and databases supporting the in-scope systems.</p> <p>Test the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems.</p> <p>Understand IT application controls covering:</p> <ul style="list-style-type: none"> <li>▪ user access and roles, segregation of duties; and</li> <li>▪ reports and system configuration.</li> </ul> <p>Test the IT application controls for design and operating effectiveness for the audit period.</p> <p>Test the automated controls supporting financial reporting process to determine whether these controls remained unchanged during the special purpose audit period or were changed following the standard change management process.</p> <p>Test the controls over the IT infrastructure covering user access (including privilege users), and system changes; and</p> <p>Enquiry on data security controls in the context of staff working from remote location during the year.</p> <p>Based on procedures performed above, wherever required, we extended our audit procedures over other IT application controls, periodic reconciliations, manual approval processes, tests on identified key changes and additional substantive testing.</p>

## INDEPENDENT AUDITORS' REPORT (Contd.)

**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the Consolidated Financial Statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

The Bank's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and provisions of Section 29 of the Banking Regulation Act, 1949 and RBI Guidelines as applicable to the Bank. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and of its associates and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate

internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Bank, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless their respective Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associates are responsible for overseeing the financial reporting process of the Group and of its associates.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting



## INDEPENDENT AUDITORS' REPORT (Contd.)

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has internal financial controls with reference to Consolidated Financial Statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the Consolidated Financial Statements of which we are the independent auditors. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Bank and such other entities included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended March 31, 2024 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

- a. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 11,04,95,864 thousands as at March 31, 2024; total revenues of 1,72,50,416 thousands and net cash flows amounting to ₹ (26,64,024) thousands 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 ₹ 2,78,117 thousands for the year ended March 31, 2024, as considered in the Consolidated Financial Statements, in respect of one 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 these subsidiaries and associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate, is based solely on the reports of the other auditors.

## INDEPENDENT AUDITORS' REPORT (Contd.)

- b. The Consolidated Financial Statements also include the Group's share of net profit of ₹ 86,947 thousands for the year ended March 31, 2024, as considered in the Consolidated Financial Statements, in respect of one associate, whose financial information have not been audited by us. This financial information are unaudited and 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 this associate, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, this financial information are not material to the Group.
- Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial information certified by the Management.
- c. The Consolidated Financial Statements of the Bank for the year ended March 31, 2023, were audited by another auditor whose report dated May 05, 2023 expressed an unmodified opinion on those Consolidated Financial Statements. Our opinion is not modified in respect of this matter.
- 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 to the extent they are not inconsistent with the guidelines prescribed by the RBI.
- e. On the basis of the written representations received from the directors of the Bank as on March 31, 2024 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of two subsidiaries and one associate incorporated in India, none of the directors of the Group companies and its associate company incorporated in India are disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of internal financial controls with reference to financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us based on our audit and on the consideration of report of the other auditor on separate financial statements of two subsidiaries and one associate as noted in the 'Other Matters' paragraph:

**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 auditor on separate audited financial statements of the two subsidiaries and one associate and financial information of one associate as certified by the Management of the associate, as noted in the Other Matters Section above 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 purposes of our audit of the aforesaid Consolidated Financial Statements.
- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- i. The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate – Refer Schedule 12, Note 5.21 of Schedule 17 and Note 1.8 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 Schedule 12, Note 5.21 of Schedule 17 and Note 1.8 of Schedule 18 to the Consolidated Financial Statements in



## INDEPENDENT AUDITORS' REPORT (Contd.)

respect of such items as it relates to the Group and its associate; and

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group incorporated in India - Refer Note 1.17 of Schedule 18 to the Consolidated Financial Statements.
- iv. (1) The respective Managements of the Bank, its two subsidiaries and one associate which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries and associate respectively that, to the best of their knowledge and belief, as disclosed in Note 1.18 of Schedule 18 to the Consolidated Financial Statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank or any of such subsidiaries and associate to or in any other person or entity, including foreign entities with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that such parties shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank or any of such subsidiaries and associate ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.  
  
(2) The respective Managements of the Bank, its two subsidiaries and one associate which are companies incorporated in India whose financial statements have been audited under

the Act have represented to us and the other auditors of such subsidiaries and associate respectively that, to the best of their knowledge and belief, as disclosed in Note 1.18 of Schedule 18 to the Consolidated Financial Statements, no funds have been received by the Bank or any of such subsidiaries and associate from any person or entity, including foreign entities with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that the Bank or any of such subsidiaries and associate shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- (3) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and that performed by the auditors of the two subsidiaries and one associate which are companies incorporated in India whose Financial Statements have been audited under the Act, and according to the information and explanations provided to us by the Management of the Bank in this regard nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (1) and (2) above, contain any material mis-statement.
- v. The Bank, one subsidiary and two associates have declared and paid dividend during the year which is in compliance with section 123 of the Act and the Banking Regulation Act, 1949 as applicable.

## INDEPENDENT AUDITORS' REPORT (Contd.)

- vi. Based on our examination which includes test checks and that performed by the respective auditors of the two subsidiaries and one associate which are companies incorporated in India whose Financial Statements have been audited under the Act, the Bank, two subsidiaries and one associate have used accounting softwares for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit, we and respective auditors of the above referred subsidiaries and associate did not come across any instance of audit trail feature being tampered with.
- h. With respect to the matters to be included in the Auditor's Report under Section 197(16): In our opinion, according to information and explanations given to us, the remuneration paid by the two subsidiaries and one associate to its directors is within the limits laid

prescribed under Section 197 of the Act and the rules thereunder. Further, the Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply to the Bank.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration  
Number: 105047W**Swapnil Kale**

Partner

Membership Number: 117812

UDIN: 24117812BKFIE08502

Mumbai

May 02, 2024

For **Suri & Co**

Chartered Accountants

ICAI Firm Registration  
Number: 0042835**G. Rengarajan**

Partner

Membership Number: 219922

UDIN: 24219922BKCLRC2512

Kochi

May 02, 2024





**ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED FOR THE YEAR ENDED 31 MARCH 2024**

[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date]

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the Consolidated Financial Statements of the Bank as of and for the year ended March 31, 2024, we have audited the internal financial controls with reference to Consolidated Financial Statements of The Federal Bank Limited (hereinafter referred to as the "the Bank") and its subsidiaries (the Bank and its subsidiaries together referred to as "the Group") and its associates, which are companies incorporated in India, as of that date.

**Opinion**

In our opinion, and to the best of our information and according to the explanations given to us, the Bank, its subsidiary companies and its associate companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls with reference to Consolidated Financial Statements and such internal financial controls with reference to Consolidated Financial Statements were operating effectively as at March 31, 2024, based on the internal control with reference to Consolidated Financial Statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("Guidance Note") issued by the Institute of Chartered Accountants of India ("the ICAI").

**Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Bank, its subsidiary companies and its associate companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to Consolidated Financial Statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the internal financial controls with reference to Consolidated Financial Statements of the Bank, its subsidiary companies and its associate companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing 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 with reference to Consolidated Financial Statements 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 with reference to Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of 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 Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors 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 internal financial controls with reference to Consolidated Financial Statements of the Bank, its subsidiary companies and its associate companies, which are companies incorporated in India.

**Meaning of Internal Financial Controls with Reference to Consolidated Financial Statements**

Bank's internal financial control with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial



## INDEPENDENT AUDITORS' REPORT (Contd.)

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

#### Inherent Limitations of Internal Financial Controls with Reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Consolidated Financial Statements to future periods are subject to the risk

that the internal financial control with reference to Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to Consolidated Financial Statements insofar as it relates to two subsidiary companies and one associate company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration  
Number: 105047W

**Swapnil Kale**

Partner

Membership Number: 117812

UDIN: 24117812BKFIE08502

Mumbai

May 02, 2024

For **Suri & Co**

Chartered Accountants

ICAI Firm Registration  
Number: 004283S

**G. Rengarajan**

Partner

Membership Number: 219922

UDIN: 24219922BKCLRC2512

Kochi

May 02, 2024



## THE FEDERAL BANK LIMITED

# CONSOLIDATED BALANCE SHEET

AS ON MARCH 31, 2024

(₹ in Thousands)

	Schedule	As on March 31, 2024	As on March 31, 2023
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	4,870,703	4,232,402
Reserves and surplus	2	296,182,843	216,991,688
Minority interest	2A	8,204,808	3,519,706
Deposits	3	2,524,550,121	2,129,885,009
Borrowings	4	251,596,197	258,619,785
Other liabilities and provisions	5	92,984,793	66,791,976
<b>TOTAL</b>		<b>3,178,389,465</b>	<b>2,680,040,566</b>
<b>ASSETS</b>			
Cash and balances with Reserve Bank of India	6	115,091,150	126,042,359
Balances with Banks and money at call and short notice	7	76,847,090	51,996,928
Investments	8	610,431,159	487,022,380
Advances	9	2,181,102,815	1,819,567,490
Fixed assets	10	10,630,342	9,717,110
Other assets	11	184,286,909	185,694,299
Goodwill on consolidation		-	-
<b>TOTAL</b>		<b>3,178,389,465</b>	<b>2,680,040,566</b>
Contingent liabilities	12	1,020,899,448	766,059,726
Bills for collection		71,578,413	56,694,543
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

As per our report of even date

For The Federal Bank Limited

For **M S K A & Associates**

Chartered Accountants  
ICAI Firm Registration No: 105047W

**Swapnil Kale**

Partner  
Membership No: 117812  
Place: Mumbai

For **Suri & Co**

Chartered Accountants  
ICAI Firm Registration No: 0042835

**G. Rengarajan**

Partner  
Membership No: 219922  
Place: Kochi

Place: Kochi

Date : May 02, 2024

**A P Hota**

Chairman  
DIN: 02593219

**Shalini Warriar**

Executive Director  
DIN: 08257526

**Venkatraman Venkateswaran**

Chief Financial Officer

**Manikandan Muthiah**

Head - Financial Reporting

**Shyam Srinivasan**

Managing Director & CEO  
DIN: 02274773

**Harsh Dugar**

Executive Director  
DIN: 00832748

**Samir P Rajdev**

Company Secretary

## THE FEDERAL BANK LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED MARCH 31, 2024

(₹ in Thousands)

	Schedule	Year ended March 31, 2024	Year ended March 31, 2023
<b>I. INCOME</b>			
Interest earned	13	235,654,754	178,117,772
Other income	14	32,164,763	24,362,374
<b>TOTAL</b>		<b>267,819,517</b>	<b>202,480,146</b>
<b>II. EXPENDITURE</b>			
Interest expended	15	144,946,713	99,752,389
Operating expenses	16	67,666,957	52,112,053
Provisions and contingencies (Refer Note 1.8 of Schedule 18)		15,930,552	18,858,074
<b>TOTAL</b>		<b>228,544,222</b>	<b>170,722,516</b>
<b>III. PROFIT/(LOSS)</b>			
Consolidated Net profit / (loss) for the year (before Minority Interest and share of earnings / (loss) in Associates)		<b>39,275,295</b>	<b>31,757,630</b>
Add : Share of earnings / (loss) in Associates		365,064	340,597
Consolidated Net profit / (loss) for the year before Minorities' Interest		<b>39,640,359</b>	<b>32,098,227</b>
Less: Minority interest		836,083	451,036
Consolidated profit/(loss) for the year attributable to the group		<b>38,804,276</b>	<b>31,647,191</b>
Balance in Profit and Loss Account brought forward from previous year		57,630,129	43,540,278
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		425,565	2,073
<b>Total</b>		<b>96,008,840</b>	<b>75,185,396</b>
<b>IV. APPROPRIATIONS</b>			
Transfer to Revenue Reserve		5,542,518	4,265,747
Transfer to Statutory Reserve		9,301,495	7,526,486
Transfer to Capital Reserve		817,635	113,247
Transfer to Investment Fluctuation Reserve		668,442	9,690
Transfer to Investment Reserve		162,431	-
Transfer to Special Reserve		1,736,800	1,606,900
Transfer to Reserve Fund		268,024	246,567
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		2,349,108	3,786,630
Balance carried over to Consolidated Balance Sheet		75,162,387	57,630,129
<b>TOTAL</b>		<b>96,008,840</b>	<b>75,185,396</b>
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		16.76	15.01
Diluted		16.55	14.85
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

As per our report of even date

For The Federal Bank Limited

For **M S K A & Associates**  
Chartered Accountants  
ICAI Firm Registration No: 105047W

**A P Hota**  
Chairman  
DIN: 02593219

**Shyam Srinivasan**  
Managing Director & CEO  
DIN: 02274773

**Swapnil Kale**  
Partner  
Membership No: 117812  
Place: Mumbai

**Shalini Warriar**  
Executive Director  
DIN: 08257526

**Harsh Dugar**  
Executive Director  
DIN: 00832748

For **Suri & Co**  
Chartered Accountants  
ICAI Firm Registration No: 0042835

**Venkatraman Venkateswaran**  
Chief Financial Officer

**Samir P Rajdev**  
Company Secretary

**G. Rengarajan**  
Partner  
Membership No: 219922  
Place: Kochi

**Manikandan Muthiah**  
Head - Financial Reporting

Place: Kochi  
Date : May 02, 2024



THE FEDERAL BANK LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2024

	(₹ in Thousands)	
	Year ended March 31, 2024	Year ended March 31, 2023
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxes	52,138,979	42,518,956
<b>Adjustments for:</b>		
Depreciation on Group's Property	2,339,498	1,821,767
Provision / Depreciation on Investments	(276,308)	407,523
Amortisation of Premium on Held to Maturity Investments	1,731,776	1,744,601
Provision / Charge for Non Performing Advances	4,632,743	6,552,808
Provision for Standard Assets and Contingencies	(2,049,497)	1,500,290
Profit on sale of fixed assets (net)	(84,327)	(8,299)
Profit on Sale of Investment in Subsidiary	(991,140)	-
Employees Stock option Expense	15,824	11,364
	<b>57,457,548</b>	<b>54,549,010</b>
<b>Adjustments for working capital changes:-</b>		
Increase in Investments [excluding Held to Maturity Investments]	(37,957,880)	(4,894,678)
Increase in Advances	(366,168,068)	(326,605,682)
(Increase)/ Decrease in Other Assets	1,303,196	(30,283,802)
Increase in Deposits	394,665,112	313,109,796
Increase in Other liabilities and provisions	28,242,314	11,138,809
	<b>20,084,674</b>	<b>(37,535,557)</b>
Direct taxes paid (net)	(13,230,511)	(12,120,449)
<b>Net Cash Flow from Operating Activities</b>	<b>64,311,712</b>	<b>4,893,004</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3,279,218)	(4,840,245)
Proceeds from Sale of Fixed Assets	110,816	30,700
Profit on Sale of Investment in Subsidiary	991,140	-
Purchase of Held to Maturity Investments (net)	(86,906,367)	(93,627,897)
<b>Net Cash flow used in Investing Activities</b>	<b>(89,083,629)</b>	<b>(98,437,442)</b>

## THE FEDERAL BANK LIMITED

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	638,301	27,313
Proceeds from Share Premium (net of share issue expenses)	43,300,498	930,938
Increase in Minority Interest	4,142,701	463,727
Proceeds from Issue of Subordinate Debt	2,000,000	9,950,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(9,023,588)	52,795,924
Dividend Paid	(2,349,108)	(3,786,630)
<b>Net Cash flow from Financing Activities</b>	<b>38,708,804</b>	<b>60,381,272</b>
<b>Effect of exchange fluctuation on translation reserve</b>	<b>(37,933)</b>	<b>(158,601)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>13,898,954</b>	<b>(33,321,767)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>178,039,286</b>	<b>211,361,053</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>191,938,240</b>	<b>178,039,286</b>

**Notes:**

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

As per our report of even date

For The Federal Bank Limited

For **M S K A & Associates**

Chartered Accountants  
ICAI Firm Registration No: 105047W

**A P Hota**

Chairman  
DIN: 02593219

**Shyam Srinivasan**

Managing Director & CEO  
DIN: 02274773

**Swapnil Kale**

Partner  
Membership No: 117812  
Place: Mumbai

**Shalini Warriar**

Executive Director  
DIN: 08257526

**Harsh Dugar**

Executive Director  
DIN: 00832748

For **Suri & Co**

Chartered Accountants  
ICAI Firm Registration No: 0042835

**Venkatraman Venkateswaran**

Chief Financial Officer

**Samir P Rajdev**

Company Secretary

**G. Rengarajan**

Partner  
Membership No: 219922  
Place: Kochi

**Manikandan Muthiah**

Head - Financial Reporting

Place: Kochi

Date : May 02, 2024



THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE 1 - CAPITAL

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>Authorised Capital</b>	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) equity shares of ₹ 2/- each		
<b>Issued Capital</b>	4,873,354	4,235,053
2,436,677,233 (Previous year 2,117,526,438) equity shares of ₹ 2/-each		
<b>Subscribed, Called-up and Paid-up Capital</b>	4,870,704	4,232,403
2,435,351,938 (Previous year 2,116,201,143) equity shares of ₹ 2/-each		
Less: Calls unpaid	1	1
<b>Total</b>	<b>4,870,703</b>	<b>4,232,402</b>

Refer Note 1.1 of Schedule 18

### SCHEDULE 2 - RESERVES AND SURPLUS

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>I. Statutory Reserve</b>		
Opening balance	46,060,766	38,534,280
Additions during the year	9,301,495	7,526,486
Deductions during the year	-	-
	<b>55,362,261</b>	<b>46,060,766</b>
<b>II. Capital Reserves</b>		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
Deductions during the year	-	-
	<b>50,091</b>	<b>50,091</b>
(b) Capital Redemption Reserve		
Opening balance	14,643	14,661
Additions during the year	-	-
Deductions during the year	(2,327)	(18)
	<b>12,316</b>	<b>14,643</b>
(c) Others		
Opening balance	7,567,743	7,454,496
Additions during the year*	817,635	113,247
Deductions during the year	-	-
	<b>8,385,378</b>	<b>7,567,743</b>
<b>Total (a+b+c)</b>	<b>8,447,785</b>	<b>7,632,477</b>
<b>III. Share premium (Refer Note 1.1 of Schedule 18)</b>		
Opening balance	63,356,840	62,424,782
Additions during the year	44,373,289	932,058
Deductions during the year	(1,061,494)	-
	<b>106,668,635</b>	<b>63,356,840</b>

## THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
<b>IV. Revenue and Other Reserves</b>		
(a) Revenue Reserve		
Opening balance	29,399,164	25,133,417
Additions during the year	5,542,518	4,265,747
Deductions during the year	-	-
	<b>34,941,682</b>	<b>29,399,164</b>
(b) Investment Fluctuation Reserve		
Opening balance	1,906,890	1,897,200
Additions during the year	668,442	9,690
Deductions during the year	-	-
	<b>2,575,332</b>	<b>1,906,890</b>
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	10,090,100	8,483,200
Additions during the year	1,736,800	1,606,900
Deductions during the year	-	-
	<b>11,826,900</b>	<b>10,090,100</b>
<b>V. Investment Reserve Account</b>		
Opening balance	-	-
Additions during the year	162,431	-
Deductions during the year	-	-
	<b>162,431</b>	-
<b>VI. Foreign Currency Translation Reserve</b> [Refer Schedule 17 (5.6)]		
Opening balance	(139,485)	19,116
Additions during the year	-	-
Deductions during the year	(37,933)	(158,601)
	<b>(177,418)</b>	<b>(139,485)</b>
<b>VII. ESOP Reserve</b>		
Opening balance	33,156	22,912
Additions during the year	15,824	11,364
Deductions during the year	(11,298)	(1,120)
	<b>37,682</b>	<b>33,156</b>
<b>VIII. Contingency Reserve</b>		
Opening balance	301,003	301,003
Additions during the year	-	-
Deductions during the year	-	-
	<b>301,003</b>	<b>301,003</b>
<b>IX. Reserve Fund</b>		
Opening balance	719,892	473,905
Additions during the year	268,024	245,987
Deductions during the year	(114,389)	-
	<b>873,527</b>	<b>719,892</b>
<b>X. General Reserve</b>		
Opening balance	756	757
Additions during the year	-	-
Deductions during the year	(120)	(1)
	<b>636</b>	<b>756</b>





## THE FEDERAL BANK LIMITED

### SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>XI. Balance in Consolidated Profit and Loss Account</b>	<b>75,162,387</b>	<b>57,630,129</b>
<b>Grand Total (I+II+III+IV+V+VI+VII+VIII+IX+X+XI)</b>	<b>296,182,843</b>	<b>216,991,688</b>

\* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :

- a) Gain on sale of Held to Maturity Investments ₹ 769,514 Thousands (Previous year ₹ 111,106 Thousands)
- b) Profit on sale of Premises ₹ 48,121 Thousands (Previous year ₹ 2,141 Thousands)

### SCHEDULE 2A - MINORITY INTEREST

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
Minority interest at the date on which parent-subsidiary relationship came into existence	786,638	786,638
Subsequent increase	7,418,170	2,733,068
<b>Minority interest on the date of balance sheet</b>	<b>8,204,808</b>	<b>3,519,706</b>

### SCHEDULE 3 - DEPOSITS

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>A. I. Demand Deposits</b>		
i. From Banks	2,199,300	2,179,831
ii. From others	164,943,026	151,728,327
	<b>167,142,326</b>	<b>153,908,158</b>
<b>II. Savings Bank Deposits</b>	<b>578,587,491</b>	<b>543,369,909</b>
<b>III. Term Deposits</b>		
i. From Banks	4,988,325	23,697,209
ii. From others	1,736,831,979	1,408,909,733
	<b>1,778,820,304</b>	<b>1,432,606,942</b>
<b>Grand Total (I+II+III)</b>	<b>2,524,550,121</b>	<b>2,129,885,009</b>
<b>B. I. Deposits of branches in India</b>	<b>2,523,994,296</b>	<b>2,129,601,140</b>
<b>II. Deposits of branches outside India</b>	<b>555,825</b>	<b>283,869</b>
<b>Total</b>	<b>2,524,550,121</b>	<b>2,129,885,009</b>

### SCHEDULE 4 - BORROWINGS

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>I. Borrowings in India</b>		
i. Reserve Bank of India	28,510,000	-
ii. Other Banks	66,471,083	64,201,770
iii. Other institutions and agencies	120,627,977	164,078,253
<b>Total</b>	<b>215,609,060</b>	<b>228,280,023</b>
<b>II. Borrowings outside India</b>	<b>35,987,137</b>	<b>30,339,762</b>
<b>Grand Total (I and II)</b>	<b>251,596,197</b>	<b>258,619,785</b>
a) Secured borrowings included in I and II above	188,106,061	205,860,584
b) Tier II bond included in I(ii) & I(iii) above	22,103,000	20,103,000

**THE FEDERAL BANK LIMITED**

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

**SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS**

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Bills Payable	6,535,793	6,254,620
II. Inter - office adjustments (net)	-	-
III. Interest accrued	7,338,956	6,314,345
IV. Others (including provisions)*	79,110,044	54,223,011
<b>Total</b>	<b>92,984,793</b>	<b>66,791,976</b>
*Includes		
General provision for standard assets	13,239,166	15,197,410

**SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA**

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. Cash in hand (including foreign currency notes)	9,684,845	10,838,952
II. Balance with Reserve Bank of India		
i. in Current Accounts	105,406,305	99,203,407
ii. in Other Accounts	-	16,000,000
<b>Total</b>	<b>115,091,150</b>	<b>126,042,359</b>

**SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

(₹ in Thousands)

	As on March 31, 2024	As on March 31, 2023
I. In India		
i. Balances with Banks		
a. in Current Accounts	5,697,054	6,206,561
b. in Other Deposit Accounts	1,152,935	909,666
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	4,490,520	4,992,580
<b>Total</b>	<b>11,340,509</b>	<b>12,108,807</b>
II. Outside India		
i. in Current Accounts	8,829,647	5,376,721
ii. in Other Deposit Accounts	55,676,074	34,511,400
iii. Money at call and short notice	1,000,860	-
<b>Total</b>	<b>65,506,581</b>	<b>39,888,121</b>
<b>Grand Total (I and II)</b>	<b>76,847,090</b>	<b>51,996,928</b>



## THE FEDERAL BANK LIMITED

### SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

#### SCHEDULE 8 - INVESTMENTS

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
I. Investments in India in		
i. Government securities <sup>#</sup>	520,842,004	426,889,671
ii. Other approved securities	-	-
iii. Shares	5,667,669	5,238,896
iv. Debentures and bonds	30,638,062	21,197,649
v. Associates <sup>*</sup>	3,512,781	3,309,313
vi. Others <sup>@</sup>	49,648,116	29,037,108
<b>Total</b>	<b>610,308,632</b>	<b>485,672,637</b>
II. Investments outside India in		
i. Government securities (including local authorities)	32,048	24,526
ii. Associates	-	-
iii. Other investments		
a. Debentures and bonds	80,221	504,502
b. Shares	10,258	10,105
c. Others (Certificate of deposit)	-	810,610
<b>Total</b>	<b>122,527</b>	<b>1,349,743</b>
<b>Grand Total (I and II)</b>	<b>610,431,159</b>	<b>487,022,380</b>
III. Investments in India		
i. Gross value of investments	615,474,595	491,054,724
ii. Aggregate of provisions for depreciation	5,165,963	5,382,088
iii. Net investment	610,308,632	485,672,636
IV. Investments outside India		
i. Gross value of investments	122,527	1,351,468
ii. Aggregate of provisions for depreciation	-	1,724
iii. Net investment	122,527	1,349,744
<b>Total (III+IV)</b>	<b>610,431,159</b>	<b>487,022,380</b>

<sup>#</sup>Securities costing ₹ 110,164,457 Thousands (Previous Year ₹ 95,151,628 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

<sup>\*</sup>Represents investment accounted as an associate in line with AS -23, Accounting for Investments in Associates in Consolidated Financial Statements, prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].

It includes goodwill on consolidation of associate amounting to ₹ 150,181 Thousands (Previous Year ₹ 150,181 Thousands).

<sup>@</sup>Comprises of:

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
Pass Through Certificates (PTCs)	36,231,924	25,761,611
Certificate of deposits	3,946,751	1,340,611
Commercial Paper	3,128,680	492,518
Venture Capital Funds (VCFs)	1,351,010	1,242,378
Mutual fund	4,989,751	199,990
<b>Total</b>	<b>49,648,116</b>	<b>29,037,108</b>

## THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

## SCHEDULE 9 - ADVANCES

(₹ in Thousands)		
	As on March 31, 2024	As on March 31, 2023
A. i. Bills purchased and discounted	47,518,540	41,692,972
ii. Cash credits, overdrafts and loans repayable on demand	878,225,323	759,432,674
iii. Term loans	1,255,358,952	1,018,441,844
<b>Total</b>	<b>2,181,102,815</b>	<b>1,819,567,490</b>
B. i. Secured by tangible assets*	1,868,856,855	1,526,044,412
ii. Covered by Bank/Government guarantees#	15,965,748	18,754,982
iii. Unsecured	296,280,212	274,768,096
<b>Total</b>	<b>2,181,102,815</b>	<b>1,819,567,490</b>
C. I. Advances in India		
i. Priority sector	681,141,619	559,026,962
ii. Public sector	-	124,018
iii. Banks	25,564,911	1,275,342
iv. Others	1,443,683,454	1,232,066,558
<b>Total</b>	<b>2,150,389,984</b>	<b>1,792,492,880</b>
C. II. Advances outside India		
i. Due from Banks	1,256,913	794,011
ii. Due from others		
a) Bills purchased and discounted	-	-
b) Syndicated loans	13,319,911	9,938,657
c) Others	16,136,007	16,341,942
<b>Total</b>	<b>30,712,831</b>	<b>27,074,610</b>
<b>Grand Total (C I and C II)</b>	<b>2,181,102,815</b>	<b>1,819,567,490</b>

\* Includes Advances against book debts

# Includes Advances against Letter of credit issued by Banks  
(Advances are net of provisions)

## SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)		
	As on March 31, 2024	As on March 31, 2023
<b>A. Premises#</b>		
<b>Gross Block</b>		
At cost as on 31 <sup>st</sup> March of the preceding year	3,742,876	2,968,642
Additions during the year	477,505	780,062
Deductions during the year	8,938	5,828
At the end of the year	<b>4,211,443</b>	<b>3,742,876</b>
<b>Depreciation</b>		
As at the beginning of the year	1,126,704	1,065,719
Charge for the year	95,114	62,800
Deductions during the year	5,514	1,815
Depreciation to date	<b>1,216,304</b>	<b>1,126,704</b>
<b>Net Block</b>	<b>2,995,139</b>	<b>2,616,172</b>



## THE FEDERAL BANK LIMITED

### SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
<b>B. Other fixed assets</b>		
(including furniture and fixtures)		
<b>Gross Block</b>		
At cost as on 31 <sup>st</sup> March of the preceding year	18,381,526	15,378,278
Additions during the year	2,945,758	3,534,735
Deductions during the year	428,362	531,487
At the end of the year	<b>20,898,922</b>	<b>18,381,526</b>
<b>Depreciation</b>		
As at the beginning of the year	12,094,516	10,848,649
Charge for the year	2,244,384	1,758,970
Deductions during the year	405,297	513,103
Depreciation to date	<b>13,933,603</b>	<b>12,094,516</b>
<b>Net Block</b>	<b>6,965,319</b>	<b>6,287,010</b>
<b>C. Capital Work in progress (Including Capital Advances)</b>	669,884	813,928
<b>Grand Total (A+B+C)</b>	<b>10,630,342</b>	<b>9,717,110</b>

# Includes buildings constructed on leasehold land at different places having original cost of ₹ 1,610,074 Thousands (Previous Year ₹ 1,206,265 Thousands) and Written down value of ₹ 1,337,753 Thousands (Previous Year ₹ 976,551 Thousands) with remaining lease period varying from 51 - 62 years.

### SCHEDULE 11 - OTHER ASSETS

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
I. Inter - office adjustments (net)	-	-
II. Interest accrued	21,228,649	16,805,866
III. Tax paid in advance/tax deducted at source (net of provision)	14,430,956	13,512,455
IV. Stationery and stamps	18,754	15,676
V. Non-banking assets acquired in satisfaction of claims	2,926	2,926
VI. Deferred tax asset	173,445	1,196,139
VII. Others#	148,432,179	154,161,237
<b>Total</b>	<b>184,286,909</b>	<b>185,694,299</b>
# Includes		
(a) Priority sector shortfall deposits	112,344,840	131,167,873
(b) Security deposits	3,034,944	2,605,333

### SCHEDULE 12 - CONTINGENT LIABILITIES

	(₹ in Thousands)	
	As on March 31, 2024	As on March 31, 2023
I. Claims against the Bank not acknowledged as debts	25,086,176	18,470,244
II. Liability for partly paid investments	-	-
III. Liability on account of outstanding forward exchange contracts**	824,272,509	610,661,759
IV. Guarantees given on behalf of constituents		
a) In India	135,261,533	107,735,581
b) Outside India	-	-
V. Acceptances, endorsements and other obligations	31,506,803	25,350,115
VI. Other items for which the Bank is contingently liable@	4,772,427	3,842,027
<b>Total</b>	<b>1,020,899,448</b>	<b>766,059,726</b>

(Refer Note 1.13 of Schedule 18)

\*\* - Including Derivatives

@ - includes ₹ 3,098,654 Thousands (Previous Year : ₹ 2,796,757 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.

## THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Interest/discount on advances/bills	191,012,992	145,078,824
II. Income on investments (including dividend)	36,857,000	27,818,767
III. Interest on balances with Reserve Bank of India and other inter-Bank funds	3,388,721	2,062,522
IV. Others*	4,396,041	3,157,659
<b>Total</b>	<b>235,654,754</b>	<b>178,117,772</b>

\* - Includes interest on Income tax refunds amounting to ₹ 195,809 Thousands (Previous year ₹ 12,176 Thousands) accounted based on Assessment orders received.

### SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Commission, exchange and brokerage	23,292,073	18,678,006
II. Profit on sale of investments (Net)	2,659,740	902,443
III. Profit / (Loss) on revaluation of investments (Net)	288,911	(474,312)
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	84,327	8,299
V. Profit on foreign exchange/derivative transactions (Net)	2,106,429	2,971,391
VI. Miscellaneous income**	3,733,283	2,276,547
<b>Total</b>	<b>32,164,763</b>	<b>24,362,374</b>

\*\* - Includes Recoveries in assets written off ₹ 1,475,138 Thousands (Previous year ₹ 1,407,335 Thousands)

### SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Interest on deposits	126,990,906	86,127,812
II. Interest on Reserve Bank of India/Inter Bank borrowings	1,839,455	906,535
III. Others	16,116,352	12,718,042
<b>Total</b>	<b>144,946,713</b>	<b>99,752,389</b>

### SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

	Year ended March 31, 2024	Year ended March 31, 2023
I. Payments to and provisions for employees	31,797,004	24,402,440
II. Rent, taxes and lighting	5,227,958	4,302,499
III. Printing and stationery	595,904	533,198
IV. Advertisement and publicity	376,035	409,295
V. Depreciation on group's property	2,339,498	1,821,767
VI. Directors' fees, allowances and expenses	49,260	38,052
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	57,813	63,188
VIII. Law charges	708,903	544,431
IX. Postage, telegrams, telephones etc	1,444,209	1,256,729
X. Repairs and maintenance	1,238,016	1,152,573
XI. Insurance	2,863,293	2,318,902
XII. Other expenditure#	20,969,064	15,268,979
<b>Total</b>	<b>67,666,957</b>	<b>52,112,053</b>

#- Includes Corporate Social Responsibility expenditure amounting to ₹ 606,513 Thousands (Previous Year: ₹ 452,436 Thousands)



## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

#### 1. BACKGROUND

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries and associates (collectively, the 'Group') is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail and corporate banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India. The Bank was incorporated on April 23, 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province.

It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank is a publicly held banking company governed by Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts/regulations. The Bank also has its Digital Banking Unit at Kolkata, Representative Office at Abu Dhabi & Dubai and had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

#### 2. PRINCIPLES OF CONSOLIDATION

- (i) The consolidated financial statements relate to the Bank, its subsidiary companies and the Group's share of Profit/Loss in its associates. The details of subsidiaries and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				Mar 31, 2024	Mar 31, 2023
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	61.58*	73.21
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	19.59	19.79

\*The Fedbank Financial Services Limited has issued 368,957,088 number of equity shares of face value of ₹10/- each under Initial Public Offer (IPO) sale on November 29, 2023. During the year, Bank has sold 8,214,286 shares as part of IPO/Pre IPO sale of Fedbank Financial Services.

- (ii) The financial statements of the subsidiary companies and the financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2024.
- (iii) The financial statements of the Bank and its subsidiary companies have been combined on a line-by-line basis as per AS 21, Consolidated Financial statements by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.
- (iv) The consolidated financial statements include the share of profit of the associate companies which have been accounted for using equity method as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. Accordingly, the share of profit of the associate companies has been added to the cost of respective investment.
- (v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.
- (vi) Differences in accounting policies followed by the subsidiaries and associates have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

#### 3. BASIS OF ACCOUNTING AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Bank and its subsidiaries and associates (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Companies Act, 2013 ("the Act"), circulars and guidelines issued by the RBI as applicable and current practices prevailing within the banking industry in India. Suitable adjustments are made to align



**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

with the format prescribed under the Third Schedule of Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year, except otherwise stated.

The financial statements of Fedbank Financial Services Limited are prepared in accordance with notified Indian Accounting Standards ('Ind-AS') prescribed under section 133 of the Act. However, the financial statements of the referred subsidiary used for consolidation purpose is a special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') and applicable Accounting Standards, to align with the format of the Bank's financial statements.

**4. USE OF ESTIMATES**

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

**5. SIGNIFICANT ACCOUNTING POLICIES****5.1. Investments****The Bank****Classification**

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

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

Under each of these categories, investments are further classified under six groups ('hereinafter called groups') - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

**Basis of Classification**

Investments which the Bank intends to hold till maturity are classified as "Held to Maturity". Investments which

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

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

**Transfer of securities between Categories**

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

**Acquisition Cost**

In determining the acquisition cost of the Investment:

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

**Valuation**

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

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



## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

- b. Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d. Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Association of Mutual Funds in India (AMFI).
- e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
- In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL and suitably marked up for credit risk published by FIMMDA applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose.
  - Pass Through Certificates ('PTC') including Priority Sector PTCs are valued as per extant FIMMDA guidelines
  - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
  - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at "breakup" value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company based on the stipulated norms as per RBI circular.
  - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1/- per VCF. Investment in unquoted VCF are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per the extant asset classification and provisioning norms as applicable to the underlying loans as per RBI guidelines.
- f. Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.
- g. The Bank follows settlement date method of accounting for purchase and sale of investments.
- h. Non-Performing Investments are identified and valued based on RBI Guidelines.

#### Disposal of Investments

- a. Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss Account.
- b. Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve in accordance with the RBI Guidelines. Loss on sale / redemption is charged to the Profit and Loss Account.

#### Repurchase and Reverse Repurchase Transactions

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

**THE FEDERAL BANK LIMITED****SCHEDULE 17:** SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**Short Sales**

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

**The Subsidiaries**

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long-Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortized over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

**5.2. Advances****The Bank****Classification**

Advances are classified into Standard Assets 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. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria as per Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC) issued by RBI. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in Profit and Loss Account until received.

**Provisioning**

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

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

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

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

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

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution frameworks are made as per extant RBI guidelines.

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

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



## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

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

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

#### Fedbank Financial Services Limited

Advances are classified as Standard Assets or Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 " and Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023.

For gold loans, the Company may roll over/ repledge the overdue loan into a fresh loan, provided –

- the customer brings in additional margin in the form of gold or cash to meet the LTV margin requirements as per RBI guidelines; or
- if the revalued collateral value of the gold is adequate to meet the LTV margin requirements as per RBI guidelines.

If such rolled over / repledged gold loans, including those which are more than 90 days overdue, have adequate margin available as required by the regulatory norms, these loans are classified as 'standard' on date of such roll over / repledge and standard asset provision rates are applied. Subsequently, if such loans are not again rolled over and the days past due exceed 90 days, such loans are classified as "non performing" asset.

Over and above the DPD based provision, the Company also carries overlays for provision basis assessment of future credit risk. The estimate of such management overlay provision to be carried in the books is reviewed & assessed on a quarterly basis.

### 5.3. Securitisation and transfer of assets

#### The Bank

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

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

classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from Banks under advances.

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

#### Fedbank Financial Services Limited

The Company transfers advances with risk to transferee. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Company is reduced from advances.

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

### 5.4. Country risk

#### The Bank

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

### 5.5. Priority Sector Lending Certificates (PSLC)

#### The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016, trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority

**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

**5.6. Transactions involving foreign exchange****The Bank**

In respect of domestic operations:

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

In respect of Non-Integral Foreign Branches:

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

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/ tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting

the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

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

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

**Fedbank Financial Services Limited**

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

**5.7. Derivative transactions****The Bank**

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Profit and Loss Account. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles. When applying fair value hedge accounting, the hedging instrument and hedged items are measured at fair value with changes in fair value recognised in the Profit and Loss Account.

In case of cash flow hedge, the hedging instrument is measured at fair value, but any gain or loss that is determined to be an effective hedge is recognised in Reserves and Surplus under cash flow hedge reserve and ineffective portion of an effective hedging relationship, if any, is recognised in the Profit and Loss Account. In order to match the gains and losses of the hedged item and the hedging instrument in Profit and Loss Account, the changes in fair value of the hedging instrument recognised in cash flow hedge reserve is transferred from cash flow hedge reserve and recognised in Profit and Loss Account





## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

at the same time that the impact from the hedged item is recognised in the Profit and Loss Account.

#### Fedbank Financial Services Limited

The Company recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognized in the Statement of Profit and Loss.

## 5.8. Revenue Recognition

### The Bank

- Interest income is recognised in the Profit and Loss Account on an accrual basis in accordance with AS – 9, 'Revenue Recognition' as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on "first in first out" policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees, are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.
- Dividend on Equity Shares and Preference Shares is recognised as income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/ received is accounted on an accrual basis.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

### Fedbank Financial Services Limited

- Revenue is recognized as and when it is earned, and no significant uncertainty exists as to its realization or collection.
- Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically Important Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2016" and the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.
- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- Processing Fees are recovered and recognised at the time of disbursement of loan.
- Penal interest income and other charges (like bouncing charges, foreclosure charges etc.) levied are recognized upon realisation basis.

**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)****Federal Operations and Services Limited**

- Revenue from Operations is recognized as and when services are rendered, as per the terms of Master Service Agreement entered into by the company.
- Other Income
  - a. Interest income is recognised on accrual basis using effective interest rate method.
  - b. Dividend income is recognised when the Company's right to receive is established.
  - c. Other incomes are recognised on accrual basis except when there are significant uncertainties.

**5.9. Fixed assets and depreciation / amortization****The Bank**

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortization and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset before it is ready to use. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit / functioning capability from / of such assets.

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

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

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

The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and

efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

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

Software is depreciated over a period of 3 to 5 years and eligible Cost of license is capitalised and amortized over the license period.

Depreciation on assets sold during the year is recognized on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognized as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI guidelines.

Whenever there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset.

**Fedbank Financial Services Limited**

- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.





## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Asset Type	Useful Life (In Years)	Method	Rate of Depreciation (%)
Computer Equipment's	3	SLM	31.67
Server	6		15.83
Office Equipment's	5	WDV	45.08
Vehicles - Cars	8		31.24
Furniture & Fixtures	10		25.88

- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on Straight Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

#### Federal Operations and Services Limited

- Property, Plant and Equipments are stated at cost less accumulated depreciation and impairment in value if any. Cost includes purchase price, (inclusive of import duties and non - refundable purchase taxes, after deducting trade discounts and rebates), other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacement spares/ major inspection relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.
- On disposal of an item of property, plant and equipment, the differences between the disposal proceeds and its carrying amount is recognised in the Statement of Profit and Loss. The residual values, useful life and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate. Capital work in progress comprises of the cost of fixed asset that are not yet ready for their intended use at the reporting date.
- Intangible assets are recorded at the cost of acquisition of such assets and are carried at cost less accumulated depreciation and impairment, if any.
- Depreciation is provided on Written Down Value Method in accordance with Schedule II of the Companies Act, 2013. The useful life adopted is as prescribed under Schedule II of the Companies Act 2013, except for the following assets for which a different useful life has

been adopted on the basis of technical evaluation/ management estimate, based on a review by the management at the year end:-

- The cost of lease holds improvements are amortised on a straight-line basis over the lease period.
- Cost of license is capitalised as intangible asset and amortized over the license period. Also, the cost of software is capitalised as intangible asset and amortised on a straight-line basis over the useful life of 5 years.
- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

#### 5.10. Impairment of Assets

##### Group

The Group assesses at each Balance Sheet date whether there is any indication that an asset is impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

#### 5.11. Non-Banking Assets acquired in Satisfaction of Claims

##### The Bank

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realizable value.

#### 5.12. Lease transactions

##### Operating Lease

##### The Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms in accordance with the AS-19, Leases. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognized as expense immediately in the Profit and Loss Account.

#### 5.13. Employee benefits

##### The Bank

##### Defined Contribution Plan

##### a) Provident Fund

Employees covered under contributory provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death,

**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution paid/payable by the Bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss Account.

**b) National Pension System ('NPS')**

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution and recognises such contributions as an expense in the year incurred.

**Defined Benefit Plan****a) Pension Fund**

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid/payable by the Bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss Account.

**b) Gratuity**

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution paid/payable by the Bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss Account.

**Other Employee Benefits****Compensation for absence on Privilege / Sick / Casual Leave / Leave Travel Concession (LTC) & other Short-term employee benefits**

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

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employees render the service. These benefits include performance incentives.

**Fedbank Financial Services Limited****a) Defined Contribution Plan**

The Company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Statement of Profit and Loss for the year.

**b) Defined Benefit Plan**

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company, makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

**c) Other Long Term Employee Benefits**

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains



## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

#### d) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

#### Federal Operations and Services Limited

##### a) Defined Contribution Plan

The Company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance and labour welfare fund. The contributions paid/payable to these plans during the year are charged to Statement of Profit and Loss for the year.

##### b) Defined Benefit Plan

The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on actuarial valuation, conducted annually using projected unit credit method at balance sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

##### c) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

#### 5.14. Employee Stock Option Scheme

##### The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 & Employee Stock Option Scheme 2023 (ESOS 2023), and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Schemes provided for grant of options to Employees and whole time Directors of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI Guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI, the Bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the closing market price of the share on the date preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.

The market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

However, the stock options granted to Material risk takers, after March 31, 2021 are accounted as per 'Fair value method' using Black-Scholes model, which is recognized as compensation expense over the vesting period in line with extant RBI guidelines.

##### Employee Stock Incentive Scheme

The Bank has formulated the Federal Bank Limited Employee Stock Incentive Scheme 2023 (ESIS 2023) in accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI Regulations") and other applicable laws. The Scheme provided for grant of options to Employees and whole time Directors of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period.

Stock options under this scheme are granted at face value of shares. Options granted under this scheme are accounted as per 'Fair value method' using Black-Scholes model in accordance with the SEBI Guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI.

##### Fedbank Financial Services Limited

Stock options granted to employees under the stock option schemes are accounted using the intrinsic value method prescribed in the Guidance Note on Employees Share Based Payments issued by The Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is considered as deferred employee compensation. The expense on deferred employee compensation is recognized in Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to expense, equal to the amortized portion of value of lapsed portion.

**THE FEDERAL BANK LIMITED****SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)****5.15. Debit and Credit card reward points****The Bank**

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption, spends, discount rate, value of reward points etc. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss Account and liabilities on the outstanding reward points as at the Balance Sheet date is included in 'Others' under Schedule 5 - Other liabilities and provisions.

**5.16. Taxation****Group**

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws. Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognized in reserves are adjusted in reserves and not in Profit and Loss Account.

**5.17. Input Credit under GST****Group**

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

**5.18. Share issue expenses****Group**

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

**5.19. Corporate Social Responsibility****Group**

Expenditure towards Corporate Social Responsibility, in accordance with Companies Act, 2013 is recognized in the Profit and Loss Account.

**5.20. Earnings per Share****Group**

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 - "Earnings per Share", issued by the ICAI, as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during 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 during the year except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split and a reverse share split

**5.21. Provisions, contingent liabilities, and contingent assets****Group**

In accordance with Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, a provision is recognized when the group has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,



## THE FEDERAL BANK LIMITED

### SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

and a reliable estimate can be made of the amount of obligation. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

No provision is recognized and a disclosure of contingent liability is made when there is:

- I. a possible obligation arising from a past event and, the existence of which will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; or
- II. a present obligation arising from a past event which is not recognized because:
  - a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - b) a reliable estimate of the amount of the obligation cannot be made.

The group does not expect the outcome of these contingencies to have a materially adverse effect on its financial results.

No provision or disclosure is made when there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote.

Contingent assets, if any, are not recognized nor disclosed in the financial statements since this may result in the recognition of income that may never be realized. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Further in the case of Fedbank Financial Services Limited- Secured/Unsecured Loans are classified/ provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding Company, employee benefits or any kind of provision which is in dispute with regulatory authority.

#### 5.22. Segment information

##### Group

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

#### 5.23. Accounting for Dividend

##### Group

In terms of Accounting Standard 4 - "Contingencies and Events occurring after the Balance sheet date" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognized in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

#### 5.24. Cash and Cash Equivalents

##### Group

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).



**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024**

Amounts in Notes to Accounts forming part of the Consolidated Financial Statements for the year ended March 31, 2024 are denominated in ₹ Crore to conform to extant RBI guidelines except where stated otherwise.

**1.1. SHARE CAPITAL****A. Equity Issue**

During the year, the Bank had issued 230,477,634 equity shares of ₹ 2 each for cash pursuant to a Qualified Institution Placement (QIP) as per the relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 at ₹ 131.90 per share aggregating to ₹ 3,040.00 Crore (including share premium). This resulted in an increase of ₹ 46.10 Crore in share capital and ₹ 2,954.17 Crore (net of issue expenses) in share premium account (previous year Nil)

During the year, Bank had issued 72,682,048 equity shares of ₹ 2 each for cash pursuant to a preferential allotment as per the relevant provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 at ₹ 131.91 per share aggregating to ₹ 958.75 Crore (including share premium). This resulted in an increase of ₹ 14.53 Crore in Share Capital and ₹ 943.62 Crore (net of share issue expenses) in share premium account. (previous year Nil).

During the year, the Bank has allotted 15,991,113 (previous year 13,637,270) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 3.20 Crore (previous year ₹ 2.73 Crore) and share premium account increased by ₹ 143.73 Crore (previous year ₹ 92.40 Crore).

During the previous year, the share capital of the Bank increased by ₹ 0.35 Lakhs and Reserves (share premium) increased by ₹ 8.40 Lakhs consequent to allotment of 17,500 shares pertaining to Rights issue of 2007, which were kept in abeyance following Orders from Courts. Further, the share capital increased by ₹ 0.04 Lakhs and Reserves (share premium) increased by ₹ 0.53 Lakhs consequent to receipt of calls in arrears pertaining 2,500 shares.

**B. Subscribed and paid up capital includes:**

- (i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 24,656,664 underlying equity shares of ₹ 2/- each (previous year 25,361,023 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

**C. The following allotments are kept pending following Orders from various Courts:**

- (i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share.
- (ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share.
- (iii) 1,056,665 equity shares of ₹ 2/- each (previous year 1,056,665 equity shares of ₹ 2/- each) at a premium of ₹ 48/- per share pertaining to Rights issue of 2007.

Listing of shares and credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various Courts.

- (i) 396,670 equity shares of ₹ 2/- each (previous year 396,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- (ii) 597,005 equity shares of ₹ 2/- each (previous year 597,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

**D. Employee Stock Option Scheme (ESOS)****The Bank****(i) Employee Stock Option Scheme 2010 (ESOS 2010)**

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2024 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	1,559,870	53.70-112.35	67.76	0.97
Granted during the year*	5,529,550	125.25-125.25	125.25	7.66
Exercised during the year	1,139,220	53.70-112.35	64.33	-
Forfeited/lapsed during the year	52,650	62.00-125.25	94.44	-
Outstanding at the end of the year	5,897,550	53.70-125.25	122.09	7.21
Exercisable at the end of the year	395,000	53.70-112.35	78.05	0.97

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	8,277,686	28.63 - 112.35	51.40	0.81
Granted during the year	-	-	-	-
Exercised during the year	5,038,853	28.63- 79.45	48.76	-
Forfeited/lapsed during the year	1,678,963	28.63 - 62.00	44.09	-
Outstanding at the end of the year	1,559,870	53.70 -112.35	67.76	0.97
Exercisable at the end of the year	1,559,870	53.70 -112.35	67.76	0.97

\*Details of options granted during the year ended March 31, 2024 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
May 27, 2023	5,529,550	125.25

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2024 (previous year Nil).

**ii) Employee Stock Option Scheme 2017 (ESOS 2017)**

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) in the AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.



## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Stock option activity under the Scheme for the year ended March 31, 2024 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	72,283,662	38.30-135.65	81.81	3.84
Granted during the year*	105,000	126.15-148.10	140.11	7.70
Exercised during the year	14,851,893	38.30-116.85	93.56	-
Forfeited/lapsed during the year	1,709,279	38.30-116.85	107.07	-
Outstanding at the end of the year	55,827,490	38.30-148.10	78.02	3.40
Exercisable at the end of the year	40,646,578	38.30-116.85	80.69	2.47

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,129,660	38.30 - 116.85	81.24	4.49
Granted during the year**	4,503,375	87.30-135.65	89.07	7.49
Exercised during the year	8,598,417	38.30-116.85	82.05	-
Forfeited/lapsed during the year	750,956	38.30-116.85	64.12	-
Outstanding at the end of the year	72,283,662	38.30-135.65	81.81	3.83
Exercisable at the end of the year	47,477,097	38.30-116.85	91.75	2.48

\*Details of options granted during the year ended March 31, 2024 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
May 20, 2023	25,000	126.15
July 05, 2023	5,000	132.00
August 29, 2023	50,000	143.90
November 18, 2023	25,000	148.10

\*\*Details of options granted during the year ended March 31, 2023 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
June 18, 2022	4,258,375	87.30
July 07, 2022	35,000	95.55
October 07, 2022	150,000	120.85
November 14, 2022	5,000	135.05
January 10, 2023	5,000	135.65
February 17, 2023	50,000	130.25



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2024 (previous year Nil).

In compliance with RBI guidelines, stock options granted to Whole Time Directors/Chief Executive Officer and Material Risk Takers after the year ended March 31, 2021 have been accounted using fair value method. Accordingly, the Bank has recognised ₹ 1.51 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2024 (previous year ₹ 1.11 Crore).

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2024 was ₹ 142.02 (previous year ₹ 116.59).

#### iii) Employee Stock Option Scheme 2023 (ESOS 2023)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2023 (ESOS 2023) in the AGM held on August 18, 2023, 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 0.71% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options. During the year, no options were granted.

#### iv) Employee Stock Incentive Scheme 2023 (ESIS 2023)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Incentive Scheme 2023 (ESIS 2023) in the AGM held on August 18, 2023, 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 0.30% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of four years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2024 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year *	25,000	2.00-2.00	2.00	5.69
Exercised during the year	-	-	-	-
Forfeited/lapsed during the year	-	-	-	-
Outstanding at the end of the year	25,000	2.00-2.00	2.00	5.69
Exercisable at the end of the year	-	-	-	-

\*Details of options granted during the year ended March 31, 2024 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
December 04, 2023	25,000	2.00

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for stock options can be done either under the "Intrinsic value method" or "Fair value method". As per the approval of shareholders, the Bank has adopted 'Fair value method' for accounting of stock options. Accordingly, the Bank has recognised ₹ 0.07 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2024.

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**v) Effect of Fair value method of accounting ESOS & ESIS**

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 14.27 Crore (previous year ₹ 15.17 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 16.00 and ₹ 15.82 (previous year ₹ 14.20 and 14.07) respectively.

Weighted average fair value of options granted during the years ended March 31, 2024 and March 31, 2023 are as follows:

Particulars	March 31, 2024	March 31, 2023
Weighted average fair value of options granted during the year (in ₹)	40.01	31.93

The fair value of the options is estimated on the date of the grant using the Black-Scholes pricing model, with the following assumptions:

Particulars	March 31, 2024	March 31, 2023
Dividend yield	0.8% - 2%	1% - 2%
Expected life (in years)	2.5 - 5	3 - 5
Risk free interest rate	5.00% - 8.50%	5.00% - 8.50%
Expected volatility	20% - 50%	20% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

Note: The above information is certified by the actuary and relied upon by the auditors.

**Fedbank Financial Services Limited****(i) Employee Stock Option Plan 2018 (ESOP, 2018)**

The Fedbank Financial Services Limited – Employees Stock Option Plan, 2018 ("ESOP, 2018") was established and approved by the Shareholders of the Company vide special resolution passed in the Extraordinary General Meeting (EGM) on November 13, 2018 enabling the Board and /or Nomination and Remuneration Committee to grant such number of options out of the ESOP pool of 6% of the total paid up share capital of the Company at the time of grant of Option. Post Listing, the ESOP, 2018 was ratified by the shareholders vide special resolution passed in the EGM on February 22, 2024.

**Movement in the options outstanding under the Employee Stock Option Plan**

Particulars	(Number of Options)	
	March 31, 2024	March 31, 2023
Outstanding at the beginning of the year	13,476,351	7,870,351
Granted during the year	375,000	6,281,250
Exercised during the year	4,596,646	394,000
Forfeited/lapsed during the year	365,626	281,250
Outstanding at the end of the year	8,889,079	13,476,351
Exercisable at the end of the year	2,322,012	2,110,000



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### (ii) Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 3.32 Crore (previous year ₹ 5.80 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method for accounting of ESOP would be ₹ 6.33 and ₹ 6.24 (previous year ₹ 5.05 and ₹ 5.05) respectively.

#### Group

##### Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 16.31 Crore (previous year ₹ 20.24 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 16.69 and ₹ 16.49 (previous year ₹ 14.91 and ₹ 14.77) respectively.

## E. Dividend

### The Bank

The Board of Directors have recommended a final dividend of 60% i.e. ₹ 1.20 per Equity Share on face value of ₹ 2.00 each for the year 2023-24 (Previous Year ₹ 1.00 per Equity Share) subject to the approval of the members at the ensuing Annual General Meeting.

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 292.24 Crore from the Profit and Loss Account for the year ended March 31, 2024. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio.

During the year, the Bank paid a final dividend of ₹ 1.00 per equity share amounting ₹ 234.91 Crore pertaining to year ended March 31, 2023, has been considered as an appropriation from the Profit and Loss Account during the year.

## 1.2 EMPLOYEE BENEFITS (AS 15)

### 1.2.1 Defined Contribution Plan

#### The Bank

##### Provident Fund

Employees who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

##### National Pension System

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the National Pension System (introduced for employees of Central Government) was implemented and employees who are covered under National Pension System are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank shall contribute 14% of the Basic Pay and Dearness Allowance towards DCPS. There is no separate Provident Fund for employees covered under National Pension System.

#### The Subsidiaries

The subsidiaries have defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to the Profit and Loss Account for the year.

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)****Group**

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 16.51 Crore (previous year ₹ 12.81 Crore) for provident fund contributions, ₹ 0.96 Crore (previous year ₹ 1.01 Crore) for Employee State Insurance Scheme Contributions and ₹ 101.45 Crore (previous year ₹ 83.04 Crore) for DCPS in the Consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the rules of the schemes.

**1.2.2 Defined benefit plan****A. Gratuity****The Bank**

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of 4 years and 240 days of service as per Payment of Gratuity Act, 1972 and its amendment with effect from March 29, 2018 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

**Fedbank Financial Services Limited**

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the Company makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Profit and Loss Account for the period in which they occur.

**Federal Operations and Services Limited**

The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The Company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on the basis of actuarial valuation under projected unit credit method at the Balance Sheet date. Actuarial gains and losses are recognised in full in the 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. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's Financial Statements for the years indicated:

**(i) Change in benefit obligations**

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Projected benefit obligation at the beginning of the year	440.73	451.29	4.62	3.19	0.68	0.45	1,701.56	1,747.94
Current Service Cost	38.38	30.56	3.12	2.18	0.48	0.35	426.23	381.76
Interest cost	30.20	31.45	0.32	0.19	0.05	0.03	112.06	116.86
Actuarial (gain)/ loss	144.88	(7.48)	(0.23)	(0.33)	(0.11)	(0.15)	(89.83)	(165.37)
Benefits paid	(45.89)	(65.09)	(0.38)	(0.61)	(0.01)	-	(298.77)	(379.63)
<b>Projected benefit obligation at the end of the year</b>	<b>608.30</b>	<b>440.73</b>	<b>7.45</b>	<b>4.62</b>	<b>1.09</b>	<b>0.68</b>	<b>1,851.25</b>	<b>1,701.56</b>

**(ii) Change in plan assets**

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Plan assets at the beginning of the year at fair value	464.10	493.78	2.87	3.07	-	-	1,697.14	1,803.99
Adjustment to Opening Fair Value of Plan Asset	-	-	-	0.09	-	-	-	-
Expected return on plan assets	33.55	35.40	0.19	0.18	-	-	122.53	131.15
Actuarial gain/ (loss)	1.41	0.01	0.09	(0.18)	-	-	7.50	0.09
Employer's Contributions	20.89	-	-	-	0.29	-	222.75	141.54
Benefits paid	(45.89)	(65.09)	(0.37)	(0.29)	(0.01)	-	(298.77)	(379.63)
<b>Plan assets at the end of the year at fair value</b>	<b>474.06</b>	<b>464.10</b>	<b>2.78</b>	<b>2.87</b>	<b>0.28</b>	<b>-</b>	<b>1,751.15</b>	<b>1,697.14</b>

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**(iii) Reconciliation of present value of the obligation and the fair value of the plan assets**

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Fair value of plan assets at the end of the year	474.06	464.10	2.78	2.87	0.28	-	1,751.15	1,697.14
Present value of the defined benefit obligations at the end of the year	608.30	440.73	7.45	4.62	1.09	0.68	1,851.25	1,701.56
<b>Liability/ (Asset) recognized in the Consolidated Balance Sheet</b>	<b>134.24</b>	<b>(23.37)</b>	<b>4.67</b>	<b>1.75</b>	<b>0.81</b>	<b>0.68</b>	<b>100.10</b>	<b>4.42</b>

**(iv) Gratuity/ pension cost**

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Current Service cost	38.38	30.56	3.12	2.18	0.49	0.35	426.23	381.76
Interest cost	30.20	31.45	0.32	0.19	0.05	0.03	112.06	116.86
Expected return on plan assets	(33.55)	(35.40)	(0.19)	(0.18)	-	-	(122.53)	(131.15)
Actuarial (gain)/ loss	143.47	(7.50)	(0.32)	(0.15)	(0.11)	(0.15)	(97.33)	(165.45)
Net Cost	178.50	19.11	2.93	2.04	0.43	0.23	318.43	202.02
Other direct contributions to the Fund	-	-	-	-	-	-	(0.10)	(0.51)
Net Cost Debit to Consolidated Profit and Loss Account	178.50	19.11	2.93	2.04	0.43	0.23	318.33	201.51
Actual return on plan assets <sup>###</sup>	34.96	35.42	0.28	-	-	-	130.04	131.23

##Figures taken from Audited Financial statements of respective trusts.





**THE FEDERAL BANK LIMITED**

**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

**(v) Investment details of plan Assets\***

(Amount in ₹ Crore)

	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	-	-
Balance in Saving Bank account with the Bank	1.49	0.86	1.87	13.04
Net current assets	-	-	-	-
Balance with LIC/ABSL <sup>#</sup>	472.57	463.24	1,749.28	1,684.10
<b>Total</b>	<b>474.06</b>	<b>464.10</b>	<b>1,751.15</b>	<b>1,697.14</b>

\* - Figures taken from Audited Financial statements of respective trusts.

<sup>#</sup> In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

**(vi) Experience adjustments**

**a) Gratuity Plan**

**The Bank**

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined Benefit Obligations	608.30	440.73	451.29	467.81	374.63	329.19
Plan Assets	474.06	464.10	493.78	469.49	369.30	334.23
Surplus/(Deficit)	(134.24)	23.37	42.49	1.68	(5.33)	5.04
Experience adjustments on Plan Liabilities [(Gain)/Loss]	119.72	2.78	8.09	(89.21)	(10.09)	(6.56)
Experience Adjustments on Plan Assets [Gain/ (Loss)]	2.71	4.11	(7.67)	7.20	3.29	0.77

**Fedbank Financial Services Limited**

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined Benefit obligations	7.45	4.62	3.19	2.49	1.81	1.07
Plan Assets	2.78	2.87	3.07	2.33	1.49	1.10
Surplus/(Deficit)	(4.67)	(1.75)	(0.12)	(0.16)	(0.31)	0.03
Experience adjustments on Plan Liabilities [(Gain)/ Loss]	(0.35)	0.29	(0.75)	(0.29)	0.07	(0.04)
Actuarial Gain / (Loss) on Plan Assets	0.09	(0.18)	0.01	0.15	(0.01)	0.01

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

## Federal Operations and Services Limited

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined Benefit obligations	1.09	0.68	0.45	0.16	0.06	*
Plan Assets	0.28	-	-	-	-	-
Surplus/(Deficit)	(0.81)	(0.68)	(0.45)	(0.16)	(0.06)	*
Experience adjustments on Plan Liabilities [(Gain)/ Loss]	(0.06)	(0.13)	0.06	(0.01)	(0.02)	-
Experience adjustments on Plan Assets [Gain/ (Loss)]	-	-	-	-	-	-

\* denotes figures less than ₹ 1 lakh

## b) Pension Plan

## The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019
Defined Benefit Obligations	1,851.25	1,701.56	1,747.94	1,486.28	1,197.98	983.39
Plan Assets	1,751.15	1,697.14	1,803.99	1,494.71	1,129.93	978.09
Surplus/(Deficit)	(100.10)	(4.42)	56.05	8.43	(68.05)	(5.30)
Experience adjustments on Plan Liabilities [(Gain)/Loss]	(132.83)	(128.95)	(342.70)	(327.78)	(95.10)	(39.39)
Experience adjustments on Plan Assets [Gain/(Loss)]	12.25	13.25	(0.49)	13.79	7.54	(3.14)

## (vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Discount rate	7.23%	7.51%	6.97%	7.13%	7.02%	7.31%	7.22%	7.50%
Annuity rate per Rupee (in ₹)	-	-	-	-	-	-	134.11	134.64
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.23%	7.17%	-	-	-	-	7.22%	7.27%
Attrition Rate	2.00%	2.00%	-	-	-	-	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IIAM 2012-15 (Ultimate)	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (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.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

#### C. Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

##### The Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

##### Fedbank Financial Services Limited

The Company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the year in which they occur.

##### Group

A sum of ₹ 147.06 Crore (previous year ₹ 87.97 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

The actuarial liability of compensated absences of accumulated privilege, sick, casual leaves and leave travel concession of the employees of the Group is given below:

Particulars	(Amount in ₹ Crore)			
	March 31, 2024		March 31, 2023	
	FBL	FFSL	FBL	FFSL
Privilege leave	513.17	4.65	389.17	3.36
Sick leave	39.96	-	27.60	-
Leave travel concession	51.27	-	44.21	-
Casual leave	3.13	-	1.92	-
<b>Total actuarial liability</b>	<b>607.53</b>	<b>4.65</b>	<b>462.90</b>	<b>3.36</b>
<b>Assumptions</b>				
Discount rate	7.23%	6.97%	7.51%	7.13%
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
Attrition rate	2.00%	-	2.00%	-

The discount rate is based on the prevailing market yields of Government of India securities as on the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

**THE FEDERAL BANK LIMITED****SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.3 SEGMENT REPORTING (AS 17)****A. Business Segments**

Business of the Group is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and Other Banking Operations. The principal activities of these segments and income and expenses structure are as follows:

**Treasury**

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings in the form of interest from the investment portfolio of the group, gains, losses, margins and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consist of diminution in the value of non performing portfolio of the segment.

**Corporate/Wholesale Banking**

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the approved methodology. Provisions allocated to the segment include the loan loss provision and standard asset provision created for the portfolio under the segment.

**Retail banking**

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, on the basis of the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the approved methodology. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Digital Banking Business is separately reported as a sub-segment under Retail Banking Segment as per the RBI guideline. The Sub Segment includes the businesses involving digital banking products acquired by the Digital Banking Unit together with the existing digital banking products.

**Other Banking Operations**

This segment includes banking operations, not covered under any of the above segments such as para banking operations. The income from such services and associated costs are disclosed in this segment.

**Unallocated**

All items that are reckoned at enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, fixed assets, cash and balances in other Bank current accounts, etc. Unallocated segment revenue consists of profit on sale of fixed assets, notice pay on resignation of employees etc.



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

The following table sets forth, for the years indicated, the business segment results:

**March 31, 2024**

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking <sup>#</sup>	Other Banking Operations	Total
Revenue	3,546.55	7,167.85	15,778.84	283.07	26,776.31
Result (net of provisions)	602.18	1,617.41	2,817.73	218.05	5,255.37
Unallocated income / (expense)					5.63
Operating profit (PBT)					5,261.00
Income taxes					(1,333.47)
Share in profit of associates					36.51
Minority interest					83.61
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					3,880.43
<b>OTHER INFORMATION</b>					
Segment assets	63,388.35	110,794.50	135,596.59	5.08	309,784.52
Unallocated assets					8,054.43
Total assets					317,838.95
Segment liabilities	29,642.57	32,005.10	220,010.23	3.56	281,661.46
Unallocated liabilities					5,251.66
<b>Total liabilities</b>					<b>286,913.12</b>

<sup>#</sup>Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	1,501.03	225.59	6,812.96	16,263.28
Other Retail Banking	14,277.81	2,592.14	128,783.63	203,746.95

**March 31, 2023**

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking <sup>#</sup>	Other Banking Operations	Total
Revenue	2,535.55	5,207.04	12,287.10	212.25	20,241.94
Result (net of provisions)	524.60	943.35	2,615.38	158.17	4,241.50
Unallocated income / (expense)					21.44
Operating profit (PBT)					4,262.94
Income taxes					(1,087.18)
Share in profit of associates					34.06
Minority interest					(45.10)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					3,164.72
<b>OTHER INFORMATION</b>					
Segment assets	52,069.24	96,727.29	112,569.64	13.13	261,379.30
Unallocated assets					6,624.76
Total assets					268,004.06
Segment liabilities	29,420.93	24,140.80	189,288.92	2.94	242,853.59
Unallocated liabilities					2,676.09
<b>Total liabilities</b>					<b>245,529.68</b>

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

# Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)				
Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	903.54	113.59	4,165.92	12,037.20
Other Retail Banking	11,383.56	2,501.79	108,403.72	177,251.72

**B. Geographical Segment Information**

The Business operations of the group are largely concentrated in India and for purpose of Segment reporting, the group is considered to operate only in domestic segment, though the Bank has its operation in International Financial Services Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT City). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

**1.4 RELATED PARTY DISCLOSURES (AS 18)****a) Details of Related Parties:**

Name of the entity	Nature of Relationship
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Federal Bank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

**Key Management Personnel (KMP)**

Name of the Key Management personnel	Relatives of the Key Management Personnel	Description of Relationships
Mr. Shyam Srinivasan, Managing Director & CEO	▪ Mr. T S Srinivasan	▪ Father
	▪ Ms. Kamala Srinivasan	▪ Mother
	▪ Ms. Maya Shyam	▪ Wife
	▪ Ms. Meena Lochani	▪ Sister
	▪ Ms. Rohini	▪ Sister
Mr. Ashutosh Khajuria, Executive Director (Ceased on April 30, 2023)	▪ Ms. Sunita Khajuria	▪ Wife
	▪ Ms. Vasundhara Khajuria	▪ Daughter
	▪ Ms. Yashodhara Khajuria	▪ Daughter
Ms. Shalini Warriar, Executive Director	▪ Ms. Parvathi Warriar	▪ Mother
	▪ Ms. Asha Warriar	▪ Sister
Mr. Harsh Dugar Executive Director (Appointed on June 23, 2023)	▪ Umed Mal Dugar	▪ Father
	▪ Saroj Devi Dugar	▪ Mother
	▪ Siddhartha Dugar	▪ Brother
	▪ Shilpa Pagaria	▪ Sister
	▪ Ektaa Dugar	▪ Spouse
	▪ Tarasha Dugar	▪ Daughter
	▪ Anaika Dugar	▪ Daughter



**THE FEDERAL BANK LIMITED**

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

**b) Transactions with related parties**

**For the year ended March 31, 2024:**

(Amount in ₹ Crore)

Items/Related Party	Associates	KMP	Relatives of KMP	Total
Deposits <sup>#</sup>	75.75	6.84	4.36	86.95
	(75.75)	(10.33)	(5.39)	(91.47)
Advances <sup>#</sup>	-	1.29	1.46	2.75
	(4.73)	(1.35)	(1.54)	(7.62)
Investments in shares <sup>#</sup>	232.01	-	-	232.01
	(232.01)	-	-	(232.01)
Interest paid	*	0.48	0.27	0.75
Interest received	0.03	0.04	0.12	0.19
Income from services rendered	127.24	-	-	127.24
Expenses for receiving services	0.51	-	-	0.51
Receivable <sup>#</sup>	15.78	-	-	15.78
	(45.28)	-	-	(45.28)
Directors sitting fee received	0.36	-	-	0.36
Remuneration paid	-	5.22	-	5.22
Dividend received	16.16	-	-	16.16
Dividend paid	-	0.18	*	0.18
Share capital received on exercise of ESOS	-	14.78	-	14.78
Number of options granted under ESOS	-	175,800	-	175,800
Number of options outstanding under ESOS.	-	3,874,200	-	3,874,200

\* Denotes figures less than ₹ 1 Lakh.

# - Represents outstanding as on March 31, 2024

**For the year ended March 31, 2023**

(Amount in ₹ Crore)

Items/Related Party	Associates	KMP	Relatives of KMP	Total
Deposits <sup>#</sup>	71.79	6.58	2.69	81.06
	(76.35)	(6.79)	(2.79)	(85.93)
Advances <sup>#</sup>	-	0.17	0.07	0.24
	(1.04)	(0.21)	(0.10)	(1.35)
Investments in shares <sup>#</sup>	232.01	-	-	232.01
	(232.01)	-	-	(232.01)
Interest paid	*	0.35	0.13	0.48
Interest received	0.13	0.01	0.01	0.15
Income from services rendered	86.53	-	-	86.53
Receivable <sup>#</sup>	13.73	-	-	13.73
	(76.63)	-	-	(76.63)
Directors sitting fee received	0.31	-	-	0.31
Remuneration paid	-	5.56	-	5.56
Dividend received	7.95	-	-	7.95
Dividend paid	-	0.24	-	0.24
Share capital received on exercise of ESOS	-	2.31	-	2.31
Number of options granted under ESOS	-	157,400	-	157,400
Number of options outstanding under ESOS	-	3,234,080	-	3,234,080

\* Denotes figures less than ₹ 1 Lakh

# - Represents outstanding as on March 31, 2023



## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

Figures in brackets indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

The significant transactions between the Group and the related parties during the year ended March 31, 2024 and March 31, 2023 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

		(Amount in ₹ Crore)	
Nature of Transaction	Name of the Related party	March 31, 2024	March 31, 2023
Deposits	Ageas Federal Life Insurance Company Limited	74.74	70.61
	Mr. Ashutosh Khajuria	0.13 <sup>@</sup>	0.17
Advances	Ms. Asha Warriar	0.04 <sup>@</sup>	0.07
	Mr. Harsh Dugar	1.15	NA
	Mr. Siddhartha Dugar	1.43	NA
	Ageas Federal Life Insurance Company Limited	208.00	208.00
Investments in shares	Equirus Capital Private Limited	24.01	24.01
	Mr. Shyam Srinivasan	0.35	0.29
Interest paid	Ms. Sunita Khajuria	0.09	0.02 <sup>#</sup>
	Ms. Shalini Warriar	0.11	0.06
	Mr. Harsh Dugar	0.04	NA
Interest received	Mr. Siddhartha Dugar	0.11	NA
	Equirus Capital Private Limited	0.03	0.13
Income from services rendered	Ageas Federal Life Insurance Company Limited	127.22	86.53
Expenses for receiving services	Equirus Capital Private Limited	0.51	- #
Receivable	Ageas Federal Life Insurance Company Limited	15.78	13.73
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.36	0.23
	Equirus Capital Private Limited	- <sup>@</sup>	0.08
Remuneration paid	Mr. Shyam Srinivasan	2.99	2.96
	Mr. Ashutosh Khajuria	0.08 <sup>@</sup>	1.27
	Mr. Harsh Dugar	0.86	NA
	Ms. Shalini Warriar	1.28	1.32
Dividend received	Ageas Federal Life Insurance Company Limited	14.82	7.28
	Mr. Shyam Srinivasan	0.08	0.14
Dividend paid	Mr. Harsh Dugar	0.02	NA
	Ms. Shalini Warriar	0.03	- #
	Mr. Ashutosh Khajuria	0.06	0.09
	Mr. Ashutosh Khajuria	3.51	0.76
Share capital received on exercise of ESOS	Mr. Shyam Srinivasan	1.99	- #
	Mr. Harsh Dugar	3.48	NA
	Ms. Shalini Warriar	5.81	1.55
Number of options granted under ESOS	Mr. Ashutosh Khajuria	- <sup>@</sup>	91,000
	Mr. Harsh Dugar	85,000	NA
	Ms. Shalini Warriar	90,800	66,400
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	5,51,500	8,51,500
	Mr. Harsh Dugar	17,85,000	NA
	Ms. Shalini Warriar	15,37,700	20,61,900

<sup>@</sup> Not significant related party transaction in FY 2023-24

<sup>#</sup> Not significant related party transaction in FY 2022-23

NA - Not a related party during the FY 2022-23



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### 1.5 LEASE (AS 19)

##### The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 218.15 Crore (previous year ₹ 192.72 Crore) was charged to Profit and Loss account.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

##### Fedbank Financial Services Limited

The Company has entered into operating lease arrangement for its Corporate office. The lease is non cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Future minimum lease payments:		
- Up to one year	0.46	4.37
- More than one year and up to five years	-	0.46
- More than five years	-	-
Lease payments recognised in the Profit and Loss Account with respect to above mentioned operating lease arrangement	4.37	4.19

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for branches / offices taken on an operating lease ₹ 32.78 Crore (previous year ₹ 29.03 Crore) have been recognised as "Rent Paid" in the Profit and Loss Account.

##### Federal Operations and Services Limited

The company has taken premises under rental arrangements, which are in the nature of cancellable operating leases.

#### 1.6 EARNINGS PER SHARE (AS 20)

Basic and diluted earnings per equity share are computed in accordance with AS 20 – Earnings per share. Basic earnings per equity share is computed by dividing consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

The following table sets forth, for the years indicated, the computation of earnings per share.

Particulars	March 31, 2024	March 31, 2023
Earnings used in the computation of basic and diluted earnings per share (₹ in Crore)	3,880.43	3,164.72
Basic earnings per share (in ₹)	16.76	15.01
Effect of potential equity shares (in ₹)	0.21	(0.16)
Diluted earnings per share (in ₹)	16.55	14.85
Nominal value per share (in ₹)	2.00	2.00
<b>Reconciliation between weighted shares used in computation of basic and diluted earnings per share</b>		
Basic weighted average number of equity shares outstanding (in Crore)	231.58	210.91
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	2.88	2.22
Diluted weighted average number of equity shares outstanding (in Crore)	234.46	213.13

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.7 DEFERRED TAX ASSETS / LIABILITY (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
<b>Deferred Tax Liability</b>		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	242.82	198.40
(ii) Depreciation on Investments	3.37	3.37
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	283.31	239.43
(iv) Others	7.64	3.41
<b>Total - (A)</b>	<b>537.14</b>	<b>444.61</b>
<b>Deferred Tax Asset</b>		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.36	0.36
(ii) Provision for Standard Assets	325.15	375.65
(iii) Depreciation on Fixed Assets	0.24	0.65
(iv) Others	228.73	187.56
<b>Total - (B)</b>	<b>554.48</b>	<b>564.22</b>
<b>Net Deferred tax liability/ (Asset) (A-B)</b>	<b>(17.34)</b>	<b>(119.61)</b>

**1.8 PROVISIONS AND CONTINGENCIES RECOGNISED IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT INCLUDES:**

Sl. No.	Particulars	(Amount in ₹ Crore)	
		March 31, 2024	March 31, 2023
i)	Provision towards NPAs	463.27	655.28
ii)	Provision for Non-Performing Investments	1.26	(6.68)
iii)	Provision for Standard Assets	(200.85)	117.56
iv)	Provision for Taxation (refer Note 1.9)	1,333.47	1,087.18
v)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	(4.09)	32.47
<b>Total</b>		<b>1,593.06</b>	<b>1,885.81</b>

**1.9 AMOUNT OF PROVISIONS MADE FOR INCOME-TAX DURING THE YEAR:**

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Provision for Income Tax		
a) Current Tax	1,227.03	1,085.93
b) Deferred Tax	106.44	1.25
<b>Total</b>	<b>1,333.47</b>	<b>1,087.18</b>

**1.10 DETAILS OF PENALTY IMPOSED BY THE RESERVE BANK OF INDIA****The Bank**

Particulars	(Amount in ₹ Lakh)	
	March 31, 2024	March 31, 2023
a) Penalty imposed on currency chests		
Number of instances of default	18	14
Quantum of penalty imposed	1.95	3.07
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	54	81
Quantum of penalty imposed	47.25	630.65



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### Fedbank Financial Services Limited

Penalty of ₹ 8.80 Lakhs was imposed on Fedbank Financial Services Limited during the year ended March 31, 2024. (previous year : Nil)

#### 1.11 FIXED ASSETS

##### A) Fixed Assets as per Schedule 10 include Software and System Development Expenditure. Details of group regarding the same are tabulated below:

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
<b>Gross Block</b>		
At cost as on 31 <sup>st</sup> March of the preceding year	515.91	381.06
Additions during the year	56.20	134.85
Deductions / Adjustments during the year	0.78	-
At the end of the year	<b>571.33</b>	<b>515.91</b>
<b>Depreciation / Amortization</b>		
At the beginning of the year	322.96	268.14
Charge for the year	76.33	54.83
Deductions during the year	0.63	-
Depreciation to date	<b>398.66</b>	<b>322.97</b>
<b>Net Block</b>	<b>172.67</b>	<b>192.94</b>

##### B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2024 and March 31, 2023.

#### 1.12 PROVISIONS AND CONTINGENCIES

##### The Bank

##### a) Movement in provision for non-credit related\* frauds included under other liabilities

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Opening balance	29.73	6.67
Additions during the year	5.23	23.16
Reductions during the year	(0.30)	(0.10)
<b>Closing balance</b>	<b>34.66</b>	<b>29.73</b>

\* Provision for credit related frauds is included in Provision towards NPAs.

##### b) Movement in provision for other contingencies

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Opening provision	85.31	76.47
Provision made during the year	2.41	11.10
Provision utilized for write off during the year	(1.02)	(0.78)
Reductions during the year	(11.65)	(1.48)
<b>Closing provision</b>	<b>75.05</b>	<b>85.31</b>

## THE FEDERAL BANK LIMITED

**SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**c) Movement in floating provision:**

(Amount in ₹ Crore)

Particulars	Standard Asset Provision		NPA Provision	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Amount drawn down during the year	-	-	-	-
<b>Closing balance</b>	<b>12.75</b>	<b>12.75</b>	<b>69.18</b>	<b>69.18</b>

**1.13 DESCRIPTION OF CONTINGENT LIABILITIES****a) Claims against the Group not acknowledged as debts**

These represent claims filed against the group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the group.

**b) Liability on account of forward exchange and derivative contracts**

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

**c) Guarantees given on behalf of constituents**

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

**d) Acceptances, endorsements and other obligations**

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

**e) Other items for which Group is contingently liable**

Includes Capital commitments, amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund etc.

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

**1.14 PROVISION FOR LONG TERM CONTRACTS**

The Group has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Group has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

**1.15 SMALL AND MICRO INDUSTRIES****The Bank**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported



## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

#### Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 7.88 Crore (previous year ₹ 16.33 Crore), no amount is due to Micro, Small and Medium Enterprises (Previous Year Nil). The Company has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. The aforesaid classification is based on responses received by the Company to its enquires with suppliers with regard to applicability under the said act.

#### Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as on March 31, 2024, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

#### 1.16 CORPORATE SOCIAL RESPONSIBILITY (CSR)

##### The Bank

- The gross amount required to be spent by the Bank on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2024, was ₹ 57.55 Crore (previous year ₹ 43.88 Crore).
- The amount approved by the Board of the Bank to be spent during the year was ₹ 57.55 Crore (previous year ₹ 43.88Crore).
- Amount spent/transferred to separate CSR unspent account during the year is given below:

The following table sets forth, for the years indicated, the amount spent by the Bank on CSR related activities.

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2024			March 31, 2023		
		Spent during the year	Transferred to separate CSR unspent account	Total	Spent during the year	Transferred to separate CSR unspent account	Total
1.	Construction / acquisition of any asset	-	-	-	-	-	-
2.	On purpose other than (1) above	60.67*	10.34 <sup>§</sup>	71.01	30.86 <sup>@</sup>	15.97	46.83

\*Includes ₹ 13.46 Crore spent from unspent CSR account pertaining to ongoing projects of FY 2022-23.

<sup>§</sup> ₹ 10.34 Crore pertaining to ongoing projects of FY 2023-24 was transferred to unspent CSR account within the prescribed timeline.

<sup>@</sup> Includes ₹ 2.95 Crore spent from unspent CSR account pertaining to ongoing projects of FY 2021-22.

**THE FEDERAL BANK LIMITED****SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**

The following table sets forth the summary of amount pertaining to ongoing projects transferred to separate CSR unspent account:

Year	Opening Balance in Separate CSR Unspent account	Amount required to be spent during the year	Amount spent during the year		Amount transferred to Separate CSR unspent account during the year	Closing Balance in Separate CSR Unspent account
			From Bank's account	From Separate CSR Unspent account		
2022-23	3.29	43.88	27.91	2.95	15.97	16.31
2023-24	16.31	57.55	47.21	13.46	10.34 <sup>§</sup>	13.19

(Amount in ₹ Crore)

<sup>§</sup> ₹ 10.34 Crore was transferred to Unspent CSR account within the prescribed timeline.

The following table sets forth, for the years indicated, the details of related party transactions pertaining to CSR related activities as per Accounting Standard (AS) 18, Related Party Disclosures.

Sl. No.	Related Party	(Amount in ₹ Crore)	
		March 31, 2024	March 31, 2023
1	Federal Bank Hormis Memorial Foundation*	59.23**	27.30
	<b>Total</b>	<b>59.23</b>	<b>27.30</b>

\*Federal Bank Hormis Memorial Foundation (FHMF) is a trust in which KMPs of the Bank can exercise significant influence and is the implementation agency for Bank's CSR activities / programs / projects.

\*\* Includes Donations to FHMF for projects sanctioned during FY 2023-24 amounting to ₹ 45.96 Crore and Donations to FHMF from unspent CSR account for ongoing projects identified during FY 2022-23 amounting to ₹ 13.27 Crore.

**Fedbank Financial Services Limited**

Particulars	(Amount in ₹ Crore)	
	March 31, 2024	March 31, 2023
Amount required to be spent	3.06	1.36
Amount spent during the year		
(a) Construction / acquisition of asset	-	-
(b) On purpose other than (a) above	3.10	1.36
Excess / (shortfall)	0.04	-
Amount required to be contributed to specified fund u/s 135(6)	-	-

**1.17 INVESTOR EDUCATION AND PROTECTION FUND**

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Group.





## THE FEDERAL BANK LIMITED

### SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)

#### 1.18 DISCLOSURE UNDER RULE 11(E) OF THE COMPANIES (AUDIT AND AUDITORS) RULES, 2014

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other person(s) or entity (ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Group (Ultimate Beneficiaries). The Group has not received any fund from any party(s) (Funding Party) with the understanding that the Group shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Group ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

#### 1.19 ADDITIONAL INFORMATION ON NET ASSETS AND SHARE OF PROFITS OF THE BANK, ITS SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES AS CONSIDERED IN THE CONSOLIDATED FINANCIAL STATEMENTS

##### March 31, 2024

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
<b>Parent:</b>				
The Federal Bank Limited	96.64 %	29,094.27	95.46%	3,703.94
<b>Subsidiary:</b>				
Fedbank Financial Services Limited	2.91 %	875.21	3.45%	134.01
Federal Operations and Services Limited	0.05 %	16.61	0.15%	5.98
<b>Associate:</b>				
Ageas Federal Life Insurance Company Limited	0.34 %	101.29	0.72%	27.81
Equirus Capital Private Limited	0.06 %	17.97	0.22%	8.69
<b>Total</b>	<b>100.00 %</b>	<b>30,105.35</b>	<b>100.00%</b>	<b>3,880.43</b>

##### March 31, 2023

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
<b>Parent:</b>				
The Federal Bank Limited	97.21%	21,506.63	94.87%	3,002.59
<b>Subsidiary:</b>				
Fedbank Financial Services Limited	2.29%	506.25	3.90%	123.29
Federal Operations and Services Limited	0.05%	10.62	0.15%	4.78
<b>Associate:</b>				
Ageas Federal Life Insurance Company Limited	0.40%	88.30	0.94%	29.73
Equirus Capital Private Limited	0.05%	10.61	0.14%	4.33
<b>Total</b>	<b>100.00%</b>	<b>22,122.41</b>	<b>100.00%</b>	<b>3,164.72</b>

**THE FEDERAL BANK LIMITED****SCHEDULE 18:** NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024 (Contd.)**1.20 ADDITIONAL DISCLOSURE**

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

**1.21** Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

As per our report of even date

For The Federal Bank Limited

For **M S K A & Associates**

Chartered Accountants

ICAI Firm Registration No: 105047W

**Swapnil Kale**

Partner

Membership No: 117812

Place: Mumbai

For **Suri & Co**

Chartered Accountants

ICAI Firm Registration No: 004283S

**G. Rengarajan**

Partner

Membership No: 219922

Place: Kochi

Place: Kochi

Date : May 02, 2024

**A P Hota**

Chairman

DIN: 02593219

**Shalini Warriar**

Executive Director

DIN: 08257526

**Venkatraman Venkateswaran**

Chief Financial Officer

**Manikandan Muthiah**

Head - Financial Reporting

**Shyam Srinivasan**

Managing Director & CEO

DIN: 02274773

**Harsh Dugar**

Executive Director

DIN: 00832748

**Samir P Rajdev**

Company Secretary