MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY - THE NEW NORMAL

After years of unprecedented disruption, general expectations were that normalcy would be restored in FY 2023-24. The global economy appeared to be poised for a gradual recovery from the powerful blows of the pandemic and the Russo-Ukrainian War. Supply-chain disruptions were unwinding and the massive and synchronous tightening of monetary policy by most central banks are expected to bear fruit, with inflation starting its retreat toward targets.

However, what unfolded through the year was far from expected lines. Kicking things off, the US faced political upheaval with an impasse on the raising of the US debt ceiling threatening to derail the economy. Along with the overhang from Bank collapses, the year started off on a somber note for the largest economy in the world. The Bank of England and other European economies continued its struggle against inflation. The property market crisis in China precipitated into a faltering economy with weak global demand and the US China stand-off further slowing trade. The unexpected escalation of conflict between Israel and Hamas and the subsequent restrictions in trade lines along the Red Sea by Houthi rebels ensured that Geo-political tensions were never far from people's minds. Climate change exacerbated by the El Nino phenomenon resulted in summer 2023 being the hottest season in the northern hemisphere in the past 2000 years. Rationalisation of costs led to an increase in layoffs in certain industries.

But not all developments were downbeat in nature. Spurred on by companies riding on the coattails of the AI revolution and expectations of an imminent rate cut, stock markets in the US performed exceedingly well with the US Dow Jones Industrial Average (DJIA) crossing the 38,000 mark for the first time in Jan 2024. The DJIA continued its bull run into the new financial year as well, crossing the milestone figure of 40,000 in May 2024. Most indicators pointed to a revival of spending and consumption post the pandemic. After decades of stagnation, Japanese labor unions negotiated for the biggest wage hike in 33 years, signaling a reversal of trend in the Japanese economy. In conclusion, despite disruptions, the Global economy remains remarkably resilient with growth holding steady.

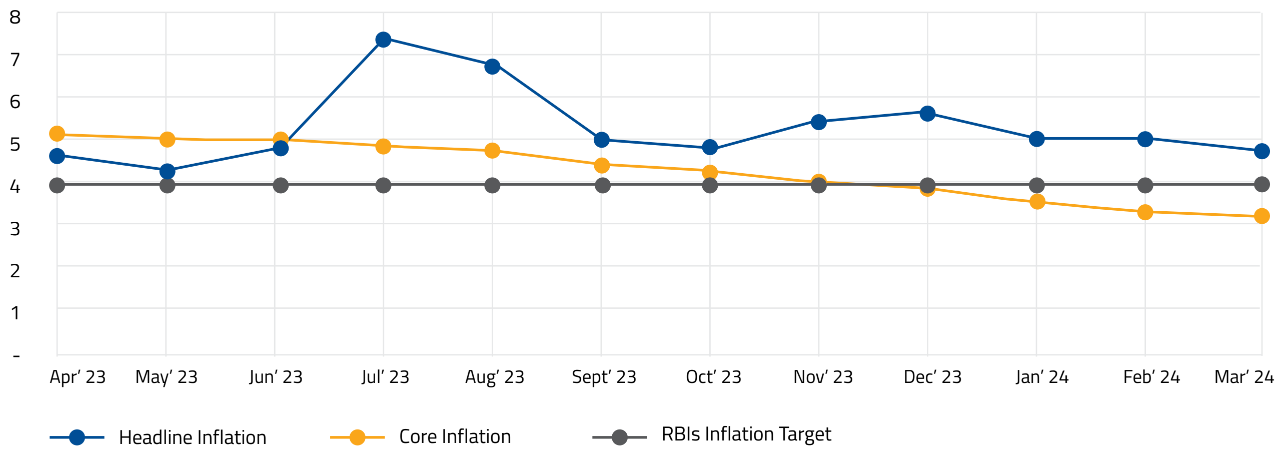
INDIAN ECONOMY – BRIGHT SPOT IN THE WORLD ECONOMY

India was considered a 'Bright Spot' in the world economy and a key contributor to global growth by the IMF in their World Economic Outlook for April 2023. With a GDP growth of 8.2% as per provisional estimates by the Ministry of Statistics, India is one of the fastest growing major economies in the world. And this growth is expected to be sustained in the long run due to factors such as a favorable demography, strong domestic demand, fledgling manufacturing sector etc. The increasing influence of India on the world stage was evident during the G20 summit which India hosted in 2023.

The positive sentiments were echoed by the stock markets as well with NIFTY, NIFTY Bank and NIFTY Realty touching all-time highs at various times throughout the year. The retail consumer also jumped in on the India growth story as seen from record high demat account openings and record domestic SIP flows. The Indian Rupee remained one of the best performing currencies in the region due to sound macroeconomic fundamentals, financial stability and improvements in India's external position. Inclusion of Indian Govt bonds in international indexes and the ensuing inflow of foreign funds may extend the Rupee's strong performance into the next Financial Year as well. Inflation was managed better than most of the developed peers. Despite clocking record high export figures in FY 2022-23, initial estimates show that Total exports (including merchandising and services exports) for FY 2023-24 may have surpassed previous year's figures.

The coming year could prove to be a litmus test for sustainability of the growth story of India. Ensuring that the 'elephant' that is inflation stays aligned to expectations on a durable basis while at the same time, nurturing the green shoots of growth will be a tricky balance to achieve. Euphoria over gains in the stock markets may result in a potential bubble forming, with markets regulator SEBI calling out 'froth' in certain segments. Household savings at multi-year lows may also add an additional dimension to market exuberance as more funds flow into the markets.

Consumer Inflation trajectory FY 2023-24



INDIAN BANKING INDUSTRY – A PROACTIVE REGULATOR AND LIQUIDITY CONCERNS

FY 2023-24 could be considered a golden period for the banking sector in many ways. Healthy credit demand and elevated interest rates helped Banks in expanding margins towards the beginning of the year. However, as the year progressed, Cost of Deposits started catching up, putting pressure on margins. Most Banks recorded healthy profit figures, with the icing on the cake being the highest ever quarterly profit figure posted by India's largest public sector bank in Q4 FY 2023-24, which is also the highest ever quarterly profit reported in the banking sector in India. Merger of one of the largest HFCs in the country with one of the largest Banks in the country, created a behemoth which is one of the largest Banks in the world by market capitalisation. Consolidation, growth and 'the big getting bigger' remained key themes in the year gone by.

Despite excellent outcomes, the journey was far from a walk in the park for most Banks. The central Bank, in its quest to rein inflation, kept a tight control on liquidity in the system through various measures such as introduction of ICRR, multiple VRR and VRRR auctions etc. This drought of liquidity during certain periods, coupled with a prolonged period of credit growth outpacing deposit growth, led to elevated Loan to Deposit Ratios (LDR) across the system. Many Banks had to resort to borrowings to fund their credit growth. This combined with an elevated Weighted Average Call Rate (WACR), which was at times above the Liquidity Adjustment Facility (LAF) corridor of the RBI, further complicated matters. Liquidity and funding management remained one of the foremost concerns for Banks in the Financial Year.

Guiding the industry along was a regulator who remained proactive, nimble and firm, plugging any gaps in the system and engaging regularly with stakeholders. With an ultimate focus on customer convenience and financial stability, a slew of regulations was announced which included frameworks for resetting of tenor/ EMI in floating rate loans, withdrawal of ₹ 2000 denomination currency notes from circulation, introduction of Key Fact Statement (KFS) for all Retail and MSME loans etc. The steady guiding hand of the regulator ensured an orderly and resilient growth in the financial system.

Going forward, expectations are that the Banking sector might witness some moderation in growth. Banks whose funding sources are intact & scalable, with robust systems & processes and a strong commitment to keep their balance sheet clean, could continue to build on momentum while others may fall by the wayside.

FEDERAL BANK – A YEAR FOR THE RECORDS

FY 2023-24 was an exhilarating time for your Bank, which saw consistent value creation, growing on the foundation built in the recent past. The year saw quarterly Net Profit cross the 4-digit mark for the first time ever and your Bank earned its highest ever Annual Net Profit in FY 2023-24. The capital raise exercise carried out during the year garnered phenomenal support from all quarters and was oversubscribed multiple times. Through the listing of FedBank Financial Services Ltd, the subsidiary engaged in NBFC business, your Bank unlocked value for all stakeholders. Business grew at a brisk pace outpacing industry growth and Total Business crossed the milestone of ₹ 4.60 Lakh Crore. Asset quality remained pristine with Gross NPA and Net NPA at multi-year lows at the end of March 31, 2024.

Your Bank's resolve to maintain leadership in technology and digital initiatives was showcased through the launch of National Common Mobility Card (NCMC) wallet debit cards, WhatsApp registrations for Prime Minister's Social Security Schemes (PMJJBY and PMSBY), Flash Pay – the RuPay smart key chain for Contactless Payments etc. Your Bank also executed its first cross border trade transaction using electronic bill of lading over the blockchain platform, effectively providing best in class customer service through the use of cutting-edge technology. With new and exciting offerings such as the NRE Eve+, Stellar and Shreni Accounts, your Bank reiterated its commitment to provide the best services and features for its customers. Increasing its footprint by almost 10% over the year, your Bank has expanded its reach to serve more customers with better convenience. Your Bank was acknowledged as the ESG Champion in the India Commercial Banks Category at the D&B ESG Leadership Summit and was recognised globally for outstanding achievement in climate lending in 2023 by IFC. These awards show that your Bank places the highest priority for governance, sustainability and the environment.

In the coming year, your Bank will be guided by the principle of 'More Federal Per Federal'. By deepening existing relationships and expanding to new segments and markets, your Bank aspires to move from being a lender to being the complete banking partner for all customers. With a strong core built over the years represented by robust IT infrastructure, best in class Customer Relationship Management systems, growing Feet on Street through a widening RM network and burgeoning branch network, which is further augmented by an expanding repertoire of partners, your Bank aims to increase efficiencies, multiply reach and extract synergies across the organisation.

OVERVIEW OF PERFORMANCE (STANDALONE)

Income

(₹ In Crore)

Interest Income

Non-Interest Income

Total Income

During the financial year, the yield on average advances (gross) stood at 9.35% as compared to 8.56% in the previous year and the yield on investments (excluding trading gain) stood at 6.71%. The interest/discount on advances/bills improved to ₹ 17,735 Crore (March 31, 2024) from ₹ 13,492 Crore (March 31, 2023) with YoY increase of 31%, interest on investments reached ₹ 3,692 Crore as on March 31, 2024, and other interest including interest on balances with RBI / other interbank funds reached ₹ 762 Crore as on March 31, 2024. The share of interest income of your Bank to total income stood at 88%.

Expenditure

(₹ In Crore)

Interest Paid

Operating Expenses

Total Expenses

During the financial year, the average cost of deposits of your Bank increased to 5.63% from 4.58% as on March 31, 2023. The interest paid on deposit stood at ₹ 12,699 Crore and other interest expenses stood at ₹ 1195 Crore.

Operating Performance

(₹ In Crore)

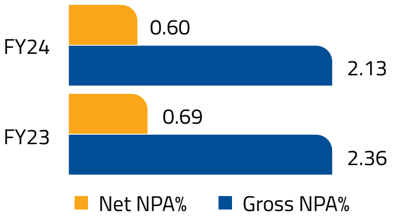
Net Profit

Particular	March 31, 2024	March 31, 2023
Net Interest Income	8,293	7,232
Non-Interest Income	3,079	2,330
Net Total Income	11,373	9,562
Operating Expenses	6,198	4,768
Operating Profit	5,174	4,794

The net interest income of your Bank registered a growth of 15% YoY and Non-Interest Income grew by 32% YoY. Fee for the same period improved by 19%. During the financial year, your Bank's spread on advances (net) is at 3.51% and spread on investments (gross) is at 1.53%. Net profit registered 24% growth.

Asset Quality Parameters

Gross & Net NPA%



Particular	March 31, 2024	March 31, 2023
GNPA (₹ in Crore)	4,529	4,184
NNPA (₹ in Crore)	1,255	1,205
Provision Coverage Ratio (%)	71.08	70.02
Provision Coverage Ratio (%) (Inc TWO)	82.68	83.49

The asset quality metrics improved during the FY, with reduction in NPA ratios year on year. The Gross NPA of your Bank as on March 31, 2024, stood at ₹ 4,529 Crore. Gross NPA as a percentage to Gross Advances is at 2.13%. The Net NPA stood at ₹1,255 Crore and this as a percentage to Net Advances is at 0.60%. Provisions (excluding technical write-offs) improved by 106 bps to reach 71.08%.

Key Ratios

(In %)

ROA

Particular	March 31, 2024	March 31, 2023
Return on Average Equity	14.73	15.02
Cost to Income Ratio	54.50	49.86
Net interest margin	3.20	3.37
Earnings per Share (EPS) ₹ (Annualised)	16.07	14.27
Book value per share (end period) ₹	119.45	101.22

Return on assets improved during the year and stood to 1.32%. Return on Average Equity is at 14.73%. Earnings per share improved to ₹16.07 from ₹ 14.27, while book value per share increased to ₹ 119.45 from ₹ 101.22.

Deposits

(₹ In Crore)

Customer Deposits

Particular	March 31, 2024	March 31, 2023	% Change
Customer Deposits	2,40,023	2,02,133	19%
Certificates of Deposit	10,428	9,461	10%
Interbank deposits	2,083	1,792	16%
Total Deposits	**2,52,534**	**2,13,386**	**18%**

Deposits growth held up well for your Bank during FY 2023-24 with Total Deposits growing by 18% Y-o-Y, Core Deposits constituting 98% of Total deposits and Term Deposits growing by 24%.

Advances

(₹ In Crore)

Net Advance

Particular	March 31, 2024	March 31, 2023	% Change
Retail Advances	67,435	56,166	20%
Business Banking	17,073	14,095	21%
Agri Advances	28,097	21,919	28%
CV/CE Advances	3,442	2,186	57%
Gold Loans	25,226	19,841	27%
Commercial Banking	21,487	16,968	27%
Corporate Banking	73,596	65,731	12%
Gross Advances	**2,12,623**	**1,77,377**	**20%**

Vertical wise advance figures do not account for sale via IBPC

The total advances crossed the milestone figure of ₹ 2 Lakh Crore. Your Bank continued to reshape the credit book; Retail to Wholesale Ratio now at 56:44. Retail Book grew by 25% and Wholesale book at 15% YoY.

Capital Management

(₹ In Crore)

Particular	March 31, 2024	March 31, 2023
Common Equity Tier-1 Capital	27,708	20,431
Additional Tier-1 Capital	0	0
Total Tier-1 Capital	27,708	20,431
Tier-2 Capital	2,889	2,813
Common Equity Tier-1 Ratio (%)	14.61	13.02
Total Tier-1 Capital Ratio (%)	14.61	13.02
Tier-2 Capital (%)	1.52	1.79
Total Capital Ratio (%)	**16.13**	**14.81**

Capital Adequacy Ratio at 16.13% stood well above the regulatory minimum requirement of 11.50%, including a Capital Conservation buffer of 2.50%.

Balance Sheet Parameters

(₹ In Crore)

Particular	March 31, 2024	March 31, 2023	% Change
Liabilities			
Capital	487	423	15%
Reserves & surplus	28,607	21,083	36%
Deposits	2,52,534	2,13,386	18%
Borrowings	18,026	19,319	-7%
Other Liabilities & provisions	8,657	6,130	41%
Total	**3,08,312**	**2,60,342**	**18%**
Assets			
Cash & balances with RBI	11,494	12,591	-9%
Balance with Banks & Money at call	7,469	5,098	47%
Investments	60,860	48,983	24%
Advances	2,09,403	1,74,447	20%
Fixed Assets	1,020	934	9%
Other Assets	18,066	18,289	-1%
Total	**3,08,312**	**2,60,342**	**18%**

Total assets increased by 18% to reach ₹ 3,08,312 Crore as on March 31, 2024, from ₹ 2,60,342 Crore on March 31, 2023, driven by 20% growth in Net Advances and increase in investments by 24% to reach ₹ 60,860 Crore as on March 31, 2024.

FY25 – OPPORTUNITIES AND THREATS

The Indian Economy looks set to continue the strong growth momentum that it showed in the past year. A normal monsoon, rise expected in discretionary spending by urban households as per the Reserve Bank's consumer survey and improving income levels, all augur well for the strengthening of private consumption. The prospects of fixed investment remain bright with business optimism, healthy corporate and Bank balance sheets, robust government capital expenditure and signs of upturn in the private capex cycle expected to keep capex buoyant. Considering these factors, the Monetary Policy Committee that met in June 2024, projected a GDP growth of 7.2% for FY 2024-25 which is more than double that of the 3.2% global growth that is being projected by IMF for CY 2024. The record dividend payout by RBI could provide support to the fiscal consolidation efforts by the Government. The outcome of the general elections, though tightly contested, may continue to provide the required stability and continuity, as the economy forges ahead.

Headwinds for growth in the economy may come from geopolitical tensions, volatility in international financial markets, geoeconomic fragmentation, potential disruptions in supply chains and extreme weather events. Food price uncertainties continue to weigh on the inflation outlook.

After a stellar year, the banking sector could witness some moderation in growth and profitability as the industry cycle peaks out. A prolonged period of credit growth outpacing deposit growth has put a strain on balance sheets of many of the Private Sector Banks. Despite a healthy demand for credit, Banks may find it difficult to fund credit growth as households diversify their investments, sometimes away from Bank deposits. As deposit repricing dynamics play through, and with rate cuts looming over the horizon, there may be some pressure on margins. Asset quality which has historically been one of the casualties of credit boom, will be under keen watch. The coming year could also see the evolution of technology used in Banking with the advent of Artificial Intelligence and Machine Learning. As the regulator guides the sector along with a steady but firm hand, Banks falling on the wrong side of the rules may face the heat. Banks with a healthy compliance culture may find it easier to navigate the changing regulatory landscape. A strong core enabled by robust systems and processes may gain more importance as the digital landscape changes. Banks who have stable and scalable funding sources may be able to sustain credit growth momentum and as these advances mature, Banks with robust collection systems and a commitment to keep the balance sheet clean, may win over the rest.

BUSINESS OVERVIEW

CORPORATE & INSTITUTIONAL BANKING

The Corporate and Institutional Banking vertical offers entire range of financial services, products and advisory to Large Business Houses and Mid Corporates, MNCs, Capital Market clients, PSUs and Financial Institutions. It offers customised products and services across working capital, term funding, structured finance, cash management, trade finance and forex services backed by comprehensive electronic banking solutions, which provide seamless onboarding and customer journeys.

The distribution continues to expand through the Relationship Management structure at various locations and touchpoints, catering to the entire value chain across customer segments. Your Bank is making significant investment in new-age and digital technologies to increase customer engagement and experience. Your Bank is working tirelessly to implement paperless Trade Module, revamped FedNet Module, Corporate Mobile App and Collection hub in line with the philosophy of "Digital at the Fore, Human at the Core."

Strategic Initiatives & Achievements

- Amongst the first Banks to offer cross border trade transactions using electronic bill of lading over the blockchain platform
- Triple A award under "Best Structured Trade Finance" deal category for India by The Asset magazine in 2023.
- Participated in first ever Syndicated Factoring Programme done in India.
- Introduced issuance of eBG for better management of product through its life cycle.

During FY 2023-24, Corporate exposures increased to ₹ 78,843 Crore from ₹ 69,595 Crore, registering a growth of 13% YoY. Corporate advances increased to ₹ 73,596 Crore from ₹ 65,731 Crore (excl Credit substitutes). Fee income grew by 35% from ₹ 256 Crore to ₹ 346 Crore in FY 2023-24. Self-funding ratio was at 31% plus with an improvement of 359 bps YoY.

The focus of this vertical continues to be the preferred banking partner to its clients, with a well-designed client selection strategy and a robust credit underwriting process, which is reflected in its asset quality.

COMMERCIAL BANKING

Commercial Banking vertical caters to the banking needs of Mid corporate and MSMEs and is one of the strategically important segments of the Bank. With dedicated relationship structure, deeper geographic penetration and extensive product offering such as working capital, term loan, trade finance and advisory services, cash management, supply chain finance, foreign exchange services, structured offerings, gold metal loans and bespoke liability products all ensure a long-lasting client relationship with your Bank. Relationship Managers are equipped with data insights and alerts to offer customer with right products and timely solution.

Supply Chain Finance

It is identified as one of the focused initiatives in deepening the bank's coverage of the corporate/mid corporate ecosystem to generate higher risk adjusted return. Your Bank offers a wide range of products, such as dealer finance, vendor finance, factoring and payable finance through a fully digital end-to-end integrated supply chain finance platform for corporate clients and their vendors and dealer. Your Bank has encapsulated strong risk management practices in managing the portfolio, with an objective to enhance the asset quality, reduce concentration risk and build a granular book, which is a major strength of your Bank.

Achievements

During FY 2023-24, this business stepped up further with a closing advance position of ₹ 21,487 Crore as against ₹ 16,968 Crore in FY 2022-23, registering a growth of 27% YoY. Fee income grew by 14% from ₹ 145 Crore to ₹ 166 Crore in FY 2023-24. Asset quality continues to improve further with reduction in GNPA.

The business continues to have a diversified and granular portfolio in terms of sectors and geography. Your Bank's focus on Commercial Banking will continue to be the "Bank of First Choice" for all its clients.

CV/CE FINANCING

Commercial vehicle /Construction equipment Finance vertical has PAN India presence with business done through dedicated RMs, Branch network & Partnerships. Witnessing a steady ascent in recent years, driven by urbanisation, ambitious infrastructure projects, and the burgeoning logistics sector, CVCE sector continues to chart a path of growth and innovation in 2024. In this landscape of opportunity and dynamism, your Bank has emerged as a beacon of financial prowess and customer-centric solutions. Your Bank's bespoke financing facilities cater to a diverse clientele, ranging from first-time users to strategic partners to provide unwavering support for their business ambitions.

AUM of the vertical surged by 57%, soaring from Rs 2186 Crore to Rs 3442 Crore in FY 2023-24, underlining customer trust and growth towards market leadership and customer trust.

CV/CE portfolio boasts one of the Industry's best portfolio quality due to your bank's meticulous curation of the best customer mix and unwavering commitment to stringent risk management practices. This reflects your Bank's dedication to financial prudence and safeguarding the interests of its stakeholders.

Strategic Initiatives & Achievements

Your Bank has strategically positioned itself for future success through:

- Strategic Collaborations: A correspondent tie-up with Hinduja Leyland Finance underscores bank's commitment to expanding market reach while upholding uncompromising quality standards.
- Industry Partnerships: Banks alliances with major CV/CE OEMs ,along with our new partnership with Cholamandalam Insurance for vehicle and health insurance, cement your Bank's status as the preferred financier, facilitating synergistic relationships for mutual growth and prosperity.
- PSL: ~ 80% of bank's CV/CE book qualifies under Priority Sector Lending (PSL), reaffirming your Bank's dedication to socio-economic development.

At the heart of this vertical lies a dedicated team of professionals, meticulously trained in business acquisition, credit underwriting, collections, and recovery. It ensures unparalleled service and customised solutions for bank's valued clients.

GOVERNMENT & INSTITUTIONAL BUSINESS

Government & Institutional Business vertical focuses on providing end-to-end solutions to Government Departments and entities, thereby building CASA and Term Deposits. The vertical is managed through Relationship Managers posted across the country and touchpoints to canvass liability business from Central & State budgetary allocations and Local / State Government offices like Panchayats, Municipalities, PSUs etc. Your Bank offers bespoke CASA products exclusively designed to suit the needs of the Government & its related entities. The vertical actively engages with Government Departments to digitalise various operations for the smooth functioning and ensure last mile connectivity. During last year, your Bank grew its GIB business book by 142% to the reach ₹ 12,248 Crore.

Strategic Initiatives & Achievements

- Bank has gone live on Schematic Bank Account Management System, West Bengal
- Bank has received permission to conduct Government Business for State Government of Telangana
- Bank has successfully done its first DBT transactions through Aadhaar (using Aadhaar Payment Bridge System)
- Bank has successfully deployed Cheque Deposit Kiosk in couple of big Corporations to ensure seamless collection.
- Bank has successfully integrated with NCDEX e- Market Limited (NeML) for e-Procurement.

The vertical plans to focus on embracing advanced digital solutions for seamless operations, enhanced security, improved Government control over the funds deployed, and collection. The plan is to expand the range of financial products and services offered to government and institutional clients with certain tailor-made products to suit specific requirements of the Institution. The vertical focuses on fostering strong relationships with existing client base while actively seeking opportunities to onboard new government and institutional partners. The endeavour is to position the Bank as a trusted partner in driving financial innovation, supporting economic growth and sustainable development in the Country.

BUSINESS BANKING

Business Banking comprises business loans up to ₹ 10 Crore, mainly Micro, Small and Medium Enterprises. The segment registered a growth of 21%, disbursing 12,000+ loans during FY 2023-24, of which 50% of loans were disbursed to New to Bank customers.

Business Banking focused on granular growth and remained one of the high-yielding portfolios of your Bank in FY 2023-24. The average ticket size is ₹ 58 Lakhs and comprises of more than 44,000 accounts of more than 28,000 customers. While the business is mainly driven through the traditional stronghold of the Bank's branches, the vertical also expanded reach by adding a new channel of Sales Managers in strategic locations. 7 Territory Sales Heads, and their team of 57 Sales Managers are focused exclusively on adding New to Bank Customers to our fold. Strategic tie-ups have also contributed to additional sourcing from unexplored markets.

Your Bank is actively engaged in introducing and improving the loan products to meet the market demand and to boost the economy. To cater to the geographic and sector-specific needs, your Bank introduced customised products to suit specific requirements pertaining to selected geographies and sectors (CGTMSE Power for extending the scope of loans offered under credit guarantee scheme, Loan scheme for funding windmill installation/solar installation in the state of Tamil Nadu, as an extension of existing Green Loan scheme, Liquid security loan scheme for specific security type etc.). The Business Banking Department of your Bank is also keen in ensuring environmentally friendly approach in all its lending, disassociating from all environmentally detrimental projects based on its exclusion list.

Digitisation of documentation of business loans has been initiated and will be scaled up in the coming Financial Year. Various refinements in enablers including e-signing of documents, standardisation of credit delivery, inclusion of special preapproved loan schemes for eligible customers, enrolment of trade finance RMs dedicated for Business Banking customers etc have paved way for improved borrowing experience for the borrowers.

In the previous financial year, Business Banking has also extended into direct assignment of business loans involving various financial institutions of repute and quality. A total exposure of ₹ 490 Crore has been sourced through assignments from 7 financial institution partners.

Going forward, your Bank intends to keep the momentum of growth upward and scale business into all geographies with the support of robust sales team structure and wider branch team. Digitisation and refinements in various operational process aspects are also in pipeline. Your Bank is in discussions with multiple BC partnership prospects for sourcing high yielding small, secured loans in geographies where our presence is expanding. Your Bank plans to increase the DA partnerships in the new FY. Few of our current DA partners has also expressed interest in co-lending model which are under consideration. Your Bank is also onboarding fintech partner in invoice discounting finance, for sourcing and managing small value revolving credits.

RETAIL BANKING

In fiscal year 2024, your Bank recorded a remarkable 18% increase in deposits, outpacing the industry's ~13% growth. Concurrently, the Bank bolstered its market share in deposits by 5 basis points year-on-year. Bank's CASA portfolio has exhibited a year-on-year growth of 6%. Bank introduced a new savings product called Stellar, designed as a theme-based "fit-for-all" account targeting resident individuals. Bundled with a wellness program and other attractive features, Stellar quickly gained popularity in the market. Since its launch in February 2024, the scheme has attracted approximately 17,000 New-To-Bank (NTB) customers. Bank launched new product SHRENI for Trust, Association Society, Club (TASC) segment with which both current account (CA) and savings account portfolio is set to benefit significantly, through these institutional accounts. Despite changes in migration and settlement patterns impacting the industry, we maintained our significant presence in the Non-Resident (NR) business, achieving an 8% growth in fiscal year 2024. NRI Eve+, a product aimed at empowering NRI women financially, received a positive response, adding 4000 accounts in the fiscal year. Skilfully managing shifts in customer preferences regarding currency and deposit tenure, we witnessed robust growth in the FCNR portfolio. NR will remain an area of focus and moving forward, we are intensifying efforts to expand our NR customer base through various initiatives. By tapping into strong NR pockets across the country and leveraging our expanding network, we're reaching out to a new segment of customers. In fiscal year 2024, we added 141 Banking outlets, strategically located in high-potential areas for swift returns, poised to significantly contribute to our balance sheet starting fiscal year 2025. In fiscal year 2024, the Bank facilitated more than ₹1,80,000 Crore of inward remittance through Rupee Drawing Arrangement (RDA) and forged partnerships with five new remittance companies, including a prominent Bank from Oman. With more than 90 partners worldwide, these arrangements offer cost-efficient and hassle-free remittance services to India for the Indian diaspora abroad.

RETAIL ADVANCE

The retail advances of your Bank grew by 20% reaching ₹ 67,435 Crore, forming 31% of the total advances of your Bank. The retail book has seen good traction across all its major products. While Housing Loans and Retail Loans against Property (Retail LAP) continue to be the major components of the retail loan book with a combined share of 59%, there has been an improvement in the share of Unsecured products (from 7% in FY 2022-23 to 10% in FY 2023-24) thus ensuring improved margins with limited impact on Credit Cost.

During the year, the Housing Loan portfolio crossed ₹ 28,000 Crore, registering a growth of 12%, the Retail LAP portfolio crossed ₹ 11,700 Crore, registering a growth of 18%, and the Auto Loan portfolio grew by 34%, crossing ₹ 7,300 Crore in book size. Your Bank continues to refine products/policies and streamline the internal processes and digital capabilities, thus ensuring better productivity and reduced cost of acquisition. During FY 2023-24, as a part of improving the Turn Around Time (TAT) for mortgage loans, your Bank initiated the process of redefining and digitising the entire Loan Origination System. End to End Digitised HL Top Up platform has been one of the means launched by the Bank to offer Top Up facilities to existing Housing Loan customers without the need for additional documentation. This platform is now made available to the Sales Distribution channel thus ensuring increased penetration of the product. Your Bank has digitised the valuation process thus ensuring improved TAT without impacting the quality of the valuation offered by the vendors. At present, 90% of valuation under Retail Mortgage loans are done through this platform.

As part of our commitment towards embracing and enhancing the digital journey in Mortgage loans, your Bank has developed an in-house application for housing project approvals; this will streamline the project approval process with better Turn Around Time (TAT) and help distribution channels to garner the business directly from Builder Projects. For enhancing the Auto loan business, your Bank continues to tie up with all the major OEM players including Maruti, Honda, TATA, Hyundai and Toyota Motors. Additionally, to give focus on the higher yield retail segment, your Bank had created an end-to-end digital journey for pre-owned vehicle loans and this is expected to improve the share of High Yield products under the Vehicle segment.

CARDS & UNSECURED LOANS

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

The credit card business of your Bank witnessed steady growth during the year. Your Bank continued to focus on acquiring new customers and cross selling credit cards to existing Savings Bank customers of the Bank through innovative marketing strategies, attractive rewards programs, and superior customer service. Your Bank's credit card portfolio comprises a mix of premium, classic, and co-branded cards curated for young professionals, family and HNI segments, with features such as cashback, travel rewards, and discounts on dining and shopping. During the year, your Bank's credit card business witnessed an increase in spends and could achieve total spends of ₹ 16,258 Crore in the Credit card portfolio during FY 2023-24. Sourcing of new credit cards , balance outstanding & spends have doubled over last FY, albeit on a small base.

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

Your Bank has been expanding opportunities in both organic as well as co-branded credit cards through Fintech partners over the past couple of years. Based on the significant regulatory changes effected last year and the pursuant regulatory guidance issued to us, your Bank is revamping and upgrading the current delivery architecture in Fintech arrangements and further enhancing the controls. The process is underway and expected to be completed soon and would provide your Bank an opportunity to run the credit card business to the satisfaction of the customers by meeting all regulatory requirements.

The Debit card business of your Bank witnessed a drop of 2% in spending during the year whereas industry spends on debit cards dropped by 17%, primarily due to proliferation of UPI as a mode of payment. Despite this, continuous efforts to curate and share top notch offerings has resulted in your Bank becoming the 4th largest Private Sector Bank in terms of Debit Card spends. Your Bank continued to focus on offering superior customer service and innovative features such as cashback on transactions, and discounts on shopping and dining thereby providing round-the-year offers to its customers. This has not only helped in enhancing your Bank's brand presence across leading e-commerce merchants but has also played a key role in increasing spending on debit cards.

Your Bank's debit card portfolio comprises a range of card products that are specifically curated to the diverse needs of its customer base including NRIs. During the year, your Bank witnessed an increase in the number of new customers acquiring debit cards. To complement a new target segment offered to build balances, 'Stellar', milestone- based Debit card tailored for the mass market was launched successfully. Your Bank also launched 'Flash Pay' a smart keychain that is NCMC enabled (National Common Mobility Card) which can be used to carry out online and offline contactless transactions like Debit cards. This device will assist a customer to discontinue carrying their physical wallet and continue shopping at all contactless enabled terminals with their Flash Pay device. The innovative design of the product is also expected to help your Bank build brand visibility in the market.

Your Bank offers a wide range of personal loan products to meet the diverse needs of its customers. Your Bank has been exhibiting controlled growth in its personal loan portfolio over the years, and this trend is expected to continue in the time to come. Your Bank has been using analytics to identify existing customers who are likely to take a personal loan and offering them personalised preapproved loan offers. Your Bank also uses credit scores and other credit assessment tools to assess the credit risk associated with each borrower. Your Bank has implemented an end-to-end digital automated loan origination system that ensures faster loan processing and reduces the turnaround time for loan approvals. Your Bank has been able to maintain a healthy asset quality in the personal loan portfolio, and it is expected that your Bank's risk management framework and technology enabled processes will help it manage the credit risk associated with the portfolio effectively.

Growing the Credit Card and Personal Loan business of your Bank is going to be one of the important strategies during the coming Financial Year and beyond. Along with leveraging its existing customer base by offering them pre-approved loans/ offers, your Bank is also offering attractive propositions for new customers as a means to ensure effective onboarding.

Your Bank's strong distribution network and focus on customer acquisition and retention will help it continue to grow its Retail Business with specific focus on Cards & Personal Loans portfolio in the future.

FEE INCOME

Your Bank offers various insurance products such as life insurance, health insurance and property insurance. These products help customers to mitigate financial risks and protect their financial needs. Improving the PPC and offering the right products to clients are important strategies of the Bank, which includes distribution via Branch, Digital and Telesales channel. Bank registered a business figure of ₹ 181 Crore via the distribution of Insurance and Para Banking products. Some of the key highlights of FY 24 are given below.

The insurance distribution has been the largest contributor to non-banking fee income totalling ₹ 168 Crore.

Bank has partnered with Cholamandalam MS General Insurance Co Ltd under Bancassurance arrangement for providing insurance exclusively for CV/CE Business.

The Assets Under Management (AUM) in our Wealth Management Services (WMS) partnership have surpassed ₹ 5,000 Crore as of March 31, 2024, up from ₹ 3,621 Crore in fiscal year 2023, representing a YoY growth of 38%. Furthermore, the total client base for our WMS partnership has expanded to over 1,50,000 in FY 2023-24 from 92,229 in FY 2022-23, reflecting a YoY growth of 63%. The total fee income achieved from WMS was ₹ 21 Cr.

AGRI BANKING

Agriculture, with its allied sectors, continues to be an essential sector of the Indian economy, employing nearly three-quarters of the population contributing significantly to the country's GDP. India has a rich agricultural history dating back thousands of years, and its agricultural practices have evolved to meet the challenging needs of the population. India continues to be a dominant player globally in terms of export of Agri commodities.

Your Bank offers all types of Agricultural products suitable for the farmer community to take care of his pre- and post-harvest requirements, infrastructure facilities, allied and ancillary related activities, etc which are delivered through the distribution channel spread across the country well supported by a specialised team of Agricultural relationship managers.

Kisan Credit Card Scheme

Your Bank has introduced this digital product that has revolutionised the approach towards rural lending. Faster delivery of rural credit to the underserved was always a challenge in agricultural lending. To address this, your Bank has introduced a digital version of the Kisan Credit Card scheme in association with Reserve Bank Innovation Hub (RBiH), which presents a new experience to the farmer in terms of credit delivery. The entire process, which is a paperless, seamless one, takes the farmer through a digital journey starting from onboarding the customer to disbursement of the loan. Your Bank has entered into various partnerships to expand the digital journey and to cater to the varied needs of the farming community. Agricultural advances of your Bank has registered a growth of 28% in FY 2023-24 and stood at ₹ 28,097 Crore as on March 31, 2024, against the base figure of ₹ 21,919 Crore. Your Bank is committed towards giving additional focus on this sector which holds a significant place in the Indian economy. Your Bank continued its focus on priority sector lending overachieving the targets for Priority sector and Agriculture lending.

Gold Loan

Your Bank has witnessed significant growth in its gold loan business, recording a remarkable growth of 27% at an impressive yield of 10%. Your Bank has pioneered a novel 'Part Release' process where the customers will now be able to release a part of the pledged ornaments without the need of closing the gold loan account which elevates the customer experience to new heights. Your Bank launched its exclusive gold loan branch & established a dedicated contact center for promoting gold loans, which have added to the positive trajectory of growth. As a leading innovator in gold loan services, your Bank has consistently introduced advanced solutions and process refinements in the gold loan journey to enrich the customer experience. Your Bank has been actively engaging with customers and delivering services to their doorstep, thereby achieving this remarkable growth and superior customer satisfaction.

Microlending through Business Correspondents (BCs)

Your Bank has always been a pioneer when it comes to leveraging industry trends and translating them into profitable business. Adopting the very essence of the motto of 'extending credit where credit is due', your Bank has been redefining the Microlending portfolio in a spectacular journey to becoming the "Most Admired Bank". Through various initiatives driven through both Branch and Business Correspondent (BC) channels, your Bank has adopted a unique blend of innovation and inclusiveness to bring about impactful business.

Upholding the vision of RBI and in compliance with Bank's Board approved policy on engaging Business Correspondents, your Bank now boasts of a network of 20 Corporate Business Correspondent tie-ups, exclusively for sourcing and servicing of the small value loans through exclusive Loan Origination Systems- Fedmi and Mifix.

Your Bank has launched Fedmithra in November 2023 which is the first of its kind in-house Loan Origination System for BC led MSE lending. With 2 active partners, your Bank is now helping business entrepreneurs across 6 states and 1 UT achieve their goals, the digital way.

Your Bank has gone live with the first co-lending arrangement on May 24, 2023 through a unique Loan Aggregator platform-Yubi. As of March 31, 2024, your Bank has 2 active arrangements spread across 7 States.

Your Bank is now transforming lives of people across 16 States and 2 UTs through Business Correspondent arrangements with 22 BCs out of which 11 BC were onboarded during FY 2023-24. It is a matter of pride that your Bank has been able to increase the business by 141% to ₹ 3,447 Crore during the financial year.

Financial Inclusion

Financial Inclusion initiatives aims at extending financial services to the large unserved population of the country to unlock their growth potential. Your Bank has always been a forerunner in its determination to achieve inclusive growth by ensuring the availability of financial services to the poor. Your Bank is committed to bringing the unserved population of the country into the formal ambit and offering new lending avenues to this group through various Financial Inclusion initiatives.

Financial Literacy through rural branches and Financial Literacy Centres (FLCS)

Your Bank understands that business exists in the society and therefore, social sanction is of utmost importance when it comes to their survival and growth. Social commitment, is, therefore, an extremely important aspect of any business. Your Bank has pioneered initiatives including organising financial literacy classes by the branches to spread financial awareness amongst the masses. Currently, 205 Rural branches of your Bank conduct financial literacy campaigns regularly for all segments of the general population including women, senior citizens, self-help groups, school children, etc.

Federal Ashwas Financial Literacy Centres (FAFLCs) are the face of your Bank's commitment to providing free, unbiased, fair, and coordinated financial education through financial literacy classes as well as credit counselling. These Centres continue to serve as an extremely efficient and effective provider of financial literacy in rural and semi-urban areas. Your Bank's FAFLCs ensure that the target segments, which includes farmers, micro & small entrepreneurs, self-help groups, senior citizens, and school children, are provided a deeper insight into various Banking products and initiatives, without bias. During the financial year that ended March 31, 2024, FLCs could conduct around 1,711 literacy classes, and 653 counselling sessions (including Tele counselling), benefitting more than 1.11 Lakh people.

Your Bank has participated in the Financial Literacy Week (FLW) observed by RBI from February 26 to March 01, 2024 across the country. The theme for FLW 2024 was "Make a Right Start: Become Financially Smart", with a focus on Saving and Power of Compounding, Banking Essentials for Students as well as Digital and Cyber Hygiene.

Your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the public with an overdraft (OD) facility available to eligible customers (mainly to weaker sections & low-income household groups), up to ₹ 10,000/-, with an objective to ensure access to financial services, namely savings & deposit accounts, remittance, credit, insurance and pension in an affordable manner. The PMJDY scheme is a zero-balance Bank account with added RuPay debit card and comes with free accidental death insurance cover of ₹ 2 Lakh. Till date, your Bank has 6,20,087 PMJDY accounts with an outstanding balance of ₹ 335.60 Crore. The average balance in PMJDY accounts as on March 31, 2024, is ₹ 5,412.27/-.

Your Bank actively promotes the PM's social security schemes Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) launched by the Government of India in 2015. The PMSBY and PMJJBY schemes provide low-cost insurance benefits to the public for death or disability due to accident and for death due to any reason respectively. Atal Pension Yojana (APY) is the Government backed pension scheme provided to the unorganised sector. Your Bank had launched the WhatsApp enrolment model for PMJJBY and PMSBY which has been instrumental in increasing the overall enrolment under the Social Security Schemes. As of March 31, 2024, the total enrolment under PMJJBY, PMSBY and APY are 90,625, 3,66,415 and 4,231 respectively.

TREASURY & MARKETS

Treasury manages the crucial functions of maintaining the statutory reserve and liquidity ratios, as well as managing the liquidity of the Bank by raising resources required to support the credit book and deploying the surplus resources optimally. Intraday and overall liquidity management is done by considering various options/ instruments through which the Bank can raise short term/ long term funds at competitive rates. The liquidity management exercise on a medium-term basis is done by Treasury, keeping in mind the overall business requirement for funds, under close Coordination with the ALCO. Treasury is active in various Money Market Segments – Interbank, Certificate of Deposits, besides the Repo markets, for generating liquidity for the Bank, besides the options available for Refinance by specific Institutions. Apart from liquidity management and reserves maintenance, Treasury manages the Investments and utilises the trading and arbitraging opportunities across different markets. Also, the unit provides hedge and cover operations for both proprietary and its clients for the foreign exchange and interest rate risks. The Treasury dealing room is located in Mumbai with a disaster recovery site at Kochi and your Bank has dedicated full-fledged dealing desks in the major market segments namely, Foreign Exchange Interbank and Treasury Sales, Derivatives-Currency Options / Cross Currency Swaps / Interest Rate Swaps, Currency Futures, Interest Rate Futures, Overnight Index Swaps, Non-Deliverable Forwards, Non-Deliverable Currency Options, Bond Forward Rate Agreements, Domestic - Money Market, Government Securities, Bonds and Debentures, Certificates of Deposit, Commercial Paper, Interest Rate Swaps and Equity. The Non-SLR desk of your Bank actively manages the NSLR portfolio and is continuously striving to improve the process and system of the Bank to account for the cost of funds. Your Bank is also providing a web-based trading platform and intraday trading facilities to clients in the CSGL segment. Treasury activities are further being augmented by a robust Front Office System which efficiently captures all the front-end dealings of your Bank and has a robust risk management and monitoring capability. This ensures total automation of the treasury activities and its seamless integration with your Bank's core banking system.

The Treasury Sales Team spread across the country, collaborates with the coverage team and provides tailored risk management solutions and help the diverse clients hedge their risks arising from foreign exchange or interest rate exposures. Your Bank is a preferred banker of Choice across segments through best-in class service delivery, customised solutions and optimum use of technology. Your Banks's key strength in providing structured risk management solutions, hedging advisory and execution skills makes it a preferred Treasury solutions provider to the clients. The Interbank desk caters close to one fifth of the remittances into the country and is a significant player in interbank market. The Derivatives Desk of your Bank continuously strives to expand its Treasury product basket, thereby bringing in a diversified revenue stream, besides significantly adding value to the existing customer relationships. The extensive usage of data analytics in understanding customer business has also helped your Bank in increasing the Forex business through its branches.

The Financial Institutional Group (FIG) team manages the correspondent banking ecosystem of your Bank and ensures a smooth flow of cross-border transactions. Incrementally, it spearheads discussions with Institutional Clients, viz. Banks, Insurance Companies, Mutual Fund Companies, Alternate Investment Funds (AIFs) & other clients of institutional nature for wider engagement and treasury business opportunities. Your Bank has been giving thrust to the development of the forex business and is continuously working to improve the operating skills of relevant personnel through meetings, interactions and training programs. Your Bank is also at the forefront of conducting Foreign Exchange Dealers Association of India (FEDAI) training programs for the banking fraternity. This enables the designated branches to improve their operating efficiency substantially. Your Bank is a member of the Managing Committee of FEDAI and FAI and also a part of committee of FIMMDA.

IFSC BANKING UNIT (IBU)

Your Bank opened its IFSC Banking Unit (IBU) at India's first International Financial Service Centre (IFSC) located at GIFT City (Gandhinagar, Gujarat) in November 2015. IFSC in GIFT City is conceptualised and designed at par with other global financial centres operating in various parts of the world viz. Hong Kong, Dubai, Singapore, etc. The branch is like an overseas branch situated in an overseas jurisdiction, enabling your Bank to explore international business opportunities.

Various products offered and activities handled by the Federal Bank IBU are:

- Credit facilities to overseas companies, Wholly Owned Subsidiaries (WOS)/ Joint Ventures (JV) of Indian companies registered abroad.
- Deposit and loan facilities to Retail Individuals, including Non-Residents Individuals.
- External Commercial Borrowings (ECB), Trade Credit to Indian Entities.
- Acceptance of foreign currency corporate deposits.
- Facilities to entities in GIFT IFSC ecosystem
- Treasury operations.

With the opening of IBU, your Bank caters to both domestic and international clients for their various funded and non-funded banking requirements in multiple jurisdictions. IBU has undertaken transactions with clients across various geographies covering more than 25 countries. IBU boosts the balance sheet of your Bank by empowering it to extend various foreign currency facilities to entities and individuals across various foreign jurisdictions. Federal Bank through its IBU has executed transactions in various segments like aviation, pharma, manufacturing, metals, media & entertainment, health care, electrical, food, construction, retail, etc. In FY 2023-24, IFSC Banking Unit/GIFT City became the banking partner of the Infinity Forum, a joint forum organised by the International Financial Services Centers Authority (IFSCA), and GIFT City, under the aegis of the Government of India, as a precursor event to Vibrant Gujarat Global Summit 2024. Also, the Bank through its IBU, is active in booking sustainability and linked facilities and is an active participant in various fintech initiatives from GIFT City.

DIGITAL & TECHNOLOGY

Digital transformation in your Bank is advancing effortlessly with the use of the newest technology. Your Bank also keeps the pace up with the technological innovations and is focussed on introducing new products and services to enhance the customer user experience. 94.30% of your Bank's transactions in FY 2023-24 were done through digital mode against 90.00% of the transactions in FY 2022-23. For retail customers alone, the usage was above 95.00%. Your Bank's UPI transactions as a remitter Bank recorded an increase of 43.50% for the FY 2023-24.

In order to provide personalised, contextual offers and services in real-time, your Bank is utilising cutting edge technologies like Machine Learning, Blockchain & Artificial Intelligence to obtain faster and deeper insights and make better and quicker decisions. Your Bank is committed to creating user- friendly, frictionless, safe, secure, and engaging experiences seamlessly across all channels.

Your Bank's various channels such as FedMobile, Fed-e-Biz, FedNet and FedCorp are continuously getting revamped considering the increase in the volume of transactions and the need to provide greater functionalities with use of latest technology to make it most convenient for the customers to carry out Digital transactions.

Mobile Banking applications for retail and corporate customers are being widely used and accepted by the customers and the Mobile Banking monthly volume of your Bank has surpassed ₹ 24,000 Crore as of March 31, 2024. The usage of the Mobile Banking App based on transaction volume has increased by 33% in volume during FY 2023-24. The increase in transaction count is 71% for FY 2023-24. Improving the customer experience was the primary focus of your Bank which resulted in the improvement of the Playstore rating of the Fed Mobile App by customers to 4.5. The average rating in the month of March 2024 was 4.6 in Playstore. Launching credit cards for NTB customers was a major feature addition along with many other feature improvements.

During FY 2023-24, Bank has launched various initiatives like conversational banking with Feddy, WhatsApp Banking, Electronic Bank Guarantee among others. To read about these initiatives please read page 12)

FINTECH PARTNERSHIPS

Indian Fintech Industry

Indian FinTech Ecosystem is the fastest growing industry, which is expected to grow over 2 trillion USD in terms of market opportunity by 2030. The growth will be propelled by lending and payments sectors which are showing stellar increase growth in terms of market growth. The industry is more and more focussed on next-gen technology, simplifying product delivery and customer experience, all while ensuring relentless focus on regulatory compliance. India provides a phenomenal Digital Public Infrastructure (DPI) which enables traction for all emerging models and evolution in financial services. Regulators are also keen on innovation and enhancing customer experience while uncompromising on compliance, data privacy and security. With the advent of new technologies and the progress made by the country in Aadhaar based authentication and introduction of tools like Video KYC and other digital KYC methods, we have seen tremendous growth in FinTech space.

Industry structure and key developments in the industry

The year witnessed various initiatives from the regulators and the Government of India to foster innovation through FinTech. Reserve Bank of India introduced a framework for Self-Regulating Organisations (SROs) in India. These SROs aim to transform the dynamics between Banks and FinTech companies through interventions and interpretations. Notable guidelines including Digital Lending, IT Outsourcing, and enhanced KYC guidelines where published by RBI bringing a clear vision on how regulated entities shall approach partnerships. Additionally, the draft Digital Personal Data Protection Bill (DPDP) aligns India's long term need for aligning with global data privacy standards. The recent launch of Central Bank Digital Currency (CBDC) has made blockchain technology accessible to the public, fostering innovation. Open Network for Digital Commerce (ONDC), the open network connecting retailers to e-commerce, is expected to provide a level playing filed for Indian SMEs in the ecommerce space.

Bank's strategy on FinTech Partnerships

With the advent of the Digital Public Infrastructure and the innovations happening in the payment space, your Bank has been seeing FinTech as an opportunity for collaboration rather than competition. FinTech brings cutting edge technology to the Bank that can power innovation and hyper personalised customer experience. In 2018, your Bank invested in a state of the art API gateway which is the entry point of FinTech companies to the Bank and manged to host around 300 plus APIs over a period of 6 years. The comprehensiveness of the API gateway and its documentation is appreciated by the industry. Your Bank also formed an independent vertical exclusively for the collaboration with FinTech companies thereby creating the required expertise to work with partners and also to ensure the right attention to every partner who wishes to work with the Bank.

Federal Bank is today the most preferred partner Bank for FinTech Partnerships. Bank sees FinTech partnerships as an opportunity for distribution of its products as well as for bringing new technology capabilities to the Bank.

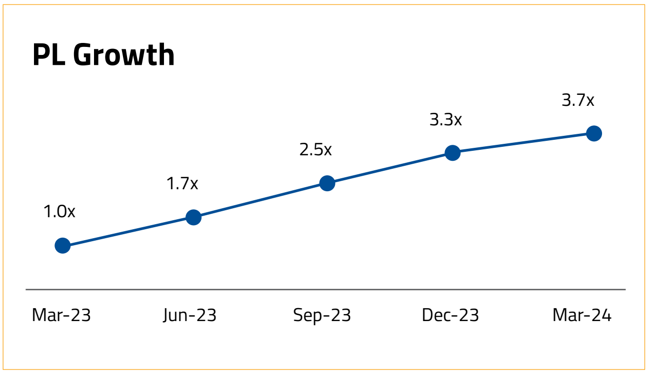
The Bank is working with FinTech Partners in the following four major domains/areas.

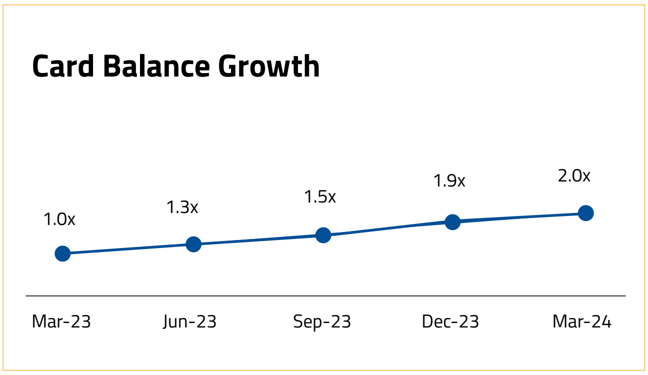
1. Liability Business
2. Co-Branded Credit Cards
3. Digital Personal Loans
4. Technology platforms/Solutions

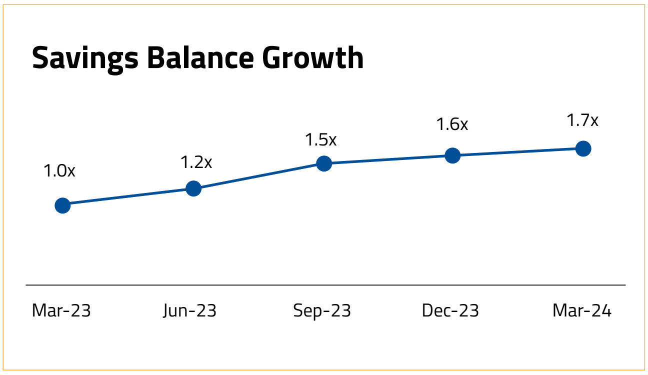
All the partnerships are in alignment with the overall business vision and objectives of the Bank and the focus is on high margin businesses which are ROA accretive and new to Bank customer acquisition in geographies where Bank is not physically present.

Recap on the year gone by with major highlights/ achievements.

The initiative to introduce formal banking to the marginalised dairy farmers of Gujarat, in association with "Digivriddhi", a Fintech working in financial inclusion space, was a flagship project of your Bank which attracted good reviews from the industry. This flagship project promotes financial inclusion and facilitates easy access to formal credit for marginalised dairy farmers, mitigating exploitation by informal credit systems. The same was instrumental in your Bank being selected by Business Today as the **Best Bank in FinTech initiative**.







New Partnerships launched in FY23-24:

Bank continued its journey of partnerships in FY 23-24 as well with the main focus on high yielding businesses like Personal Loans and Credit Cards.

1. **Personal Loans**

- **Bajaj Markets:** Bajaj Markets operates as an internet-based marketplace, providing a range of financial products and services through its digital platform. It serves as a digital lending platform for its partner institutions, along with insurance agent and investment advisories.
- **Fi :** Bank has started cross selling Personal Loans on the existing savings Bank portfolio sourced through the Fi. Money app. As the Bank has already acquired customers through the platform, the delivery of the PL has become very seamless and customers can avail the loans seamlessly in a few clicks.

2. **Credit Cards**

- **Fi:** Bank has started cross selling Credit Cards to the existing savings Bank portfolio sourced through the Fi. Money app. As the Bank has already acquired customers through the platform, the delivery of the credit card has become very seamless and customers can get a card with a few clicks.
- **Scapia:** Scapia is new gen travel app that connects people to the world through travel tickets and stays. Federal Scapia Co-branded credit, a Lifetime Free card offers exciting features like zero forex and other offers.

Way Forward

Currently your Bank has stopped the fresh issuance of credit cards through partnerships as Bank is building more resilience and implementing enhanced processes. Bank expects to relaunch issuances of new cards in Q2 subject to approvals from the regulator. Bank is seeing good traction for the digital personal loan business and the credit card business. A series of partnerships are lined up to be launched in the latter part of the FY 25 and most of these partnerships have completed the testing stage. The Bank expects to continue the momentum in customer acquisition through partnerships in FY 25 as well.

Opportunities for the future

India continues to demonstrate its hunger for new technologies in the BFSI sector. The Central Bank Digital Currency (CBDC) launched by the Government of India is expected to revolutionise the Indian payment ecosystem and its synergies with other economies. The strong interest for Open Network for Digital Commerce is promising and more than a million SMEs are expected to be a part of this network in the next two years. The concept of Open Banking is getting good traction with more and more use cases getting evolved and more adoption is expected in FY25 with more players wiling to embrace this revolutionary concept in the country. The various regulations like Digital Lending Guidelines, Guidelines on Cards, Guidelines on IT outsourcing, the DPDP bill which is expected to take shape in FY 25 etc. are helping to remove the ambiguities in the partnerships between FinTech and the BFSI players. FinTech companies are capable to bring solutions that can improve customer experiences, solve some of the challenges in credit delivery, merchant acquisition and last mile connectivity. The Bank expects that the momentum will continue in FY 25 as well and your Bank will continue to pioneer some of the innovative partnerships in the days to come.

CREDIT HEALTH MANAGEMENT

The Credit Administration Department ensures the credit administration functions of your Bank for borrowers with aggregate exposure of ₹ 1 Crore and above, with certain exclusions i.e. Loans against liquid securities, viz., Gold loans, Advance against deposit/other approved securities, Retail auto loans and Term loans sanctioned under Federal Agri Mobile Scheme to entities for acquiring various types of Vehicles/ equipment.

The department ensures compliance with all pre-disbursal covenants of credit sanctions and error-free documentation through digital platform wherever feasible, before disbursing a limit. The department prepares the documents as per sanction terms, verifies the executed documents once they are submitted for setting up of limit, and ensures the creation of charge and perfection of securities within the stipulated timeframe through regular follow-up. The department also regularly follows up and ensures proper compliance with post-disbursal covenants of credit sanction. Further, the department ensures the sufficiency and protection of underlying assets and ensures that the securities are updated and revalued at regular intervals. The department constantly reviews existing processes to identify process improvements and endeavours for digitisation of such processes for ensuring an excellent turnaround time.

CREDIT MONITORING

The preservation of asset quality is of paramount importance for your Bank and the Credit Monitoring Department deploys various tools to closely monitor the credit health of the portfolio on an ongoing basis. The department has put in place defined systems, procedures and practices, and developed various tools for gathering and analysing data from internal as well as external sources. To remain agile and up to date in the dynamic socio-economic environment, your Bank's Credit Monitoring Department is continuously upgrading its tools. Identifying stress during the nascent stage and initiating prompt corrective actions based on the data analysis form the crux of the credit health management process. Thus, stressed situations are identified well in advance and corrective action plans are implemented wherever required. Asset quality and credit discipline with compliance culture on an ongoing basis is ensured by your Bank through an end-to-end monitoring process by the Credit Monitoring Department.

ASSET QUALITY MANAGEMENT

Gross NPA as a percentage of Gross Advances of your Bank stood at 2.13% and Net NPA as a percentage of Net Advances of your Bank stood at 0.60%. Your Bank contained the credit cost to 0.23% for FY24 and continued to maintain adequate provision for NPAs and Provision Coverage Ratio (including technical write-offs) stood at 82.68%.

Your Bank has managed its NPA portfolio prudently and has relentlessly improved its collection and recovery architecture to improve its asset quality. Different collection activities were initiated based on the risk profile of borrowers. Your Bank has used various analytical tools to predict the propensity to default and the collection score of the borrowers. Collection strategies were formed based on these analytics-driven reports. Your Bank has strengthened the collection mechanism through increased team strength and improved partnerships. Enhanced use of digital tools and analytics have also helped your Bank become one among the best in the industry, with respect to collection practices and efficiencies. Pre-Due reach out methods are employed based on analytics' inputs including collection risk segmentation of the accounts. This helps the borrowers/card holders in ensuring that they are not missing their due dates. These reach out methods include digital tools like SMS/IVR/Email and live tele-calls.

RISK MANAGEMENT

The Risk Management philosophy of your Bank is to take risk by choice, rather than by chance. Your Bank seeks to build scalable and resilient businesses by strictly adhering to the best risk management practices. Your Bank is exposed to various risks, that are inherent to any banking business. The major risks are credit risk, market risk including interest rate risk, liquidity risk, information and cyber security risk and other operational risks. Your Bank has a robust risk management framework in place, which covers the policies, procedures, methodologies and framework established to systematically manage these material risks.

- The Board of Directors oversees and approves the risk policies and strategies to establish an integrated risk management framework and control system in your Bank.
- The Risk Management Committee (RMC) of the Board oversees the management of various risks associated with business, systems, and processes.
- Executive Level Committees ensure the effective implementation of risk management policies.
- Integrated Risk Management Department headed by the Chief Risk Officer coordinates various risk management functions of your Bank.
- An independent risk governance structure has been put in place, duly ensuring the independence of risk measurement, monitoring and control functions.

The risk management framework is subjected to review and upgradation on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. To focus on maximisation of risk adjusted return on capital, your Bank has aligned its business strategies to a Risk Appetite Framework. A risk-based pricing framework has been implemented for the pricing of loans to evaluate returns vis-a-vis risks taken.

Credit Risk Management

Macro factors such as a slowdown in economic growth, high inflation, imbalances in the economy, the stress in certain industries, etc and micro-level factors such as borrower-specific issues, poor underwriting standards, inadequate monitoring, weak collection and recovery mechanism, etc are some of the few factors that contribute to the credit risk of a Bank. Your Bank has a robust system to monitor such developments and take remedial actions.

Your Bank has a centralised credit risk management division, independent of its business functions. It has strong credit appraisal and risk management practices in place for identification, measurement, monitoring, controlling, and reporting credit risk.

Further, your Bank has a distinct credit risk architecture, policies, processes, and systems for managing credit risk in both its retail and wholesale businesses. Credit risk policies approved by the Board, best industry standards and risk controls are followed while extending credit to the borrowers. Wholesale lending is managed on an individual as well as portfolio basis. In comparison, Retail lending, due to the granularity of individual exposures, is managed largely on a portfolio basis across various products and customer segments. Credit risk is meticulously managed by capping exposures based on the individual borrower, group, industry, credit rating grades and geography, amongst others.

For both categories, there are robust follow-up and monitoring mechanisms including an automated EWS system in place to ensure credit quality and minimise defaults. Your Bank has a comprehensive risk rating system that serves as a single point indicator of diverse risk factors of the counterparty. Robust statistical scorecards are used in the retail credit appraisal process. Your Bank also uses Behavioural/transactional models for monitoring the transaction behaviour of retail loans, including MSME and agricultural loan accounts. Commercial/ Wholesale Borrowers are subjected to credit rating and loans are granted only to those borrowers falling within defined thresholds of risk levels.

Your Bank follows a policy of portfolio diversification and evaluates its total financing exposure to a particular industry in the light of its growth forecast and profitability. Your Bank's Credit Risk division monitors all major sectors of the economy and specifically tracks industries in which your Bank has credit exposures. Your Bank also has a framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record of the borrowers. The exposure limits for lower-rated borrowers and groups are substantially lower than the regulatory limits. Your Bank reviews the performance of major sectors in the economy on a periodical basis and identifies the sectors which are in stress / expected to be in stress. Such sectors are internally classified as stressed and additional exposures to such sectors are not normally entertained.

Your Bank has framed an Environmental and Social Management System (ESMS) policy to ensure that more focus is provided for lending to environmentally and socially sustainable projects. Environmental and social risks posed by the business activities of the borrowers are assessed at the time of underwriting of the loan proposal and suitable corrective actions are stipulated, wherever required, to mitigate such risks.

Your Bank is continuously reviewing and validating the credit rating models/scorecards for their appropriateness and predictiveness. As part of upscaling the high margin credit portfolios, your Bank has been transitioning to state-of-the-art look-alike rating models using Bureau inputs for both secured and unsecured facilities for arriving at the best-informed Credit decision. Credit risk management in your Bank, through its various policies, risk-assessing tools and risk-mitigating measures, ensures robust credit growth with superior asset quality. Stress levels are periodically benchmarked against the peer group as part of continuous monitoring and to take appropriate remedial measures. Your Bank also ensures on a regular basis that stress is contained within the risk tolerance levels fixed for each business segment.

Your Bank has formed a dedicated Market Intelligence Unit with a focus on large borrowers to facilitate the collection and processing of multiple sources of information with an objective to preventing adverse selection of borrowers and throw up early warning signals of possible fraud or credit risk, both at the sanctioning stage and through the lifecycle of the credit relationship.

Macroeconomic models are overlaid on the internal ratings to capture the challenges emanating from external environments, during which the economic activities become highly dynamic and volatile. Your Bank conducts stress testing of the portfolios and ensures necessary remedial actions, wherever warranted.

Currently, capital charge for Credit risk is computed using the standardised approach. RBI guidelines on Basel III capital regulations have been implemented and your Bank is sufficiently capitalised as per the current requirements under Basel III. Your Bank is gearing up for migration to ECL regime as and when announced by the Regulator.

Market Risk Management

Market Risk arises largely from your Bank's statutory reserve management and trading activity in interest rate instruments, equity and forex market. Your Bank has a well-developed framework, comprising of Board approved policies and established practices, for the management of the market risk. Your Bank has set risk appetite and Value at Risk (VaR) limits to measure and control interest rate risk, equity price risk, forex risk, liquidity risk and other market-related risks. Your Bank is using various tools like stress testing, modified duration, PVBP, VaR, position limits, loss limits, NOOP limit, AGL, etc to monitor and contain market risk. The department has established an independent Mid Office on the floor of Treasury, as part of the Market Risk Division, which reports to the Head of Market Risk and functions as the risk control unit for the activities of Treasury and IBU. Your Bank's Market Risk Division monitors key parameters on a periodic basis and recommends changes in policies, processes and methodologies. The Mid Office scrutinises treasury deals and transactions from both market risk and operational risk perspectives. Your Bank has put in place detailed policies for the conduct of business, exposure to market risk and effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling liquidity risk arising out of its banking book, trading book and off-balance sheet exposures.

Currently, capital charge for market risk is computed under the Standardised Duration Approach. Value at Risk (VaR) is the tool used for monitoring risk in your Bank's trading portfolio. The VaR and Stressed VaR for market portfolios are monitored daily.

Liquidity Risk Management & Interest Rate Risk Management

Liquidity risk is the potential inability to fund an increase in assets, decrease in liabilities or meet obligations as they fall due, without incurring unacceptable losses. Your Bank monitors Liquidity Risk through Liquidity Coverage Ratio (LCR), Structural Liquidity Gaps, Dynamic Liquidity monitoring, Liquidity Ratio analysis, prudential limits for negative gaps in various time buckets, etc.

Interest rate risk is the risk where changes in market interest rates affect the Bank's earnings through changes in its Net Interest Income (NII) and the market value of equity through changes in the economic value of its interest rate sensitive assets, liabilities and off-balance sheet positions. Interest Rate Risk on Trading Portfolios is monitored through Market Risk Measurement tools such as VaR, PV01, etc on a daily basis.

The policy frameworks for the management of liquidity risk and interest rate risk are established vide your Bank's Asset Liability Management Policy. Your Bank has established appropriate risk appetite limits and other tolerance limits for both liquidity risk and interest rate risk. While the maturity gap and stock ratio limits help manage liquidity risk in your Bank, regular assessment of its impact on the NII and economic value help mitigate interest rate risk. This is complemented by a stress testing program covering both liquidity and interest rate risk. Your Bank conducts various studies to assess the behavioural pattern of non-contractual assets and liabilities and embedded options available to customers, which are used while managing maturity gaps. Further, your Bank also has the necessary framework in place to manage intraday liquidity risk. Your Bank's Asset Liability Management Committee (ALCO) is responsible for monitoring its adherence to liquidity risk and interest rate risk limits.

Liquidity Coverage Ratio (LCR), a global standard to assess an organisation's ability to meet its payment obligations, is used as a measure to assess your Bank's liquidity position. LCR level ensures that the Bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. Based on Basel III norms, RBI has mandated a minimum LCR of 100% from January 01, 2019. Your Bank's LCR as on March 31, 2024, stood at 108.43% and the average LCR was at 127.84% for the quarter ended March 31, 2024.

RBI has also mandated a minimum Net Stable Funding Ratio (NSFR) of 100% with effect from October 01, 2021. NSFR indicates that the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities. As a prudent risk management practice, your Bank has been monitoring this ratio on a periodical basis, to ensure that your Bank is maintaining the ratio above the benchmark stipulated by RBI. Your Bank's NSFR as on March 31, 2024, stood at 132.93%.

Operational Risk Management

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

Business Continuity Management

Your Bank has put in place a comprehensive Bank-wide Business Continuity Management (BCM) plan and procedure to ensure the continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. Your Bank's Business Continuity Program is developed considering the criticality of the functions performed and the systems used. In terms of the Business Continuity Management Policy approved by the Board, Business Continuity Management (BCM) Committees have been formed at all units of your Bank, which act as a Primary Crisis Management Team in the event of any business disruption. A Central Crisis Management Team (CCMT) is in place to take responsibility and act swiftly in case of any breakdown/ failure of critical systems, or occurrence of natural disasters/ accidents/pandemics affecting business continuity. Periodic drills and tests are conducted to evaluate the effectiveness of the business continuity arrangements and necessary steps are taken wherever needed.

Your Bank has received ISO 22301 certification for the Business Continuity Management System implemented in its IT, centralised operations and clearing functions.

Information security & Cyber security

Your Bank has a robust information and cyber security framework for securing its IT infrastructure and includes guidelines for data security and incident handling. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices.

Your Bank has implemented state of art cyber security solutions to protect its systems and prevent Cyber security attacks. Your Bank has a Security Operations Centre (SOC) which performs security monitoring around the clock. Dissemination of information and cyber security awareness among the staff and customers is undertaken regularly through various modes. Your Bank has received ISO 27001 accreditation for its critical IT areas including Data Centre, DR Site, ATM Switch, etc. Your Bank has also received the PCI-DSS certification for its card payments infrastructure.

Internal Financial Controls

Your Bank has put in place a comprehensive internal financial control framework which is supplemented with appropriate procedures and followed across all its business and support activities. The internal controls implemented are intended to manage/ mitigate the risks, ensure compliance with laws and regulations, and provide reliable and timely financial reporting. Your Bank has sound processes for periodic assessment and review of internal controls. Risks inherent in all business/support activities are identified and assessed on a periodic basis. The related controls are also identified and evaluated in terms of their effectiveness. Risk and Control registers are prepared for all processes and products. The adequacy and effectiveness of these controls are independently assessed regularly and if gaps are observed, action plans are prepared and implemented by the product/ process owners for remediation of risks and control improvements. These aspects are periodically reviewed by the Operational Risk Management Committee.

Compliance with Basel Framework

Currently, your Bank is using Standardised Approach for credit risk, Basic Indicator Approach for operational risk and Standardised Duration Approach with respect to market risk for the computation of capital charges under Basel guidelines. Further, your Bank is gearing up with data build-up and system requirements for migrating to advanced approaches. The Capital Adequacy Ratio of your Bank as on March 31, 2024, under Basel III norms stood at 16.13%. Your Bank's Common Equity Capital level of 14.61% offers good cushion for further expansion and growth in your asset portfolio and complies with the requirements of Basel III norms. The Capital Adequacy Ratio at the consolidated Bank-level stood at 16.45%. RBI guidelines on Basel III demand the building of capital and liquidity buffers in phases and seek to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Your Bank has complied with the guidelines for maintaining Capital Conservation Buffer and is well-capitalised and fully prepared for maintaining Countercyclical Capital Buffer when RBI mandates it. Your Bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel III norms. The LCR of your Bank on a consolidated basis as on March 31, 2024, stood at 108.42%. Your Bank's approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management involves an ongoing review of the level of capitalisation against the set risk appetite and maintaining a strong capital base to support long-term stability, planned business growth and mitigate inherent risks in various businesses. Your Bank endeavours to maintain a strong Tier I capital position as part of the overall business strategy and as a source of competitive advantage. It assures regulators and credit rating agencies while protecting the interests of depositors, creditors and shareholders. Strong capitalisation also enables your Bank to take advantage of attractive business opportunities. Your Bank strives to strike a balance between the need for retaining capital for strength and growth while providing an adequate return to shareholders and sets an internal Capital Adequacy ratio target that includes a buffer in excess of the minimum regulatory requirement. In addition to the regulatory risk-based capital framework, your Bank is also subject to a minimum Leverage Ratio requirement and maintains a Leverage ratio that is higher than the regulatory requirement. Your Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/ financial position/ capital adequacy. The ICAAP framework is guided by a comprehensive Board approved ICAAP Policy. ICAAP is aimed to ensure that your Bank maintains capital commensurate to its risk profile and improves upon its risk management systems and framework on an ongoing basis. It involves a realistic assessment of the level of risks inherent in the business operations of the Bank and setting aside adequate capital to cover all such risks. The annual ICAAP is placed before the Board and the Risk Management Committee (RMC). A quarterly review of the ICAAP is conducted and placed before the RMC. The capital management framework is also complemented by the risk management framework, which covers the policies, processes, methodologies and frameworks established for the management of material risks. Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. Based on the stress testing policy approved by the Board, your Bank conducts stress tests on various portfolios and assesses its impact on the capital ratios and the adequacy of capital buffers for current and future periods. Your Bank periodically assesses and refines its stress testing framework to ensure that the stress scenarios capture material risks as well as reflect possible extreme market movements that could arise as a result of market conditions and the operating environment.

Environmental & Social Management System

Your Bank has put in place an 'Environmental and Social Management System (ESMS) Policy' for all lending activities as part of strengthening the Bank's commitment to the cause of sustainable development as desired by the Government, regulators and other stakeholders. ESMS policy enables your Bank to mitigate the negative environmental and social impacts posed by the lending activities. The policy prescribes an exclusion list i.e., the list of activities restricted for lending operations considering its potential significant impact on the environment and/ or the society. Your Bank has also adopted evaluation of high value proposals against the IFC Performance Standards as defined in the ESMS policy. Detailed E&S Due Diligence (ESDD), internal or external, is conducted for high value project loans/ long term loans falling in certain high E&S risk sectors. Such proposals are classified into one of the three categories (Cat A, Cat B or Cat C) based on the inherent E&S issues associated with the project and the remedial actions / mitigants already put in place/agreed to be put in place by the borrower. Based on the outcome of ESDD, certain proposals also warrant presanction review by MD & CEO level E&S Committee/ Board level committees. Specific E&S covenants, both pre-sanction and post sanction may be prescribed by the committee, if warranted. The Environmental and Social Action Plan (ESAP), thus agreed between the Bank and the borrower, is periodically monitored for its compliance. Your Bank has also developed an internal team for conducting E&S due diligence by recruiting E&S specialists on its roll. Effective implementation of ESMS policy helps your Bank to address the E&S risks arising from its lending portfolio in a timely manner.

Your Bank acknowledges the growing concern arising out of climate change and the role Banks needs to play in managing the Climate Risk and support Climate Actions. Your Bank has committed to not to fund any new or significant expansion of thermal coal mines/ coal-fired power plants and oil & gas exploration activities. Your Bank has also set out a Coal phase out policy by December 2030 for the existing coal related sub-project exposures. Your Bank also has committed to support climate funding requirements through building a ₹ 13,000 Crore Green Loan portfolio by December 2025.

EMPOWERING EXCELLENCE: FEDERAL BANK'S HUMAN RESOURCES ODYSSEY

Your Bank stands as a beacon of progressive human resource practices, epitomizing a culture where employee well-being, community engagement, and organizational excellence converge to create an unparalleled workplace environment. The journey over the past year shows the unwavering commitment to nurturing a holistic ecosystem that empowers, engages, educates, elevates and excels every individual associated with the organisation. Your Bank has crafted a workplace that is nurturing, inclusive, and visionary, continually adapting to the evolving needs of employees and the broader societal landscape. The journey is a testament to the power of human potential, and as we move forward, we remain dedicated to unlocking this potential, fostering a workplace where every individual's journey is valued, and their possibilities are limitless. The total human capital of your Bank stands at 15212 at the end of the financial year. The average age of employees is 35 years, and the current male-female ratio is 58:42.

Total Number of New Employee Hires by Category, Region, Age, and Gender

Categorisation	2023-24			2022-23			2021-22		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
By Employee Category									
Associates	407	332	739	128	118	246	141	93	234
Middle Management	960	934	1,894	806	551	1,357	446	446	892
Senior Management	15	4	19	8	1	9	3	2	5
Top Management	3	-	3	3	1	4	2	2	4
Subsidiary Employee	-	-	-	-	-	-	-	-	-
By Region									
East	105	70	175	52	26	78	27	24	51
West	211	121	332	278	141	419	143	106	249
South	910	961	1,871	544	460	1,004	367	383	750
North	159	118	277	71	44	115	55	30	85
By Age									
<30	1,269	1,155	2,424	844	629	1,473	542	510	1,052
30-50	109	101	210	100	42	142	47	33	80
>50	7	14	21	1	-	1	3	-	3
Total	**1,385**	**1,270**	**2,655**	**945**	**671**	**1,616**	**592**	**543**	**1,135**

Categorisation	2023-24			2022-23			2021-22		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
By Employee Category									
Associates	2,934	2,459	5,393	2,742	2,317	5,059	2,847	2,369	5,216
Middle Management	4,809	3,663	8,472	4,309	3,006	7,315	3,891	2,655	6,546
Senior Management	944	287	1,231	749	225	974	730	204	934
Top Management	93	23	116	91	18	109	81	13	94
By Employee Contract									
Permanent	8,544	6,114	14,658	7,730	5,376	13,106	7,502	5,139	12,641
Contract	236	318	554	161	190	351	47	102	149
By Employee Type									
Full Time Employees (Headcount)	8,737	5,867	14,604	7,853	5,061	12,914	7,509	4,713	12,222
Part Time Employees (Headcount)	43	565	608	38	505	543	40	528	568
By Region									
East	608	311	919	536	268	804	520	257	777
West	1,235	618	1,853	1,095	556	1,651	1,047	541	1,588
South	6,138	5,067	11,205	5,582	4,408	9,990	5,336	4,125	9,461
North	799	436	1,235	678	334	1,012	646	318	964
By Age									
<30	3,065	2,384	5,449	2,313	1,657	3,970	2,002	1,477	3,479
30-50	786	745	1,531	4,731	3,208	7,939	4,551	3,037	7,588
>50	4,929	3,303	8,232	847	701	1,548	996	727	1,723
Total	**8,780**	**6,432**	**15,212**	**7,891**	**5,566**	**13,457**	**7,549**	**5,241**	**12,790**

Return to work

2023-24	No. of employees entitled to parental leave	No. of employees that took parental leave	No. of employees who returned to work after leave ended	No. of employees who returned to work after leave ended and were still employed after 12 months	Return to work rate	Retention Rate	Employees who took parental leave in FY 22-23
Maternity Leave	6432	285	283	353	99.30%	95.66%	369.00
Paternity Leave	8780	391	391	437	100.00%	98.65%	443.00

Managing Relations

We have implemented a robust Employee and Worker Relation Management mechanism to foster a positive and productive work environment. Sufficient notice is published on our Bank's intranet platform, digital communication channels, and internal journal to inform all employees of the implementation of significant operational changes that could substantially affect them. There is no specific notice period or specific provision in collective agreements for consultation. Negotiation/collective bargaining takes place whenever Trade union raises a demand or concern and the meetings take place on mutually agreed dates, subject to the convenience of both sides. We conduct townhall meetings periodically to engage with employees. We recognise the right to freedom of association and collective bargaining. We have people representatives to address employees' concerns and issues. We have an Association for Officer (permitted members are Officers up to Scale III) and a Union for members of Award Staff.

Health and Safety

At Federal Bank, we understand the critical role of workplace health and safety in maximising organisational effectiveness. We have implemented a SOP on Health and Safety, providing a comprehensive framework for managing risks. Federal Bank is dedicated to ensuring the employees (as well as contractors and visitors) remain risk-free in terms of health and safety at work. The Bank is also dedicated to the improvement of safety measures and the elimination of possible workplace injury and illness. In addition, our Business Continuity Management Policy prioritises safety of the employees. Bank is having an emergency response procedure and detailed SOPs that cover the steps to be taken in case of emergencies like fire, floods, earthquake etc.

Hazard identification, risk assessment, and incident investigation: Considering the nature of the business, this is applicable only to a limited extent. The Bank has put in place risk mitigation measures which include –

- Access control systems for administrative offices and highly secure facilities.
- CCTV linked to a Central Remote Monitoring Centre which carries out e-surveillance 24x7.
- Physical Security.
- Fire alarm system consisting of smoke and heat detectors and alert mechanism.

The Bank has SLAs in place with all utility vendors to ensure regular preventive maintenance and health check-up. In addition, the Bank has nominated employees comprising the Emergency Response Team (ERT) for each location who are responsible for reporting work-related hazards, if any. Advisories on various safety related aspects including weather warnings are issued from time to time.

Occupational Health and Safety Management System: The Bank has nominated officials as members of its Incident Response Team who have been given hands-on training in responding to fire and medical emergencies. Employees can report risks/ hazards through the Bank's internal portal which works through a defined escalation mechanism. Employees have access to an internal portal on which any risk/ hazard can be reported. This is reviewed at the Zonal Level and action taken to mitigate/ remove the risk. Periodic training on dealing with fire and medical emergencies are conducted for employees. Work related risks/ hazards getting reported through internal processes are reviewed initially at the Zonal level and thereafter at the Corporate level. Depending on the nature of risk/ hazard, a thorough investigation is carried out by the Bank. These incidents are reported to the Operational Risk Management Committee along with action taken to mitigate and controls employed.

Employees are periodically given hands-on training on handling fire extinguishers and medical emergencies. The members of the Incident Response Team act as the First Responders in case of an emergency and thereafter intimate the Crisis Management Team which thereafter takes charge and provides guidance. The Bank also has a 24x7 functional Remote Monitoring Station which intimates the appropriate functionaries in the event of any emergency.

The Bank emphasises on aspects of health and safety through the SLA with third party vendors and has ensured that the required covenants have been included in the SLA.

Federal Bank: A Beacon of Excellence

Your Bank's commitment to excellence in human resource practices and organisational culture has been consistently recognised through prestigious awards, reflecting our leadership in the banking sector. These accolades underscore our strategic foresight, inclusive policies, and dynamic workplace environment that align with global standards.

- **Leading the Future of Work:** Your Bank has been honoured with the award for Future of Work, Workforce, and Workplace in the Large Segment at the People Pioneers Awards 2024, hosted by TechCircle, a Mosaic Digital company under Hindustan Times Media Limited. This award highlights the innovative approach to adapting and shaping the workplace of tomorrow.
- **Championing Diversity & Inclusion:** Your Bank's efforts in promoting diversity and inclusion have been recognised with the 1st Runner-Up position in the Diversity & Inclusion Excellence Award for "Best Employer for Women" (Large Category) by ASSOCHAM. This accolade affirms your Bank's commitment to creating an equitable and supportive environment for all employees.
- **A Great Place to Work:** Your Bank has been recognised by the Great Place to Work organisation, reaffirming our commitment to cultivating a remarkable workplace culture and honoured to have been celebrated across multiple distinguished categories, highlighting our dedication to employee satisfaction, inclusivity, and professional development.

1. India's Best Workplaces™ in BFSI 2023: The Bank is proud to be acknowledged as one of the premier workplaces in the Banking, Financial Services, and Insurance (BFSI) sector for 2023. This accolade is a testament to the Bank's

continuous efforts to create a nurturing and rewarding work environment.

2. India's Best Companies to Work For 2023 (Top 100): By securing a coveted position among India's Top 100 best companies to work for, your Bank exemplifies excellence in workplace culture, employee engagement, and opportunities for career growth.
3. India's Best Workplaces™ for Millennials: Your Bank's inclusion in the top 50 of India's Best Workplaces™ for Millennials 2023 showcases the ability to engage with and meet the aspirations of the younger generation, fostering a vibrant and progressive work culture.
4. India's Best Workplaces™ for Women 2023: The Bank's unwavering dedication to gender diversity and inclusion has earned the recognition as one of the best workplaces for women in 2023. This honour highlights your Bank's dedication to nurture a workplace that values and empowers female employees.
5. India's Best Workplaces™ in Banks 2023: Being named one of the best workplaces in the banking sector for 2023 reflects the Bank's high standards for employee satisfaction, professional development, and fostering a positive organisational culture.

- **Envisioning the Future:** The Economic Times Future Ready Organisations Award 2023-24 has been bestowed upon your Bank, recognising our initiatives and readiness in evolving with the changing business landscape and setting benchmarks for the industry.

These awards not only celebrate achievements but also reinforce your Bank's resolve to continue being a pioneering force in the banking industry, committed to innovation, diversity, and excellence.

The Journey Forward

Reflecting on the past year, your Bank's human resource initiatives stand as a beacon of innovation, inclusivity, and integrity. The journey has been transformative, not only in the realm of HR practices but in the very fabric of the Bank's organisational culture. Your Bank has not only responded to the evolving needs of the employees but have also proactively shaped a workplace environment that is nurturing, empowering, and forward-looking. As we march forward, our resolve is stronger than ever to build on these foundations, continually seeking new horizons of employee engagement, community impact, and organisational excellence. The journey is ongoing, and the path ahead is bright with the promise of innovation, growth, and enduring contributions to the broader tapestry of society. Your Bank, with its heart firmly rooted in its people and its eyes set on the future, continues to lead the way in redefining the landscape of human resource management, crafting a legacy of excellence that resonates far beyond its immediate sphere.

For more on our People read page 80.

INTERNAL AUDIT

Internal Audit independently evaluates the adequacy, completeness, operational effectiveness and efficiency of all internal controls, risk management/governance systems and processes of your Bank. The Audit Committee of the Board provides direction and reviews the adequacy of the internal audit function, including its reporting structure, staffing, coverage and frequency of audits. The Head of the Internal Audit Department is designated as the "Chief Internal Auditor" of the Bank and reports directly to Managing Director & CEO. An executive-level committee named the "Internal Audit Review Committee of Executives" headed by the Managing Director & CEO, oversees the internal audit functions and reviews the audit procedures and methodologies, the effectiveness of audit systems, progress in completion of audits, risk rating of branches and significant audit findings.

The Internal Audit Policy, Information System Audit Policy, Policy on Appointment of Statutory Auditors and the Internal Audit Procedure & Guidance Manual, which serve as the basic guidance documents for the Internal Audit function, are subjected to annual review. The review covers appropriate modifications and refinements based on the observations made by the Reserve Bank of India in Risk-Based Supervision, other regulatory guidelines, changes in internal rules and guidelines and directions of the Audit Committee of the Board and the Board of Directors. The review and modifications ensure that the audit systems and procedures are contemporary and continue to be an effective tool for monitoring control and compliance in your Bank. Internal Audit is responsible for self-assessment of the Bank's internal financial controls by testing and validating the effectiveness of controls on an ongoing basis.

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

<u>Risk-Based Internal Audit-</u> Your Bank has leveraged Risk-Based Internal Audit (RBIA) as a tool to assess the risks in its processes, operations and the effectiveness of related controls.

The RBIA Framework was subject to review and a revised framework extending RBIA to centralised functions and departments, in addition to branches, was implemented during the Financial Year.

Risk-Based Internal Audit focuses on prioritising the audits and audit resources based on composite risk rating derived from the level of inherent business risks and control risks.

<u>Information System Audit-</u> Information System Audit collects and evaluates the evidence to determine whether the information system safeguards assets, maintains data integrity and availability, achieves organisational goals effectively and consumes resources efficiently. It focuses on the risks that are relevant to information assets and assesses the adequacy of controls implemented for mitigating the risks. All critical IT infrastructures in your Bank are subjected to Information System Audit by information systems professionals from reputed CERT-IN empanelled external audit firms and Certified Information System Auditors (CISA) of your Bank. Critical Information Systems are subjected to Vulnerability Assessment & Penetration Testing (VAPT) every quarter. In addition to this, Information System Audit covers

the physical security of IT systems and business continuity procedures followed at branches/ offices.

Management Audit- Management Audit is conducted for non-critical departments, and the same essentially focuses on identifying the adequacy and effectiveness of processes adopted for decision-making in these Departments. The feedback from management audit is relied upon by the auditee units to improve the processes, procedures and systems in place in such offices.

Offsite Audit– Offsite audit is a forward-looking diagnostic tool to identify gaps in the systems and procedures of your Bank. The entire revenue audit in your Bank is undertaken through Offsite Audit. Your Bank leverages Computer Aided Audit Tools (CAAT) for generating and analysing exceptions while conducting offsite audits.

Concurrent Audit– Your Bank is increasingly relying on 'Concurrent Audit' as an early warning system to ensure near real-time detection of irregularities and lapses and also used as a tool to prevent fraud. Your Bank has implemented the revised Concurrent Audit framework, duly approved by the Audit Committee of the Board, as per the RBI circular dated September 18, 2019, with effect from April 01, 2020. During the year under review, Concurrent Audit was in place in 300 branches and 87 offices, covering 62.55% of total advances and 50.79% of total deposits of your Bank. The offices covered under the Concurrent Audit include the Treasury Department, Operations Department, Information Technology Department, Loan Collection and Recovery Department, Zonal Credit Administration Divisions, Depository Participant, International Financial Service Centre Banking Unit, National Credit Hubs, Large Corporate Hubs, Regional Credit Hubs, Centralised Retail Credit Hubs, Corporate Client Service Centres, Retail Assets and Cards (Organic Credit cards), Transaction Banking Department, Digital Centre of Excellence, Fintech Partnerships, Regional Cheque Processing Centres, Transaction Monitoring and Fraud Prevention Department, AML Monitoring Department, Credit Monitoring Department, Exceptionally Large Branches and Branches where RBIA risk rating is assessed as "High". Concurrent Audit is also conducted in all the currency chests as required by the Reserve Bank of India. 338 External Auditors / Audit Firms, 13 Retired Officers and 7 internal audit staff were engaged for concurrent audit assignments during the period.

Thematic Audit- Thematic audits of activities/ systems & applications/ processes/ products is carried out centrally. The objective of thematic audit is to focus on a particular audit theme across sectors/functions or units within the organisation to identify the extent of compliance / non-compliance to internal as well as external (statutory/regulatory/supervisory) policies / directions and facilitate appropriate corrective actions through suitable recommendations.

Third Party Due Diligence / Audit- A comprehensive Risk-Based Due Diligence of Partners/Service providers is conducted to ensure that they are financially stable, comply with all regulatory norms and have all the required information security controls in place to safeguard the interests of all the stakeholders of your Bank. Periodic review is also conducted on these units.

The Internal Audit Department is manned by appropriately qualified personnel and has a staff strength of 130 officers (as on March 31, 2024) with expertise and exposure in all activities of your Bank, such as branch operations, credit sanction, credit monitoring, clearing operations, information technology, risk management and treasury operations.

During the FY 2023-24, audits were undertaken at various operating units, considering the audit universe and in tandem with the Annual Audit Plan approved by the Audit Committee of the Board. Data on major audits conducted during the year is as follows:

Type of inspection/Audit	Number of Audits
Risk-Based Internal Audit of branches and IFSC	1040
Risk-Based Internal Audit /Management Audit of Departments/Offices	111
Revenue Audit	1341
Gold Loan Audit	1852
Credit Audit	2569
Legal Audit	934
Annual Audit of currency Chests	9
Due Diligence/Vendor Audits of Outsourced agencies/ Managed Services	209
Audits of Federal Ashwas Financial Literacy Centres	22
Offsite audits	86
Thematic audits	14

* Information System Audit have been merged with the RBIA of Branches and RBIA/Management audit Departments/Offices from FY 2023-24.

TRANSACTION MONITORING & FRAUD PREVENTION

Your Bank is having a fully equipped Transaction Monitoring & Fraud Prevention Department with state-of-the-art monitoring tools working round the clock. The transactions in Core Banking and various online channels are monitored by the Transaction Monitoring Team. UPI transactions are monitored on NPCI's e-FRM tool. Monitoring of POS acquiring, and Payment Gateway (Cards) transactions is also under the purview of the Department, to have a holistic control over the transaction monitoring activities of the Bank. A Proactive Risk Manager (PRM) tool has been implemented for monitoring Debit Card transactions. Monitoring of Credit Card transactions is carried out on a dedicated tool – Falcon. With the introduction of Credit Card issuance through Fintech partnerships, a dedicated monitoring team has been set up under Department to monitor the transactions on Fintech Credit Cards

Transaction Monitoring Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. The close association with Cyberdome of Kerala Police has been instrumental in preventing many fraudulent transactions and making recoveries to a reasonable extent. Your Bank has associated with the Ministry of Home Affairs on their initiative of the Citizen Financial Cyber Fraud Reporting Portal. A dedicated team has been set up, which is working on a 24X7 basis, to attend to the cases reported by Police authorities, initiate immediate preventive steps to arrest the further flow of disputed funds and help police authorities in the investigation of financial cybercrimes.

ANTI- MONEY LAUNDERING

As we reflect on the past year, the AML (Anti- Money Laundering) Monitoring Department has witnessed significant accomplishments and milestones. Despite the challenges posed by evolving regulatory landscapes and the emergence of sophisticated financial crimes, the team remained steadfast in it's commitment to safeguarding the integrity of your Bank and the financial system at large.

Major Highlights/Achievements: -

FATF Mutual Evaluation (ME)- Your Bank was chosen by the Regulator among the five-member team to represent the country's ME to demonstrate that the country has an effective framework to protect the financial system from abuse. The focus of the on-site assessment is the evidence that the measures adopted are working and delivering the right results.

Continuous training and development- Investing in human capital remained a top priority. Your Bank inducted 42 new resources through the Federal Integrated program in collaboration with the Manipal Global Education Services Private Limited.

The teams are provided regular training sessions to ensure that they remained abreast of the latest AML regulations, trends, and techniques. This commitment to ongoing education empowered the team to adapt to evolving threats effectively.

Enhanced Detection capabilities- Sanction screening tools for trade transactions was deployed to fortify the capability to detect transactions with sanctioned entities/Individuals with greater accuracy and efficiency.

Streamlined Processes- Optimisation of operational workflows, reducing false positives and improving the overall effectiveness of monitoring efforts through external audit has enhanced the ability to identify potential risks by your Bank.

Cross-Departmental Collaboration- Recognising the interconnected nature of financial crime, stronger partnerships with other departments and external stakeholders to share best practices and intelligence helped in ultimately bolstering your Bank's collective defence against illicit activities.

Industry Structure and Key developments - The AML landscape witnessed several noteworthy developments over the past year.

Regulatory Evolution- Regulatory bodies and Ministry continued to refine and strengthen AML framework in response to emerging risks and vulnerabilities. Heightened regulatory scrutiny in relation to cyber enabled fraud, money mule accounts placed greater emphasis to enhance the AML compliance programs, driving industry wide efforts to fortify detection and reporting mechanisms.

Technology Advancements- The proliferation of fintech innovations and digital transformation initiatives reshaped the AML landscape. Leveraging technologies such as artificial intelligence, and robotic process automation are in progress to bolster the AML capabilities while simultaneously adapting to the evolving tactics employed by money launderers and financial criminals.

Global Co-operation- The importance of international collaboration in combatting financial crime became increasingly apparent. Initiatives such as the Financial Action Task Force (FATF) and information-sharing agreements between jurisdictions played a pivotal role in facilitating cross-border cooperation and intelligence exchange, thereby enhancing the effectiveness of AML efforts on a global scale.

- Member of the FATF working group on Recommendation 16 (Payment Transparency).
- FPAC (FIU-INDIA Initiative for Partnership in AML/CFT) is a public-private partnership platform in the AML/CFT domain which has representation from 40 reporting entities from a broad spectrum of financial institutions and the regulator – RBI with a charter that also provides for issue-based, ad-hoc engagement with other stakeholders in the ecosystem, such as law enforcement agencies, other sectoral regulators, think tanks, academic institutions, consultancy firms and software developers. Part of the FPAC working group of 6 reporting entities (subsequently expanded to 10)
- ARIFAC (Alliance of Reporting Entities in India for AML/CFT) is a first-of-its-kind, private-private partnership initiative amongst reporting entities in India, belonging to multiple sectors, envisaged to facilitate information sharing, development of knowledge products, training programs and certifications.

Way Forward

The AML Monitoring Department remains committed to staying at the forefront of the fight against financial crime. The strategic priorities for the upcoming year include:

1. Continued Innovation- Embracing emerging technologies and data analytics to further strengthen your Bank's AML detection capabilities to stay ahead of the evolving threats. Adapting AI and ML tools for effective reduction of false positives.
2. Enhanced Collaboration- Deepening partnerships with regulatory agencies, law enforcement bodies, and industry peers to foster a more coordinated and effective response to financial crime.
3. Proactive Risk Management- Anticipating and mitigating emerging risks through robust risk assessment frameworks and proactive monitoring of industry trends and developments.
4. Investment in Talent- Nurturing a culture of excellence and continuous learning to empower the team to adapt and thrive in an ever-changing landscape.

Opportunities for the future

By leveraging technology, strengthening partnerships, and embracing a proactive approach to risk management, the AML Monitoring Department is well-positioned to not only mitigate existing threats but also to seize opportunities for sustainable success in the years to come.

LEGAL COMPLIANCE

In recent times, the legal environment in the country has become very dynamic, with new laws and amendments to the existing laws being enacted at a very brisk pace. In order to cope with this change and to ensure legal compliance, it is imperative that a robust legal risk management process be laid down that helps your Bank to mitigate the legal risk which falls under the larger umbrella of operational risk.

Your Bank has a healthy compliance and legal risk management culture. The processes are designed to ensure legal and regulatory compliance and to enable the detection and prevention of any breaches. The Legal Department of your Bank frames processes and controls that can efficiently manage and mitigate the legal risks originating from the daily business transactions of your Bank. Further, your Bank has a well-laid system, which ensures that the documentation process is contemporary and in tune with industry standards, thus minimising the menace of legal risk, and in the meantime enhancing customer experience. New products, processes and schemes introduced by your Bank invariably undergo legal vetting by the Legal Department to ensure legal compliance and proper analysis of the legal risks involved. Moreover, Legal Department is rendering professional and expert advice on various legal issues associated with your Bank.

With the strong objective of making your Bank a Zero Customer Complaint Bank, strenuous efforts are being made to reduce the number of suits/ complaints filed against your Bank before different courts/consumer forums. Legal Department keeps all teams well informed on legal challenges/ issues and steps to be taken to avert compliance failures. The Legal Department also updates the teams/offices/ branches of the relevant amendments/ modifications made to statutes from time to time.

Through various concerted efforts, the Department aspires to be the best in house legal team in the industry.

REGULATORY COMPLIANCE

Compliance, with all applicable laws and regulations, is crucial to the success of your Bank. Striving for the esteemed status of the Most Admired Bank, the team maintains a delicate equilibrium between growth and stringent controls. Your Bank's compliance philosophy states that the Bank has no appetite or tolerance for any compliance risk arising from non-compliance with regulations.

To uphold the commitment to compliance across all operations, your Bank has adopted a risk-based approach and implemented appropriate policies and processes. To manage compliance risk, the Bank has built a comprehensive Enterprise Compliance Risk Management Framework (ECRMF), containing processes covering regulation implementation, identification of risks, and remedying risks on time. Your Bank has a range of monitoring and testing programs, such as branch and department self-testing by frontline staff, review by Compliance Monitoring Officers and Compliance Quality Assurance Cell (C-QAC), to identify any known or hidden risks. Notably, recent enhancements incorporating Data Analytics and Reg Tech have bolstered our capabilities. Every employee of your Bank is committed to maintain the highest level of compliance standards, both in professional and personal life.

Key objectives of the Compliance Department are (a) Benchmark Regulatory Compliance, (b) Integrate Compliance Risk Management in Business, (c) Never Err on Critical Compliance, (d) Always be Fair and Transparent and (e) Be Fit to Partner the Digital & Fintech Journey. To achieve these objectives, your Bank has set a protocol where every Business Unit and Department will have Compliance Monitoring Officers who handle the first level of compliance, closely associating with respective heads. Zonal level Compliance Monitoring Officers, who directly report to central Compliance, provide additional support. To assess and assist the branches in enhancing the Compliance culture, Compliance Monitoring Officers and senior officials of the central Compliance team visit the branches and conduct awareness sessions. Annual Certification of Compliance Monitoring Officers at all levels ensures that they are aligned with the Compliance policy and processes, enabling them to embed regulatory requirements in day-to-day business processes.

To fortify compliance architecture, your Bank has undertaken several strategic initiatives. This includes periodic revision of the Compliance Policy and the Policy on Combating Financial Crime, aligning them with regulatory requirements and global best practices. Extending the compliance program to the subsidiaries and group companies ensures a unified approach. Your Bank systematically identifies its compliance obligations resulting from its activities, products and services and managing them through a structured process known as "Structured Response to Obligations". This process involves two key steps. (a) Identification of New and Changed Compliance Obligations: Your Bank continuously monitors regulatory changes and assesses their impact on its operations. Any new or modified compliance obligations are promptly identified to ensure awareness and understanding across the organisation. (b) Evaluation and Implementation: Once identified, these changes are thoroughly evaluated to determine their implications for your Bank's compliance obligations. Necessary changes are made to the compliance obligations, internal policies, systems, and processes ensuring that regulatory requirements and controls are effectively integrated into day-to-day business processes.

Your Bank has created a robust annual Compliance Risk Assessment Program and Quality Assurance Program to assess the compliance risk and ensure sustenance of compliance standards.

Your Bank has embraced technological innovations to redefine compliance controls and standards. Your Bank's Continuous Compliance Monitoring (CCM) is an industry-first technological solution leveraging data analytics and artificial intelligence to comprehensively monitor scenario-based alerts on any transactional deviations within 24 to 48 hours. The state-of-the-art Anti-Money Laundering solution provides exhaustive list management and screening capabilities of individual transactions and customers, in line with the Financial Action Task Force (FATF) recommendations and international standards. Your Bank has also developed a comprehensive obligation register covering over eighty statutes and thirty regulatory authorities/ industry bodies, supplemented by a manual of instructions to each department for process mapping, gap identification and periodic confirmation of compliance through self- testing, monitoring, concurrent and internal audits. Periodic compliance confirmation to the Board and the Regulator by your Bank are based on actual testing and affirmations carried out on all transactions from time to time. Additionally, the Compliance Department ensures that all major policies are reviewed to align with regulatory requirements before approval by the Board.

With these concerted efforts, your Bank proudly presents its Compliance Model as a benchmark for the industry, steadfast in our commitment to regulatory adherence and ethical business practices.

Taxation Policy

The Tax Policy of the Bank is approved by the Board of Directors and the same is disclosed in Website of the bank. Implementation of the Tax Policy is monitored by Board of Directors or Audit Committee. In some cases, this responsibility may be delegated to an executive-level position, such as the Managing Director (MD). Managing Director may further delegate the responsibility to Chief Financial Officer (CFO) or the Head of Taxation Department based on merit. The review of the tax policy should be conducted at least annually. If there are significant changes in the Bank's operations or tax laws, the same may also be reviewed.

Following are the Bank approach to regulatory compliance. a) Understanding the regulatory environment, b) Developing tax-related policies and procedures. c) Training and awareness d) Monitoring and auditing e) Collaboration with tax regulators.

Bank's approach to tax should be embedded within its overall business strategy and operations. This include Tax Transparency, Tax Risk Management, Tax Compliance.

This includes risk identification, Risk Management, Risk monitoring. To ensure effective tax governance and control, our Bank has established a comprehensive tax policy that covers tax risk management and compliance with tax laws and regulations. This policy includes tax planning, internal controls, and procedures for managing tax risks, as well as our approach to resolving tax disputes and handling audits.

The Bank is committed to comply with all applicable tax laws and regulations and expects employees to act with integrity in accordance with these laws. The Bank has established a whistle-blower reporting system that allows employees to report concerns related to tax compliance anonymously without fear of retaliation. Details of the whistle-blower policy can be accessed from the website of the Bank.

Our Bank is committed to address any generic concerns relating to tax in a transparent manner. We shall ensure that such concerns are appropriately handled and if necessary, will take them up with bodies such as Indian Bank Association to seek guidance and support.

To ensure the effective implementation of our tax policy, stakeholders are encouraged to direct any inquiries related to its implementation to their respective tax team line managers. If queries are not resolved within a reasonable timeframe, stakeholders may escalate the matter to the Head of Taxation Department or the Chief Financial Officer of the Bank for further assistance.

Compliance with the tax governance and control framework shall be evaluated through a combination of internal and external assessments by Taxation department/ Internal Audit. External assessment may include (1) Tax audits performed by Statutory auditors under the provisions of Income Tax Act. (2) Assessment by Tax authorities as per the provisions of various applicable Acts.

Although we are not currently subject to country-to-country reporting requirements, we maintain transparent communication with tax authorities and provide them with the information they request in a timely and accurate manner. Bank's operations and tax strategies shall be transparent and align with the economic activities and value creation within the jurisdictions it operates in.

MARKETING STRATEGY

In the fiscal year 2023-2024, your Bank strategically leveraged the 3S Framework - Segment-Centric, Scalability, and Sustainability - to sculpt a marketing strategy that not only addressed diverse customer needs but also positioned the Bank for substantial growth amidst evolving market conditions. Federal Bank's overarching vision was a simple yet powerful one: maximise the impact of every marketing effort. With a keen eye for market dynamics, the Bank navigated complexities, leveraging innovative approaches to captivate audiences and carve a distinct niche in the competitive arena. For more on our marketing strategy, please read page 28.

SERVICE QUALITY

An increase in the adoption of digital banking by consumers and enhanced reliance on technology-based solutions to overcome day-to-day challenges have made it imperative for any business to leverage innovation and technology for improving the existing products and procedures and delivering a quality experience to customers. Your Bank thus, initiated a Quality movement in 2012 with the following objectives:

- Ensure standardisation in the look and feel of branches.
- Raise, pan India branch performance regarding customer experience.
- Ensure uniformity and predictability across the Bank's touch points.
- Create, systems, processes, and procedures, inherently capable of continuous improvement.
- Ensure standardisation in customer communication.

In pursuit of this, your Bank has employed a dedicated team to facilitate the identification and implementation of process improvements which are critical from a customer point of view. This team was able to roll out over 70+ projects in the FY 2023-24.

Customer Grievance

Your Bank has an efficient customer service team who are trained to assist the customer with inquires and concerns related to the banking services. Addressing the customer queries on time demonstrates our commitment to service excellence, contributing to your Bank's success and profitability.

No.	Particular	Year ended March 31, 2024	Year ended March 31, 2023
1	Number of complaints pending at the beginning of the year	5864	5390
2	Number of complaints received during the year	260580	170278
3	Number of complaints disposed of during the year	259787	169804
	Of which, the number of complaints rejected by the Bank	166232	73002
4	Number of complaints pending at the end of the year	6657*	5864
Maintainable complaints received by the Bank from Banking Ombudsman (BO)			
5	Number of maintainable complaints received by the Bank from BOs	1572	1049
	Of which, a number of complaints were resolved in favour of the Bank by BOs	801	467
	Of which, the number of complaints resolved through conciliation/ mediation/ advisories issued by Bos	771	571
	Of which, a number of complaints were resolved after the Passing of Awards by BOs against the Bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

*All the complaints received for the period 2023-24 has been properly resolved and outstanding complaints are received in the last month of March 2024. 99.5% of outstanding are digital disputes which has specific TAT for resolution

Customer Delight

Your Bank is always keen on relationship building, customer convenience and delight. To enhance customer experience and brand trust your Bank initiated the opening of new branches, enhanced the capacity in the Call Centres, upgraded the services available in the web-based portal and rolled out many other initiatives designed to make the life of customers easier. Further, your Bank also observes Customer Day on the 15th of every month in the branches. Branches are also sanitised and furnished with fine interiors, at par with industry standards. Your Bank conducts customer surveys to measure customer experience. By listening to customer feedback through surveys, the offerings can be better tailored to meet customer expectations, enhance loyalty, and maintain a competitive edge in the market. Your Bank has also established a robust social media customer service strategy, including dedicated teams to monitor and attend customer queries in a timely manner. Additionally, your Bank leveraged AI to identify recurring issues and implement proactive solutions, ultimately enhancing customer trust and loyalty with these measures, your Bank is focussing on ensuring excellence in operations and service delivery with the least gaps, based on customer feedback and strives to maintain a high level of customer satisfaction, along with a reduced count of customer complaints through an efficient redressal mechanism.

STRATEGIC PLANNING

Corporate Planning Department plays a pivotal role in shaping the long-term vision of your Bank, steering the organisation along its chosen path while ensuring that we stay true to our ethos of CARES (Commitment to Excellence, Agility, Relationship Orientation, Ethics, Sustainability). It oversees a spectrum of critical functions including Strategic Planning, Budgeting, Business Performance Monitoring, Analytics, Cost Management and the Management Information Systems. The financial, economic and regulatory environment is closely tracked and regular benchmarking exercises are undertaken to ensure that your Bank remains on its toes in its pursuit of excellence. The long term vision of your Bank is crystallised by distilling learnings from the various exercises and incorporating the views of various stakeholders. Progress against set goals are also tracked regularly to ensure that the vision is translated into reality.

Zeroing in on a strategy of 'More Federal per Federal', your Bank embarked on a journey to increase efficiency, extract synergies and multiply reach thereby moving into a new orbit of operations. The end goal is to break into the bastion of Top Private Sector Banks in the country while capitalising on strong economic tailwinds. Moving from presence to prominence to dominance in select geographies, your Bank opened 141 banking outlets in FY24, crossing the milestone of 1500 banking outlets across India. As on March 31, 2024, your Bank has 1504 banking outlets (including extension counters) and 2015 ATMs/ Cash Recyclers (including 2 mobile ATMs). Building on a year of historic milestones such as first ever four digit quarterly Net Profit figure, raising capital from long term investors, listing of NBFC subsidiary etc, your Bank is poised to move into a new orbit of performance and profitability in the years to come.

Your Bank has built a strong Analytics team over the past 7 years that is fully engaged in leveraging the huge repository of both internal and external data that are best utilised in uncovering the strategic deliverables it holds. With a strong foundation, advanced capabilities and sophisticated tools, the data science team is evolving along the way into a Centre of Excellence for efficient delivery of the state-of-art analytical frameworks. Concentrating on addressing the core business problems while optimising the cost and efficiency enhancements the team focusses on customer identification, segmentation and targeting for propelling the business growth whilst managing the risk. Powered by Machine Learning (ML), Artificial Intelligence (AI) and Deep Learning (DL) capabilities coupled with the capabilities of cloud architecture, the team utilises the booming data explosion and aligned towards enhancing customer experience, value, and delight by ensuring high quality customer acquisition, servicing, personalisation, next best actions and retention, thereby fostering the deeper healthy customer relationships at each step, while monitoring and timely identification of the deviations based on behavioral patterns for triggering corrective actions.

The MIS (Management Information Systems) team, operating within the Corporate Planning Department, plays a pivotal role in coordinating comprehensive report generation and reports automation. Their primary objectives include ensuring data quality, accuracy, and timeliness of information for management decision-making. The agile reporting of MIS enables branches and offices to align and organise themselves to the set goals. The automated reports/ insights to individual business units, by making use of cutting-edge business intelligence tools, enable the users to slice and dice data, helping them to derive meaningful insights and empowering them to take informed business decisions. The Regulatory Reports Cell, which functions under MIS, is a specialised team that deals with the generation and automation of regulatory reports of your Bank and ensures integrated and prompt generation of reports to stakeholders for onward submission to the regulators. Your Bank also has a Quality Assurance Cell for MIS, that ensures the accuracy and consistency of data captured in the Bank's systems and validates the critical reports generated by the MIS team.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility activities of your Bank touches a wide footprint through areas like Skilling, Education, Women Empowerment, Environment Sustainability and other activities.

Your Bank has been meaningfully contributing for the improvement of society to create a positive impact on the world through its sustainable practices, philanthropic endeavours and community engagement.

The CSR projects are executed under the Federal Bank Hormis Memorial Foundation, which acts as a special purpose vehicle for the implementation of CSR activities of your Bank. Major CSR projects undertaken during FY 2023-24 by your Bank are as follows:

For more on our CSR activities read page 88)

FEDERAL OPERATIONS & SERVICES LIMITED (FEDSERV)

FedServ is a wholly owned subsidiary company of Federal Bank, established in 2018, that is fully dedicated to providing operational and technology-oriented services to your Bank. Since its inception, FedServ has played a crucial role in reengineering various operational activities and implementing process improvements, contributing to your Bank's overall efficiency and effectiveness.

During the year ended March 31, 2024, FedServ has provided support on 135+ operational activities, demonstrating its wide-ranging capabilities and expertise. Account Services, Contact Centre, Support activities of Trade Finance, LCRD Back office, Document scanning, Sales and Collections are the major processes handled by FedServ. Furthermore, FedServ has received approval from the Reserve Bank of India (RBI) to add processes including Retail Sales and Collections and has commenced the activities in FY 24.

FedServ's primary objective is to enhance the customer experience by focusing on standardisation, process efficiency, error reduction, and continuous improvement. This ensures that customers receive consistent and high-quality services while minimising risks associated with operational activities. FedServ also places a strong emphasis on mitigating perceived risks through robust risk management practices, ensuring compliance with regulatory guidelines and best practices.

FedServ's unwavering commitment to excellence, innovation, and customer-centricity has been instrumental in driving positive outcomes for your Bank. By leveraging its operational and technological expertise, FedServ continues to contribute to the Bank's overall operational efficiency, effectiveness, and customer satisfaction.

FEDBANK FINANCIAL SERVICES LIMITED

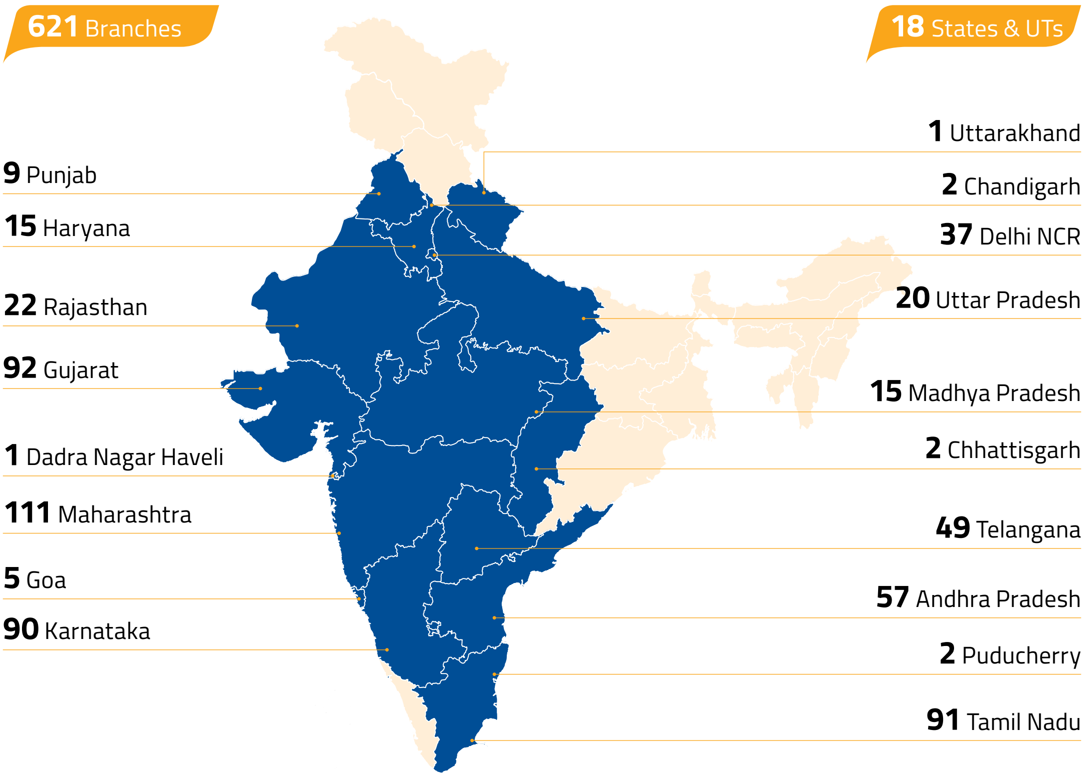
Established in 1995 and promoted by the Federal Bank, Fedbank Financial Services Limited or Fedfina ('the Company') is a publicly listed company, in India. Fedfina is registered with the Reserve Bank of India as a Systemically Important Non-Deposit taking Non-Banking Financial company (NBFC-ND-SI). As on March 31, 2024, Federal Bank holds 61.6% stake.

The company operates with a vision to "Empower Emerging India with Easy Access to Loans". The Company focusses on the working capital requirements of the emerging self-employed segment of the MSMEs, through its product suite. The company offers Mortgage loans, Gold loans and Business loans to its customer base.

The company has its registered headquarters situated in Mumbai. The company has 621 branches, spread across 18 states and union territories with an employee base of 4,298.

Our Focus

The company focusses on secured granular retail lending segment, particularly among self-employed individuals, underserved by traditional lenders, creating a substantial opportunity for growth. The company prioritises working capital loans with collateral. The company also offers tailored solutions for gold loan customers by understanding their needs.



Business Performance

Fedfina with its array of products across the mortgage, gold and business loans has seen industry leading growth.

Product	Disbursements (₹ Cr)	
	March 31, 2024	March 31, 2023
Mortgage	2,834	2,193
Gold Loan	9,377	7,437
Business Loan	1,368	1,119
Others	-	-
Total	**13,579**	**10,749**

Product	AUM (₹ Cr)	
	March 31, 2024	March 31, 2023
Mortgage	6,218	4,506
Gold Loan	3,969	2,986
Business Loan	1,826	1,454
Others	19	54
Total^	**12,192**	**9,070**

^Total includes INDAS accounting adjustments

For FY 24, Fedfina sourced loans to the tune of ₹ 13,579 Crore (PY ₹ 10,749 Crore), registering a growth of 26% during the year.

The total AUM growth for the year came in at 34% to ₹ 12,192 Crore (PY ₹ 9,070 Crore). The company continued to increase its concentration towards the mortgage segment, thus aiding the overall AUM growth.

The company, in order to ensure efficient utilisation of capital, has been advancing on the off-book path, employing a combination of co-lending and direct assignment strategies. As of March 31, 2024, 19% of the overall AUM was off book. The company is targeting to allocate 20% of its portfolio as off-book going ahead.

Financial Performance

The Net Interest Income improved 27% to ₹ 812 Crore (PY ₹ 638 Crore), on the back of interest income growth of 35.6% during the year.

The Net total income for FY23 grew by 27% to ₹ 943 Crore (PY ₹ 743 Crore), on the back of healthy NII growth.

The Operating profit before exceptional items grew 28% YoY to ₹ 394 Crore (PY ₹ 307 Crore).

The Net profit grew 36% to ₹ 245 Crore (PY ₹ 180 Crore).

In line with the improving environment of higher credit growth and lower credit cost, the company registered an improvement in its asset quality.

The Gross NPA declined 37 bps YoY to 1.66% (PY 2.03%).

The Net NPA declined 26 bps YoY to 1.33% (PY 1.59%).

Profitability (₹ Cr)	March 31, 2024	March 31, 2023
Net Interest Income	812	638
Net Total Income	943	743
Operating Profit before exceptional items	394	307
Profit before tax	328	243
Profit after tax	245	180

Financial Parameters (₹ Cr)	March 31, 2024	March 31, 2023
Net Worth	2,260	1,356
Total Assets	11,138	9,071
Gross NPA %	1.66%	2.03%
Net NPA %	1.33%	1.59%

Higher Credit Rating

The company has seen an improvement in its credit ratings in the last year, as its credit rating got upgraded to AA+/Stable by CARE and India Ratings, while CRISIL freshly assigned it AA/Positive rating, highlighting the increased confidence of its stakeholders.

Sr. No.	Particulars	Name of the Instrument	For the year ended Mar 31, 2024
1	Long Term/Short Term	Bank Facilities	India Rating and Research Pvt. Ltd. (IND AA+ /Stable); CARE Ratings (CARE AA+; Stable / CARE A1+)
2	Short Term	Commercial Paper	CRISIL Ratings Limited (CRISIL A1+)
3	Long Term	Non-Convertible Debentures	CARE Ratings (CARE AA+/Stable)
4	Long Term	Non-Convertible Debentures	India Rating and Research Pvt. Ltd. (IND AA+/Stable)
5	Long Term	Non-Convertible Debentures	CRISIL Ratings Limited (CRISIL AA/ Positive)
6	Long Term	Non-Convertible Debentures - Subordinated Debt	CARE Ratings (CARE AA+/Stable)
7	Long Term	Non-Convertible Debentures - Subordinated Debt	India Rating and Research Pvt. Ltd. (IND AA+/Stable)
8	Short Term	Commercial Paper	ICRA Limited (ICRA A1+)

People Focus

The company has received a 'Great Place to Work' rating for fifth consecutive year. With more than 4,200 employees across India, the Company is guided by four core values encapsulated in the acronym EPIC. The company aspires to epitomise these values: Execution Excellence, People Centricity, Integrity, and Customer Centricity. These principles are the foundation of its organisational culture and guide its actions. It also realises its responsibilities and recognises the importance of CSR activities in creating a social impact on its customers and society at large.

Superior Technology Framework

The company leverages its information technology platforms to achieve economies of scale by enhancing productivity, reducing turn-around time and thus minimising transaction costs. The company prioritises the "Customer First" approach in all its technology initiatives, focusing on ensuring a paperless process to reduce the carbon footprint. Fedfina's transition to a Digital Loan Origination System will enable seamless and convenient customer on-boarding. The process is focussed to making it paperless and focuses on automation and API integrations.

The company's portal and mobile app, with over 8.5 lakh downloads, plays a pivotal role in its digital strategy. Its digital platforms operate round the clock, offering convenience and reducing the need for human intervention. Its digital microsites and listings highlight its commitment to accessibility and customer-centricity.

The company continues to invest in technology and digitisation to support various functions, including loan origination, credit underwriting, risk management, collections, customer service, and retention. Enabling measures by RBI and the Government of India, such as implementing IndiaStack, Aadhaar-based e-KYC, and scaling up UPI, have helped transform digital infrastructure for the industry. The company utilises technology-driven solutions for customer KYC, data collection, and lead management, facilitating quick disbursal into customers' Bank accounts through Bank platform integration.

Fedfina's 'Phygital' doorstep model blends digital and physical approaches, offering tailored services and ensuring continuous customer engagement. The company prioritises data and system security and has invested in superior infra and support like next-generation firewall, 24x7 SOC (Security Operations Centre), and automated security tools.

AGEAS FEDERAL LIFE INSURANCE COMPANY LIMITED

Performance Summary

During FY 2023-24, AFLI continued to grow its distribution channels while being focused on its key objectives to provide best-in-class customer service, focus on digitalisation and a committed workforce, among many others. This has helped to keep overall premium growth over the previous year.

AFLI has witnessed strong growth in New Business Premium (NBP) by 32%. AFLI also maintained a good balance in the Individual New Business Premium contribution of Regular Premium - 65% and Single Premium – 35%.

FY 2023-24 saw a continued thrust on customers shopping for financial products to build a stronger future and in turn, live the life and lifestyle of their choice. AFLI continues to work on its stated objectives and build a healthier and better society by helping its customers in this process.

In today's hyper-connected world, the importance of digitalisation cannot be overemphasised. Ageas Federal progressed firmly on its pre-defined path to embrace the importance of putting people at the centre of everything it does. Employees were fully equipped with all the digital interventions needed to discharge their roles. To make insurance easy and straightforward for its customers, AFLI has reimagined the customer experience with its digital innovations. By investing in newer technology and focusing on digital channels and online applications, it has attempted to make the process simple and straightforward for its customers at each stage of its journey.

AFLI has been agile and swiftly moved in line with macroeconomic changes like interest rates and the performance of various financial markets and modified its product suite to ensure a balanced product mix for the company and at the same time, offer better terms to its customers.

AFLI stayed well connected with its distribution partners and improved its market position in New Business Premium sales.

The life insurance market continues to be fiercely competitive. AFLI continues to hold the fort and is working on surging ahead at the opportune time. With a growth of 28% in New Business APE, AFLI has had another successful year.

Against this backdrop of business performance, the Operating Cost Ratio (Operating Cost to Gross Written Premium) for the current year is at 18%. The Company registered a profit before tax of ₹ 116 Crore.

Awards and Accolades

The organisation's commitment to creating an exceptional employee experience has earned it several accolades during the year. Ageas Federal was recognised as a Great Place to Work® for the fifth consecutive year and featured among 'India's Best Workplaces in BFSI 2023 – Top 50' by Great Place to Work® Institute (India) for the fourth time. AFLI was also recognised as one of 'India's Top 15 Best Employers' by Kincentric and by Arogya World Healthy Workplace 2023

The organisation's long-term commitment to its CSR program received due recognition with the award for 'Excellence in Corporate Social Responsibility' at the ASSOCHAM Leadership Conclave Awards 2023 and the award for 'Best Insurance Company in Sustainable Corporate Social Responsibility' at the BFSI Leadership Awards 2023

Transformation Journey

Ageas Federal Life Insurance embarked on its Transformation Journey "Reimagine Tomorrow". Over the last couple of years, it has made significant progress on the identified 8 pillars of its Transformation Journey. Through these 8 pillars, AFLI aims to achieve its strategic objectives of Strengthening Bancassurance, building a multi-channel business model; rebuilding its Proprietary channels, shaping its products to fulfil customer needs; focusing on digitalisation and data analysis to drive growth; re-imagining the customer journey; and nurturing a culture of sustainability.

In line with these objectives, AFLI further strengthened its relationship with Federal Bank, its Promoter and Largest Bancassurance partner. To deliver a seamless experience to customers AFLI and Federal Bank have integrated the customer journeys across Digital platforms, Loan Platforms and Relationship Manager assisted journeys.

As a step forward in providing customised solutions, AFLI and Federal Bank jointly developed analytic models to identify products which would be best suited to meet the needs of Bank's customers.

AFLI implemented an Automated underwriting system in partnership with India's leading Reinsurer. This has led to high straight through processing and 25% reduction in turnaround times. This has improved customer satisfaction, increased operational efficiency and built scalability to process higher business volumes.

AFLI also focused on growing its proprietary channels - agency, group, online, and DST in a smart, calibrated manner. All of these Channels have shown high growth in FY 24

Upgrading our core IT systems to enhance reliability and scalability was a significant milestone in this journey, with the second phase slated for completion in the second quarter of FY25. Additionally, we initiated the roadmap to modernise our data architecture, laying the foundation for future growth and innovation.

As we embarked on this transformation journey, sustainability remains at the forefront of our priorities. Committed to the UN Sustainable Development Goals (SDGs), we are integrating sustainability into all aspects of our strategy and core business decisions. We have developed an actionable plan with measurable targets to ensure that sustainability is not just a goal but a fundamental principle guiding our operations.

Ageas Federal Life Insurance is excited to usher in a new era of transformation, dedicated to building a future steeped in sustainability and excellence. We are confident that our strategic initiatives and commitment to sustainability will drive continued success and value creation for all stakeholders.

Products

In today's dynamic business landscape, understanding the changing needs of our customers and evolving our product suite accordingly is crucial for sustainable progress. During the year, strong emphasis was placed on product innovation and development to build a comprehensive portfolio that caters to the diverse requirements of every customer.

Some of the key product highlights, including new product launches and revamping of our existing plans. We offer a comprehensive suite of 31 products designed to serve the protection, health and saving needs of customers. During the year, AFLI launched 7 new products and 8 minor modifications, focussed on customer centricity, simplicity to understand and competitive benefits to the policyholders. Focus during the year was on meeting the diverse needs of stakeholders which resulted in the successful launch of Savings, ULIP and Group Term Plans. Non-Par Savings plan included the launch of MAGIC Savings Plan, a comprehensive solution that provides guaranteed benefits and life cover. With multiple plan options, customers can opt for regular or periodic income or receive a lump-sum amount, providing flexibility to meet their individual needs. Under Par Category, the launch of Super Cash Plan has resulted in remarkable business growth within a short time frame, providing policyholders with immediate income benefits. Furthermore, we launched ULIP plans, catering specifically to NRI & HNI customers and offering innovative features and competitive charge structures. To strengthen and expand our Group business segment, we launched a new Group Term Life Plan II which offers flexibility in premium payment options and also revamped our credit-linked plans. Last but not the least, we also introduced a new Multicap Fund under our ULIP portfolio. The fund offers diversification, adaptability to market conditions, and flexibility for policyholders' risk profiles.

EQUIRUS CAPITAL PRIVATE LIMITED (ECPL /THE COMPANY)

Based on Consolidated Financials, the total gross revenue generated by the Company during the financial year ended March 31, 2024, was ₹ 236 Crore as compared to ₹ 158 Crore during the previous financial year. Profit before tax posted by the Company for the financial year ended March 31, 2024, was ₹ 60 Crore (25% of revenue) as against ₹ 31 Crore (19% of revenue) reported in the previous financial year ended March 31, 2023. Profit after tax was ₹ 44 Crore for the financial year ended March 31, 2024, as against ₹ 22 Crore in the previous financial year. Net worth is increased to ₹ 157 Crore from ₹ 118 Crore in the previous year. Also, during the FY 2023-24, Equirus has been honoured as a "Great Place to Work" for the second consecutive year.

ECPL Subsidiaries

As on March 31, 2024, below are the subsidiaries of ECPL along with their key businesses:

- Equirus Securities Private Limited (ESPL) - Institutional broking business in the cash and derivative segment and also registered as Research Analysts and Depository Participant.
- Equirus Wealth Private Limited (EWPL) – Distribution of wealth products, Portfolio Management Services, Stock Broking, Depository Participant, Research Analyst and Investment manager to SEBI registered category – I AIF. EWPL (IFSC Branch) is investment manager to IFSC registered category – III AIF.
- Equirus Insurance Broking Private Limited (EIBPL)- Insurance Broking (Direct- Life & General).
- Equirus Finance Private Limited (EFPL)– Incorporated to carry out NBFC activity subject to receipt of approval of RBI license.

The company has observed strong growth during the year in all businesses, including the businesses of subsidiaries. Some of the highlights of the performance are as under:

Investment Banking

- As a BRLM, the Company had closed the Initial Public Offers ("IPOs") of (1) Netweb Technologies India Limited (2) TVS Supply Chain Solutions Limited (3) Zaggle Prepaid Ocean Services Limited (4) Protean eGov Technologies Limited (5) Fedbank Financial Services Limited (6) Happy Forgings Limited (7) Jyoti CNC Limited (8) Capital Small Finance Bank Limited.
- During FY 2023-24, the Company had filed DRHP's for 4 Companies for the purpose of IPO. i.e., for (1) Crizac Limited (2) Ecos (India) Mobility & Hospitality Limited (3) Dee Development Engineers Limited (4) Kross Limited.
- As a BRLM, the Company had closed a total of 3 public issues of NCDs of (1) IIFL Finance Limited (2) two issues of the Edelweiss Financial Services Limited.
- Successful closure of Secured structured debt facility for msn laboratories private limited.

Institutional Equities

- Institutional equities business achieved a 2.7% Market share. Our rank improved to top 10 to 15 in most of the funds. We target to move to Top 10 in most of the funds by end of FY25. Our Institutional Equity team is one of the most stable teams among Institutional Equity focused local and MNC firms. There was not a single exit from Analyst/Sales/ Cash dealing in last Financial Year. We wish to continue the same way in FY25.

Wealth & Asset Management

- Equirus Long Horizon Fund has been awarded Rank 1 in Best PMS on 5-year Performance across all categories and in Best PMS on 3 years performance in Mid & Small Cap Category by PMS AIF WORLD.
- Our Assets under Management under PMS crossed ₹ 1,000 Crore.
- EWPL has launched its Category I Venture Capital Fund - Equirus InnovateX Fund with a Fund Size of 150 Crore. with a green shoe option of upto additional ₹ 100 Crore. and has completed its first close.
- Launched In-house wealth-tech platform for internal teams and the planned go live date is Q1FY25 including integration with FedNet & FedMobile applications (Android & iOS)
- The in-house platform will seamlessly handle all 3 customer segments – Digital (up to ₹ 10L AUM), Hybrid (up to ₹ 50L AUM) & Hi-touch (above ₹ 50L AUM)

Insurance Broking

- Insurance broking business empanelled with 44 insurers and has 141+ corporate clients.