

Independent Auditors' Report

**To the Members of The Federal Bank Limited
Report on the Audit of the Consolidated Financial Statements**

Opinion

We have audited the accompanying consolidated financial statements of The Federal Bank Limited (hereinafter referred as the 'the Bank' or 'Holding Company') and its two subsidiaries (Holding Company and subsidiaries together referred to as 'the Group') and its two associates which comprise the consolidated Balance Sheet as at March 31, 2022, the consolidated Profit and Loss Account and the consolidated Cash Flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements of such subsidiaries and associates as were audited by other auditors, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Group and its associates as at March 31, 2022, of its consolidated profit and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities

Description of Key Audit Matters

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>(i) Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 6.2 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)</p> <p>Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances.</p>	<p>Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following:</p> <ul style="list-style-type: none"> - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms), including the additional provisions and asset classification benefit extended on restructured advances under RBI's COVID-19 Regulatory Package .

for the Audit of the consolidated Financial Statements' section of our report. We are independent of the Group and its associates in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of other auditors referred to in the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note No. 1.21 of Schedule 18 to the consolidated financial statements regarding the impact of COVID-19 pandemic. As stated therein, in view of continuing uncertainties, the extent of impact of the pandemic on the Group's operations and financial position would depend on several factors including actions taken to mitigate its impact and other regulatory measures.

Our opinion on the consolidated financial statements is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



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Key Audit Matters	How our audit addressed the Key Audit Matters
<p>The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms'), including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning.</p> <p>The identification of performing and non-performing advances (including advances restructured under applicable IRACP Norms) involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each advance applying both quantitative as well as qualitative factors prescribed by the regulations.</p> <p>Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. <p>Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions on restructured advances under applicable IRACP Norms) and income recognition on advances:</p> <ul style="list-style-type: none"> - Requires proper control mechanism and significant level of estimation by the Bank; - Required to be aligned with changes in IRACP Norms during the year arising out of the COVID 19 pandemic - Has significant impact on the overall financial statements of the Bank; <p>we have ascertained this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> - Understanding, evaluation and testing the design and operating effectiveness of key controls (including system based automated controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI. - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: <ul style="list-style-type: none"> i. Considering testing of the exception reports generated from the application systems where the advances have been recorded. ii. Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. iii. Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors iv. Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product v. Considering audit reports and memorandum of changes issued by statutory branch auditors. vi. Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. vii. Considering the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year. viii. Reviewing the report submitted by external expert appointed by the Bank to verify compliance with the RBI circular on Automation of IRACP processes through the Bank's core banking system. ix. Examination of advances including stressed/ restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. x. Visits to branches/offices and examination of documentation and other records relating to advances. <p>For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.</p>

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Key Audit Matters	How our audit addressed the Key Audit Matters
<p>(ii) Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 6.1 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements).</p> <p>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments.</p> <p>The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.</p> <p>We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.</p>	<p>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/ depreciation related to Investments. In particular -</p> <ul style="list-style-type: none"> - We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; <p>We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.</p>
<p>(iii) Information Technology ('IT') Systems and Controls for financial reporting</p> <p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.</p> <p>The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods.</p>	<p>As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested sample IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.



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Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> - We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal financial controls over financial reporting. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
<p>(iv) Assessment of Provisions and Contingent Liabilities (Schedules 5 and 12 read with Notes 6.13 & 6.21 of Schedule 17 to the consolidated financial statements)</p>	
<p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt Schedule 12 to the consolidated financial statements and various employee benefits schemes Schedule 5 to the consolidated financial statements was identified as a significant audit area.</p> <p>There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from independent legal/ tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet.</p> <p>The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.</p>	<p>Our audit approach / procedures involved:</p> <ul style="list-style-type: none"> - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported; - Understanding the current status of the litigations/tax assessments for the Bank - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets. - Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.

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Information other than the consolidated Financial Statements and Auditors' Report Thereon

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

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

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with the relevant rules issued thereunder, provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the entities included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether

due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

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

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

Auditors' Responsibilities for the audit of the consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system



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with reference to consolidated financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described under 'Other Matters' in this audit report.

Materiality is the magnitude of the misstatements in the consolidated financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- I. We did not audit the financial statements of 331 Branches included in the consolidated financial statements of the Bank whose financial statements reflect total assets of ₹52,539 crores as at March 31, 2022 and total revenue of ₹2,091 crores for the year ended on that date, as considered in the consolidated financial statements. The financial statements of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.
- II. The Consolidated Financial Statements include the audited financial statements of one subsidiary, whose financial statements reflecting total assets of ₹19.83 crores as at 31st March 2022, total revenues of ₹ 44.10 crores and total net profit after tax of ₹3.46 crores for the year ended 31st March 2022, and net cash inflow amounting to ₹3.71 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by one of the joint auditors of the Bank whose reports have been furnished to us by the management. The Consolidated

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Financial Statements also include the audited financial statements of one subsidiary, whose financial statements reflecting total assets of ₹ 6,538.36 crores as at 31st March 2022, total revenues of ₹ 892.30 crores and total net profit after tax of ₹ 99.79 crores for the year ended 31st March 2022 and net cash outflow amounting to ₹ 460.09 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by another independent auditor, whose reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, as well as our report in terms of subsection (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, is based solely on the respective reports of the aforesaid joint auditor and other auditor.

III. The consolidated financial statements also include the Group's share of net profit of ₹31.03 crore for the year ended 31 March 2022, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of its associates and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid associates is based solely on the report of the other auditors.

Our opinion on the consolidated financial statements and our Report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters and with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and the consideration of the reports of the other auditors on separate financial statements of such subsidiaries and associates as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report that, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears

from our examination of those books and the reports of the other auditors;

- c) The consolidated Balance Sheet, the consolidated Profit and Loss Account, the consolidated Cash Flow Statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- e) On the basis of written representations received from the directors as on March 31, 2022 and taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiaries and associates none of the directors of the Group companies and its associates is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to the consolidated financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;
- g) In our opinion, being a banking company, the remuneration to its directors during the year ended March 31, 2022 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiaries and associates which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to their directors is in accordance with the provisions of Section 197 of the Act. The auditors of Ageas Federal Life Insurance Company Limited, (Formerly known as IDBI Federal Life Insurance Company Limited) ('the associate') have reported, managerial remuneration is governed u/s 34A of the Insurance Act, 1938 and requires IRDAI approval. Accordingly, the provisions of Section 197 read with schedule V to the Act are not applicable, and hence reporting under Section 197(16) is not required.



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- h) With respect to the other matters to be included in the Auditors' Report in accordance with the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Schedule 12 and Note No 1.14 under Schedule 18 to the consolidated financial statements;
 - ii. Provision as required, has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 1.15 under Schedule 18 to the consolidated financial statements;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank or its subsidiaries and associates during the year ended 31 March 2022;
 - iv. a) The respective managements of the Holding Company, its subsidiaries and its associates which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the note 1.19 under Schedule 18 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries or associates to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiaries or associates ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - b) The respective managements of the Holding Company, its subsidiaries and its associates, which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the note 1.19 under Schedule 18 to the consolidated financial statements, no funds (which are material either individually or in the aggregate) have been received by the respective Holding Company or any of such subsidiaries or associates from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries or associates shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
 - c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the bank's subsidiaries and associates which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditor's notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.
 - v. The dividend declared and paid by the Holding Company, its subsidiaries, and associates, where applicable, is in accordance with sec.123 of the Act, to the extent it applies to declaration of dividend.

For Varma & Varma
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
M. No.203094
UDIN: 22203094AIMXVO2939

Kochi
06th May 2022

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 22100938AIMXTL2356

Kochi
06th May 2022

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Annexure A to the Independent Auditors' Report of even date on the consolidated financial statements of The Federal Bank Limited

Report on the Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to consolidated financial statements of The Federal Bank Limited ('the Bank'), its subsidiary companies and its associates which are companies incorporated in India, as at March 31, 2022 in conjunction with our audit of the consolidated financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiaries and associates, in terms of their report referred to in the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting with reference to consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

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



Independent Auditors' Report (Contd...)

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank, its subsidiaries and its associate companies have, in all material respects, an adequate internal financial controls system over financial reporting with reference to consolidated financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the internal control over financial reporting with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

1. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to two subsidiaries and two associates, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.
2. Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 331 branches of the Bank is based on the corresponding reports of the respective branch auditors of those branches of the Bank.

Our opinion on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

For Varma & Varma

Chartered Accountants
FRN: 004532S

Vijay Narayan Govind

Partner
M. No.203094
UDIN: 22203094AIMXVO2939

Kochi
06th May 2022

For Borkar & Muzumdar

Chartered Accountants
FRN: 101569W

Kaushal Muzumdar

Partner
M. No. 100938
UDIN: 22100938AIMXTL2356

Kochi
06th May 2022

Consolidated Balance Sheet

as at March 31, 2022

(₹ in Thousand)

	Schedule	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	1	4,205,089	3,992,301
Reserves and surplus	2	188,350,098	161,047,194
Minority interest	2A	3,053,307	2,170,379
Deposits	3	1,816,775,213	1,721,861,042
Borrowings	4	195,873,861	122,706,009
Other liabilities and provisions	5	54,152,877	37,888,345
TOTAL		2,262,410,445	2,049,665,270
ASSETS			
Cash and balances with Reserve Bank of India	6	100,161,105	76,545,101
Balances with banks and money at call and short notice	7	111,199,948	121,612,248
Investments	8	390,651,931	367,316,744
Advances	9	1,499,514,616	1,355,144,123
Fixed assets	10	6,721,033	5,174,870
Other assets	11	154,161,812	123,872,184
TOTAL		2,262,410,445	2,049,665,270
Contingent liabilities	12	389,315,038	364,270,082
Bills for collection		50,132,757	39,772,224
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

 Manikandan Muthiah
Head - Financial Reporting

 Samir P Rajdev
Company Secretary

 Ashutosh Khajuria
Executive Director
(DIN: 05154975)

 Shalini Warriar
Executive Director
(DIN: 08257526)

 Venkatraman Venkateswaran
Chief Financial Officer

 C Balagopal
Chairman
(DIN: 00430938)

 Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

 For Varma & Varma
Chartered Accountants
Firm's Registration No:
0045325

 For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

 Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

 Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Directors:

 A P Hota
Siddhartha Sengupta
Manoj Fadnis
Sudarshan Sen
Varsha Vasant Purandare
Sankarshan Basu
Ramanand Mundkur

 (DIN: 02593219)
(DIN: 08467648)
(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)
(DIN: 06466594)
(DIN: 03498212)

 Place: Kochi
Date : May 06, 2022



Consolidated Profit and Loss Account

for the year ended March 31, 2022

	Schedule	Year ended March 31, 2022	Year ended March 31, 2021
(₹ in Thousand)			
I. INCOME			
Interest earned	13	143,815,315	143,140,755
Other income	14	21,209,332	19,716,535
TOTAL		165,024,647	162,857,290
II. EXPENDITURE			
Interest expended	15	79,593,793	84,349,581
Operating expenses	16	45,921,464	38,986,638
Provisions and contingencies (Refer Note 1.8 of Schedule 18)		19,855,432	23,049,012
TOTAL		145,370,689	146,385,231
III. NET PROFIT FOR THE YEAR		19,653,958	16,472,059
Less: Minority interest		266,386	152,363
Add: Share in Profit of Associates		310,281	323,642
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		19,697,853	16,643,338
Balance in Profit and Loss Account brought forward from previous year		34,958,136	27,417,347
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		11,114	-
V. AMOUNT AVAILABLE FOR APPROPRIATION		54,644,875	44,060,685
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		2,667,208	2,295,718
Transfer to Statutory Reserve		4,724,554	3,975,743
Transfer to Capital Reserve		888,693	1,534,458
Transfer to Special Reserve		1,233,400	1,209,900
Transfer to Reserve fund		146,293	86,730
Redemption of Preference Shares		47,053	-
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		1,397,396	-
Balance carried over to Consolidated Balance Sheet		43,540,278	34,958,136
TOTAL		54,644,875	44,060,685
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		9.52	8.34
Diluted		9.44	8.31
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warriar
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
0045325

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Place: Kochi
Date : May 06, 2022

Directors:

A P Hota
Siddhartha Sengupta
Manoj Fadnis
Sudarshan Sen
Varsha Vasant Purandare
Sankarshan Basu
Ramanand Mundkur

(DIN: 02593219)
(DIN: 08467648)
(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)
(DIN: 06466594)
(DIN: 03498212)

Consolidated Cash Flow Statement

for the year ended March 31, 2022

(₹ in Thousand)

	Year ended March 31, 2022	Year ended March 31, 2021
Cash Flow from Operating Activities		
Net Profit before taxes	26,506,665	22,256,900
Adjustments for:		
Depreciation on Group's Property	1,388,981	1,149,202
Provision / Depreciation on Investments	806,251	186,388
Amortisation of Premium on Held to Maturity Investments	1,692,231	1,421,890
Provision / Charge for Non Performing Advances	6,615,437	15,436,804
Provision for Standard Assets and Contingencies	6,438,433	1,674,321
(Profit)/ Loss on sale of fixed assets (net)	(53,304)	(17,989)
Employees Stock option Expense	5,690	3,436
	43,400,384	42,110,952
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	(37,792,807)	26,120,043
(Increase)/ Decrease in Advances	(150,985,929)	(122,085,933)
(Increase)/ Decrease in Other Assets	(28,165,675)	(28,001,726)
Increase/ (Decrease) in Deposits	94,914,171	199,341,969
Increase/ (Decrease) in Other liabilities and provisions	9,826,099	592,129
	(112,204,141)	75,966,482
Direct taxes paid (net)	(8,932,766)	(6,287,094)
Net Cash Flow from / (used in) Operating Activities	(77,736,523)	111,790,340
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(2,955,200)	(1,299,307)
Proceeds from Sale of Fixed Assets	73,359	41,342
(Increase)/ Decrease in Held to Maturity Investments	11,959,138	(37,891,132)
Net Cash flow from / (used in) Investing Activities	9,077,297	(39,149,097)



Consolidated Cash Flow Statement (Contd...)

for the year ended March 31, 2022

	Year ended March 31, 2022	Year ended March 31, 2021
(₹ in Thousand)		
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	212,787	6,976
Proceeds from Share Premium (net of share issue expenses)	9,057,309	129,293
Increase / (Decrease) in Minority Interest	885,833	358,864
Proceeds from Issue of Subordinate Debt	7,048,000	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	66,119,853	(2,571,190)
Dividend Paid	(1,397,396)	-
Net Cash flow from / (used in) Financing Activities	81,926,386	(2,076,057)
Effect of exchange fluctuation on translation reserve	(63,456)	19,084
Net Increase/(Decrease) in Cash and Cash Equivalents	13,203,704	70,584,270
Cash and Cash Equivalents at the beginning of the year	198,157,349	127,573,079
Cash and Cash Equivalents at the end of the year	211,361,053	198,157,349

Notes:

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

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warriar
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
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(DIN: 02593219)
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(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)
(DIN: 06466594)
(DIN: 03498212)

Place: Kochi
Date : May 06, 2022

Schedules Forming Part of the Consolidated Balance Sheet

SCHEDULE 1 - CAPITAL

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
Authorised Capital	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	4,207,778	3,994,991
2,103,889,168 (Previous year 1,997,495,543) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	4,205,093	3,992,305
2,102,546,373 (Previous year 1,996,152,748) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	4,205,089	3,992,301

Refer Note 1.1 of Schedule 18

SCHEDULE 2 - RESERVES AND SURPLUS

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
I. Statutory Reserve		
Opening balance	33,809,726	29,833,982
Additions during the year	4,724,554	3,975,744
	38,534,280	33,809,726
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	50,091
(b) Capital Redemption Reserve		
Opening balance	-	-
Additions during the year	14,661	-
	14,661	-
(c) Others		
Opening balance	6,580,463	5,046,005
Additions during the year*	874,033	1,534,458
	7,454,496	6,580,463
	7,519,248	6,630,554
III. Share premium (Refer Note 1.1 of Schedule 18)		
Opening balance	53,303,285	53,173,992
Additions during the year	9,121,497	130,995
Deductions during the year	-	1,702
	62,424,782	53,303,285



Schedules Forming Part of the Consolidated Balance Sheet (Contd...)

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	22,466,209	20,170,491
Additions during the year	2,667,208	2,295,718
	25,133,417	22,466,209
(b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
	1,897,200	1,897,200
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	7,249,800	6,039,900
Additions during the year	1,233,400	1,209,900
	8,483,200	7,249,800
V. Foreign Currency Translation Reserve		
Opening Balance	82,572	63,488
Additions / (Deductions) during the year [Refer Schedule 17 (6.6)]	(63,456)	19,084
	19,116	82,572
VI. ESOP Reserve		
Opening Balance	17,222	13,786
Additions during the year	5,690	3,436
	22,912	17,222
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VIII. Reserve Fund		
Opening balance	330,723	243,993
Additions during the year	143,182	86,730
	473,905	330,723
IX. General Reserve		
Opening balance	764	764
Addition / (Deductions) during the year	(7)	-
	757	764
X. Balance in Consolidated Profit and Loss Account	43,540,278	34,958,136
Total	188,350,098	161,047,194

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

a) Gain on sale of Held to Maturity Investments ₹842,569 Thousands (Previous year ₹ 1,523,907 Thousands)

b) Profit on sale of Premises ₹31,464 Thousands (Previous year ₹ 10,551 Thousands)

Schedules Forming Part of the Consolidated Balance Sheet (Contd...)

SCHEDULE 2A - MINORITY INTEREST

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
Minority interest at the date on which parent-subsidiary relationship came into existence	786,638	786,638
Subsequent increase	2,266,669	1,383,741
Total	3,053,307	2,170,379

SCHEDULE 3 - DEPOSITS

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
A. I. Demand Deposits		
i. From Banks	6,176,235	4,583,310
ii. From Others	137,523,300	113,320,966
	143,699,535	117,904,276
II. Savings Bank Deposits	530,826,744	468,522,891
III. Term Deposits		
i. From Banks	9,534,129	26,909,515
ii. From Others	1,132,714,805	1,108,524,360
	1,142,248,934	1,135,433,875
Total	1,816,775,213	1,721,861,042
B. I. Deposits of branches in India	1,816,772,232	1,721,819,135
II. Deposits of branches outside India	2,981	41,907
Total	1,816,775,213	1,721,861,042

SCHEDULE 4 - BORROWINGS

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	39,124,195	35,555,016
iii. Other institutions and agencies	137,315,596	65,459,065
Total	176,439,791	101,014,081
II. Borrowings outside India	19,434,070	21,691,928
Total	195,873,861	122,706,009
a) Secured borrowings included in I and II above	162,209,403	88,526,605
b) Tier II bond included in I(ii) & I(iii) above	10,153,000	3,105,000



Schedules Forming Part of the Consolidated Balance Sheet (Contd...)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousand)

	As at March 31, 2022	As at March 31, 2021
I. Bills Payable	6,175,507	4,980,825
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	2,834,252	2,472,313
IV. Others (including provisions)*	45,143,118	30,435,207
Total	54,152,877	37,888,345
*Includes		
General provision for standard assets	14,009,955	7,529,203

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousand)

	As at March 31, 2022	As at March 31, 2021
I. Cash in hand (including foreign currency notes)	17,297,195	16,746,615
II. Balance with Reserve Bank of India		
i. in Current Accounts	82,863,910	59,798,486
ii. in Other Accounts	-	-
Total	100,161,105	76,545,101

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

(₹ in Thousand)

	As at March 31, 2022	As at March 31, 2021
I. In India		
i. Balances with banks		
a. in Current Accounts	4,148,052	6,690,910
b. in Other Deposit Accounts	4,382,501	3,570,372
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	62,000,000	38,500,000
Total	70,530,553	48,761,282
II. Outside India		
i. in Current Accounts	9,063,922	12,060,693
ii. in Other Deposit Accounts	29,938,038	60,351,613
iii. Money at call and short notice	1,667,435	438,660
Total	40,669,395	72,850,966
Grand Total (I and II)	111,199,948	121,612,248

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 8 - INVESTMENTS

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
I. Investments in India in :		
i. Government Securities ^{##}	352,689,974	327,826,425
ii. Other approved Securities	-	-
iii. Shares [#]	4,562,519	4,418,463
iv. Debentures and Bonds	13,543,328	19,607,863
v. Joint Venture [*]	2,738,499	2,763,618
vi. Others [@]	16,517,252	11,855,402
Total	390,051,572	366,471,771
II. Investments outside India		
i. Government Securities (including Local authorities)	439,301	840,738
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments		
a. Debentures and Bonds	151,737	-
b. Shares	9,321	4,235
Total	600,359	844,973
Grand Total (I and II)	390,651,931	367,316,744
Gross Investments		
In India	395,023,569	370,805,482
Outside India	600,359	844,973
Total	395,623,928	371,650,455
Depreciation/ Provision for Investments		
In India	4,971,997	4,333,711
Outside India	-	-
Total	4,971,997	4,333,711
Net Investments		
In India	390,051,572	366,471,771
Outside India	600,359	844,973
Total	390,651,931	367,316,744

^{##} - Securities costing ₹ 77,383,897 Thousands (Previous Year ₹ 91,902,027 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

[#] - Includes Cost of Investment in Associate amounting to ₹ 309,714 Thousands (Previous Year ₹ 226,857 Thousands) including Goodwill of ₹ 150,181 Thousands (Previous Year ₹ 146,709 Thousands)

^{*} - represents investment accounted as an associate in line with AS -23 , Accounting for Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].

[@] - Comprises of:

	(₹ in Thousand)	
Particulars	As at March 31, 2022	As at March 31, 2021
Pass through certificates (PTCs)	5,596,808	3,319,135
Certificate of Deposits	5,323,433	4,998,672
Commercial Paper	2,481,327	484,080
Venture Capital Funds (VCFs)	1,141,681	1,102,906
Security Receipts	694,067	1,600,621
Mutual Fund	1,279,936	349,988
Total	16,517,252	11,855,402



Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 9 - ADVANCES

(₹ in Thousand)

	As at March 31, 2022	As at March 31, 2021
A. i. Bills purchased and discounted	35,191,053	48,623,002
ii. Cash credits, overdrafts and loans repayable on demand	644,095,456	551,041,833
iii. Term loans	820,228,107	755,479,288
Total	1,499,514,616	1,355,144,123
B. i. Secured by tangible assets*	1,234,097,232	1,098,734,868
ii. Covered by Bank/Government guarantees #	18,091,031	18,370,850
iii. Unsecured	247,326,353	238,038,405
Total	1,499,514,616	1,355,144,123
C. I. Advances in India		
i. Priority sectors	442,727,087	356,182,092
ii. Public sector	1,234,066	805,144
iii. Banks	1,951	9,155,519
iv. Others	1,039,580,028	971,035,654
Total	1,483,543,132	1,337,178,409
II. Advances outside India		
i. Due from Banks	528,746	1,526,508
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	3,717,803	5,657,157
c) Others	11,724,935	10,782,049
Total	15,971,484	17,965,714
Grand Total (C I and C II)	1,499,514,616	1,355,144,123

* - Includes Advances against book debts

- Includes Advances against Letter of credit issued by banks
(Advances are net of provisions)

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousand)

	As at March 31, 2022	As at March 31, 2021
A. Premises #		
Gross Block		
At the beginning of the year	2,436,549	2,402,232
Additions during the year	533,626	39,600
Deductions during the year	1,533	5,283
At the end of the year	2,968,642	2,436,549
Depreciation		
As at the beginning of the year	1,023,451	982,845
Charge for the Year	42,268	43,492
Deductions during the year	-	2,886
Depreciation to date	1,065,719	1,023,451
Net Block	1,902,923	1,413,098
B. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	13,371,686	12,232,112
Additions during the year	2,263,894	1,405,023
Deductions during the year	257,302	265,449
At the end of the year	15,378,278	13,371,686
Depreciation		
As at the beginning of the year	9,740,715	8,879,497
Charge for the year	1,346,713	1,105,595
Deductions during the year	238,779	244,377
Depreciation to date	10,848,649	9,740,715
Net Block	4,529,629	3,630,971
C. Capital Work in progress (Including Capital Advances)	288,481	130,801
Grand Total (A+B+C)	6,721,033	5,174,870

- Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 443,380 Thousands (Previous Year ₹ 453,476 Thousands) with remaining lease period varying from 55 - 67 years.



Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 11 - OTHER ASSETS

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
I. Inter - office adjustments (net)	-	-
II. Interest accrued	12,523,377	12,777,790
III. Tax paid in advance/Tax Deducted at source (Net of provision)	11,844,772	11,277,117
IV. Stationery and Stamps	11,895	8,600
V. Non-banking assets acquired in satisfaction of claims*	3,936	16,259
VI. Others #	129,777,832	99,792,418
Total	154,161,812	123,872,184
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# - Includes		
(a) Priority sector shortfall deposits	109,941,405	85,220,770
(b) Deferred Tax Asset (Refer Note 1.7 of Schedule 18)	1,615,138	58,840
(c) Security deposits	2,354,945	1,574,871

SCHEDULE 12 - CONTINGENT LIABILITIES

	(₹ in Thousand)	
	As at March 31, 2022	As at March 31, 2021
I. Claims against the Bank not acknowledged as debts	16,878,498	17,445,140
II. Liability on account of outstanding forward exchange contracts**	266,022,356	260,669,140
III. Guarantees given on behalf of constituents - in India	78,761,957	67,442,288
IV. Acceptances, endorsements and other obligations	22,885,851	14,349,424
V. Other items for which the Bank is contingently liable @	4,766,376	4,364,090
Total	389,315,038	364,270,082
(Refer Note 1.14 of Schedule 18)		
** - Including Derivatives		
@ - includes ₹ 2,486,487 Thousands (Previous Year : ₹ 2,120,340 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell. BC.114/30.01.002/2013-14.		

Schedules Forming Part of the Consolidated Profit and Loss Account

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousand)

	Year ended March 31, 2022	Year ended March 31, 2021
I. Interest/discount on advances/bills	115,643,106	113,531,365
II. Income on investments	23,164,920	23,382,858
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,202,669	3,681,644
IV. Others*	2,804,620	2,544,888
Total	143,815,315	143,140,755

* - Includes interest on Income tax refunds amounting to ₹ 288,977 thousands (Previous year ₹ 87,518 thousands) accounted based on Assessment orders received.

SCHEDULE 14 - OTHER INCOME

(₹ in Thousand)

	Year ended March 31, 2022	Year ended March 31, 2021
I. Commission, exchange and brokerage	13,228,649	10,494,554
II. Profit on sale of investments (Net)	3,886,879	6,108,187
III. Profit / (Loss) on revaluation of investments (Net)	(813,501)	137,937
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	53,304	17,989
V. Profit on foreign exchange/derivative transactions (Net)	2,420,161	1,939,989
VI. Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures.	-	-
VII. Miscellaneous income**	2,433,840	1,017,879
Total	21,209,332	19,716,535

** - Includes Recoveries in assets written off ₹ 1,791,353 Thousands (Previous year ₹ 810,108 Thousands)

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousand)

	Year ended March 31, 2022	Year ended March 31, 2021
I. Interest on deposits	73,322,891	78,045,404
II. Interest on Reserve Bank of India/Inter bank borrowings	358,479	419,646
III. Others	5,912,423	5,884,531
Total	79,593,793	84,349,581

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousand)

	Year ended March 31, 2022	Year ended March 31, 2021
I. Payments to and provisions for employees	25,116,596	21,720,184
II. Rent, taxes and lighting	3,655,870	3,190,459
III. Printing and stationery	294,405	259,667
IV. Advertisement and publicity	121,696	96,758
V. Depreciation on group's property	1,388,981	1,149,202
VI. Directors' fees, allowances and expenses	31,809	23,851
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	78,282	85,021
VIII. Law charges	316,507	194,298
IX. Postage, Telegrams, Telephones etc	912,628	819,003
X. Repairs and maintenance	858,127	700,499
XI. Insurance	2,145,710	1,929,055
XII. Other expenditure#	11,000,853	8,818,641
Total	45,921,464	38,986,638

- Includes expenditure on Corporate Social Responsibility - ₹ 407,404 Thousands (Previous Year: ₹ 362,802 Thousands)



SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

1. BACKGROUND

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India. The Bank was incorporated on April 23, 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts/ regulations. The bank had set up an International Financial Services Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. PRINCIPLES OF CONSOLIDATION

- (i) The consolidated financial statements relate to the Bank, its subsidiary companies and the Group's share of Profit/Loss in its associates. The details of subsidiaries and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				March 31, 2022	March 31, 2021
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	73.30	74.00
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	19.89	19.90

- (ii) The audited financial statements of the subsidiary companies and the audited financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2022.
- (iii) The financial statements of the Bank and its subsidiary companies have been combined on a line-by-line basis as per AS 21, *Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.
- (iv) The consolidated financial statements include the share of profit of the associate companies which have been accounted for using equity method as per AS 23 *Accounting for Investments in Associates in Consolidated Financial Statements*. Accordingly, the share of profit of the associate companies has been added to the cost of respective investment.
- (v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.
- (vi) Differences in accounting policies followed by the subsidiaries and associates have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

3. BASIS OF ACCOUNTING AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Bank and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except otherwise stated.

The financial statements of Fedbank Financial Services Limited is prepared in accordance with notified Indian Accounting Standards ('Ind-AS'). However, the financial statements of the referred subsidiary used for consolidation purpose is a special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') specified under section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021.

4. USE OF ESTIMATES

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

5. CHANGES IN ACCOUNTING POLICIES

The Bank has carried out the following changes in its accounting policies during the year ended March 31, 2022:

The Bank was following the 'Intrinsic Value method' of accounting for Employee Stock Option Schemes as per Securities and Exchange Board of India (SEBI) guidelines and Guidance Note on 'Accounting for Share-based Payments' issued by the ICAI.

On August 30, 2021, Reserve Bank of India, vide its clarification on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff, advised all private sector Banks and foreign banks operating in India that the fair value of share-linked instruments on the date of grant should be recognized as an expense beginning with the accounting period for which approval has been granted after the accounting period ending March 31, 2021.

Accordingly, the Bank has changed its accounting policy from the intrinsic value method to the fair value method for all Stock options granted to the Material Risk takers after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognized as employee compensation expense over the vesting period.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Investments

The Bank Classification

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

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

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

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

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares,



SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

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

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- a. Held for Trading / Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The 'market value' for quoted securities shall be the prices declared by the Financial Benchmark India Pvt. Ltd. (FBIL). For securities included under AFS and HFT categories whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/trading platforms authorized by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Net depreciation, if any, within each category of each investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition is

amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

- c. Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d. Units of Mutual Funds are valued at the latest repurchase price / net asset value declared by Mutual Fund.
- e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL / FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
 - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at "breakup" value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1 per company based on the stipulated norms as per RBI circular.
 - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.

- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.
- f. Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.
- g. The Bank follows settlement date method of accounting for purchase and sale of investments.
- h. Non-Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

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

Repurchase and Reverse Repurchase Transactions

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C, specifically created for

this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiaries

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long-Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortized over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

6.2 Advances

The Bank

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

Amounts recovered against debts written off are recognised in the Profit and Loss Account and included under "Other Income".



SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

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

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

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

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

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

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

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

Fedbank Financial Services Limited

Advances are classified as Standard Assets or Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016"

For gold loans, the Company may roll over/ repledge the overdue loan into a fresh loan, provided –

- the customer brings in additional margin in the form of gold or cash to meet the LTV margin requirements as per RBI guidelines; or
- if the revalued collateral value of the gold is adequate to meet the LTV margin requirements as per RBI guidelines.

Irrespective of the days past due status, if these gold loans have adequate margin available as required by the regulatory norms, these loans are classified as 'standard' and standard asset provision rates are only applied.

6.3 Securitisation and transfer of assets

The Bank

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

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

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

Fedbank Financial Services Limited

The Company enters into securitisation / assignment transactions and assets are de-recognised upon sale only if the Company surrenders the control over the contractual rights that comprises in the financial assets i.e. when they meet true sale criteria. The Company has adopted the accounting policy for securitisation / assignment transactions, as notified by RBI in its circular "Revision to the guidelines on transfer of assets through Securitisation and Transfer of loan assets" as amended from time to time.

Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle (SPV), losses if any are recognised upfront.

The amount of cash profit on assignment transaction is held under "Cash Profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at every reporting period end as prescribed by RBI in the aforementioned circular. The unamortised portion is reflected as "Other long-term liabilities" / "Other current liabilities".

6.4 Country risk

The Bank

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

6.5 Priority Sector Lending Certificates (PSLC)

The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016, trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

6.6 Transactions involving foreign exchange

The Bank

In respect of domestic operations:

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

In respect of Non-Integral Foreign Branches:

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

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/ tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.



SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

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

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

Federal Operations and Services Limited

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency outstanding at the Balance Sheet date are translated at the applicable exchange rates prevailing at the year-end. The exchange gain/ loss arising during the year are adjusted to the Statement of Profit and Loss.

6.7 Derivative transactions

The Bank

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

6.8 Revenue Recognition

The Bank

- Interest income is recognised on an accrual basis in accordance with AS – 9, 'Revenue Recognition' as notified under Section 133 of the Companies Act, 2013 read together with Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets, which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on "first in first out" policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.

- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/ received is accounted on an accrual basis.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

Fedbank Financial Services Limited

- Revenue is recognized as and when it is earned, and no significant uncertainty exists as to its realization or collection.
- Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically important Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2016 " and the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.
- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- Processing Fees are recovered and recognised at the time of disbursement of loan.
- Penal interest income and other charges (like bouncing charges, foreclosure charges etc.) levied are recognized upon realisation basis.

Federal Operations and Services Limited

- Revenue from Operations is recognized as and when services are rendered, as per the terms of Master Service Agreement entered into by the company.
- Other Income
 - i. Interest income is recognised on accrual basis using effective interest rate method.
 - ii. Dividend income is recognised when the Company's right to receive is established.
 - iii. Other incomes are recognised on accrual basis except when there are significant uncertainties.

6.9 Fixed assets and depreciation / amortization

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset before it is ready to put to use. Taxes like GST paid on Fixed assets

wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit / functioning capability from / of such assets.

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

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

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

The management believes that the useful life of assets assessed by the Bank, pursuant to Part C of Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software	3 / 5 Years
Servers, Firewall & Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years



SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

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

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

Fedbank Financial Services Limited

- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

Asset Type	Useful Life (In Years)	Method	Rate of Depreciation (%)
Computer Equipment's	3	SLM	31.67
Server	6		15.83
Office Equipment's	5		45.08
Furniture & Fixtures	10	WDV	25.88
Vehicles - Cars	8		31.24

- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on a Straight-Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

Federal Operations and Services Limited

- Property, Plant and Equipments are stated at cost less accumulated depreciation and impairment in value if any. Cost includes purchase price, (inclusive of import duties and non - refundable purchase taxes, after deducting trade discounts and rebates), other

costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

- When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacement spares/ major inspection relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.
- On disposal of an item of property, plant and equipment, the differences between the disposal proceeds and its carrying amount is recognised in the Statement of Profit and Loss. The residual values, useful life and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate. Capital work in progress comprises of the cost of fixed asset that are not yet ready for their intended use at the reporting date.
- Intangible assets are recorded at the cost of acquisition of such assets and are carried at cost less accumulated depreciation and impairment, if any.
- Depreciation is provided on Written Down Value Method in accordance with Schedule II of the Companies Act, 2013. The useful life adopted is as prescribed under Schedule II of the Companies Act 2013, except for the following assets for which a different useful life has been adopted on the basis of technical evaluation/management estimate, based on a review by the management at the year end:-
 - a) The cost of lease holds improvements are amortised on a straight line basis over the lease period.
 - b) Cost of license is capitalised as intangible asset and amortized over the license period. Also, the cost of software is capitalised as intangible asset and amortised on a straight line basis over the useful life of 5 years.
 - c) Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

6.10 Impairment of Assets

Group

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

6.11 Non-Banking Assets acquired in Satisfaction of Claims

The Bank

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

6.12 Lease transactions

Operating Lease

The Group

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

6.13 Retirement and other employee benefits

The Bank

a) *Provident Fund*

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

b) *Pension Fund*

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust

set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid / payable by the bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss Account.

c) *Gratuity*

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

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

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

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

e) *New Pension Scheme ('NPS')*

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and



SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

Loss Account in the period in which they accrue. The Bank has no liability other than its contribution and recognises such contributions as an expense in the year incurred.

f) *Other employee Benefits*

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

Fedbank Financial Services Limited

a) *Short Term Employee Benefits*

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

b) *Defined Contribution Plan*

The Company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Statement of Profit and Loss for the year.

c) *Defined Benefit Plan*

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company, makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

d) *Other Long Term Employee Benefits*

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried

out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

Federal Operations and Services Limited

a) *Short Term Employee Benefits*

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Statement of Profit and Loss of the year in which the related services are rendered.

b) *Defined Contribution Plan*

The Company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Statement of Profit and Loss for the year.

c) *Defined Benefit Plan*

The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on actuarial valuation, conducted annually using projected unit credit method at balance sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

6.14 Employee Stock Option Scheme

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 and Employee Stock Option Scheme (ESOS) 2017 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999, and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Scheme provided for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the Bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any,

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period. However, the stock options granted to Material risk takers, after March 31, 2021 are accounted as per 'Fair value method' using Black-Scholes model, which is recognized as compensation expense over the vesting period in line with extant RBI guidelines.

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

Fedbank Financial Services Limited

Stock options granted to employees under the stock option schemes are accounted using the intrinsic value method prescribed in the Guidance Note on Employees Share Based Payments issued by The Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is considered as deferred employee compensation. The expense on deferred employee compensation is recognized in Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to expense, equal to the amortized portion of value of lapsed portion.

6.15 Debit and Credit card reward points

The Bank

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

6.16 Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws. Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognized in reserves are adjusted in reserves and not in Profit and Loss Account.

6.17 Input Credit under GST

Group

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

6.18 Share issue expenses

Group

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

6.19 Corporate Social Responsibility

Group

Expenditure towards Corporate Social Responsibility, in accordance with Companies Act, 2013 is recognized in the Profit and Loss Account.



SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

6.20 Earnings per Share

Group

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 "Earnings per Share", as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders outstanding by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

6.21 Provisions, contingent liabilities, and contingent assets

Group

In accordance with Accounting Standard – 29, "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized when the Group has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets, if any, are neither recognized nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Further in the case of *Fedbank Financial Services Limited*- Secured/Unsecured Loans are classified/ provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding Company, employee benefits or any kind of provision which is in dispute with regulatory authority.

6.22 Segment information

Group

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

6.23 Accounting for Dividend

Group

In terms of Accounting Standard (AS) 4, "Contingencies and Events occurring after the Balance sheet date" as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognized in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

6.24 Cash and Cash Equivalents

Group

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

Amounts in notes to accounts forming part of the Consolidated Financial Statements for the year ended March 31, 2022 are denominated in ₹ Crore to conform to extant RBI guidelines except where stated otherwise.

1.1 SHARE CAPITAL

A. Equity Issue

During the year, the Bank has issued 104,846,394 (previous year Nil) equity shares of ₹ 2/- each for cash pursuant to a preferential allotment at ₹ 87.39/- per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the Bank. The funds mobilised from raising equity were utilised for general business purposes.

Further the Bank has allotted during the year 1,547,231 (previous year 3,488,176) equity shares consequent to exercise of ESOS vested. Accordingly, the Share Capital increased by ₹ 0.31 Crore (previous year ₹0.70 Crore) and Reserves (share premium) increased by ₹ 9.08 Crore (previous year ₹13.10 Crore).

B. Subscribed and paid up capital includes:

- (i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 28,361,023 underlying equity shares of ₹ 2/- each (previous year 29,232,891 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

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

- (i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share
- (ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share
- (iii) 1,074,165 equity shares of ₹ 2/- each (previous year 1,074,165 equity shares of ₹ 2/- each) at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various Courts:

- (i) 406,670 equity shares of ₹ 2/- each (previous year 406,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- (ii) 612,005 equity shares of ₹ 2/- each (previous year 612,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

D. Employee Stock Option Scheme (ESOS)

The Bank

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

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


SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,196,193	28.63 - 112.35	50.80	1.76
Granted during the year	-	-	-	-
Exercised during the year	918,047	28.63 - 62.00	45.45	-
Forfeited/lapsed during the year	460	28.63 - 28.63	28.63	-
Outstanding at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81
Exercisable at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81

Stock option activity under the Scheme for the year ended March 31, 2021 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	16,057,341	28.63 - 112.35	48.55	1.95
Granted during the year	-	-	-	-
Exercised during the year	3,422,806	28.63 - 62.00	38.72	-
Forfeited/lapsed during the year	3,438,342	28.63 - 62.00	52.31	-
Outstanding at the end of the year	9,196,193	28.63 - 112.35	50.80	1.76
Exercisable at the end of the year	9,171,193	28.63 - 112.35	50.63	1.75

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2022 (previous year Nil).

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

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

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	74,926,966	38.30 - 116.85	80.98	5.35
Additions from the previous year	-	-	-	-
Granted during the year*	3,733,250	77.55 - 91.35	83.85	7.44
Exercised during the year	629,184	81.95 - 98.70	82.92	-
Forfeited/lapsed during the year	901,372	38.30 - 116.85	69.03	-
Outstanding at the end of the year	77,129,660	38.30 - 116.85	81.24	4.49
Exercisable at the end of the year	43,042,257	38.30 - 116.85	94.96	2.87

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

Stock option activity under the Scheme for the year ended March 31, 2021 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,227,910	38.30 - 116.85	90.09	5.65
Additions from the previous year	2,250	38.30 - 38.30	38.30	8.24
Granted during the year**	16,884,159	42.95 - 83.05	55.22	7.78
Exercised during the year	65,370	81.20 - 116.85	82.63	-
Forfeited/lapsed during the year	19,121,983	38.30 - 116.85	95.01	-
Outstanding at the end of the year	74,926,966	38.30 - 116.85	80.98	5.35
Exercisable at the end of the year	28,949,455	72.45 - 116.85	99.80	3.09

* Details of options granted during the year ended March 31, 2022 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
April 30, 2021	1,000,000	77.55
June 09, 2021	2,675,250	86.20
August 27, 2021	33,000	78.20
January 10, 2022	25,000	91.35

** Details of options granted during the year ended March 31, 2021 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
May 06, 2020	7,835,174	42.95
June 04, 2020	9,000	47.10
July 24, 2020	205,000	57.10
September 04, 2020	62,500	55.70
September 28, 2020	14,000	47.70
December 07, 2020	8,672,485	66.00
February 10, 2021	54,000	82.95
March 02, 2021	32,000	83.05

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2022 (previous year ₹ 0.01 Crore).

In compliance with RBI guidelines, stock options granted to Whole Time Directors/ Chief Executive Officer/ Material Risk Takers and Control Function Staff after the year ended March 31, 2021 has been accounted using fair value method. Accordingly, the Bank has recognized ₹ 0.51 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2022 (previous year Nil).

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2022 was ₹ 88.68 (previous year ₹ 59.25).


SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)
(iii) Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 21.10 Crore (previous year ₹ 22.74 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 9.03 and ₹ 8.97 (previous year ₹ 7.86 and ₹ 7.84) respectively.

Weighted average fair value of options granted during the years ended March 31, 2022 and March 31, 2021 are as follows:

Particulars	March 31, 2022	March 31, 2021
Weighted average fair value of options granted during the year (in ₹)	30.53	21.79

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

Particulars	March 31, 2022	March 31, 2021
Dividend yield	1% - 2%	1% - 2%
Expected life (in years)	3 - 4.63	3 - 4.63
Risk free interest rate	5.00% - 7.75%	5.00% - 7.75%
Expected volatility	30% - 50%	30% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

Fedbank Financial Services Limited
(i) Employee Stock Option Plan 2018 (ESOP)

Shareholders of the Company had approved Fedbank Financial Services Limited Employee Stock Option Plan 2018 (ESOP), the result of which was announced on November 13, 2018, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Company not exceeding 6% of the aggregate number of paid up equity shares of the Company, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the Company granted the following options:

Particulars	(Number of Options)	
	March 31, 2022	March 31, 2021
Outstanding at the beginning of the year	8,151,351	5,511,351
Granted during the year	-	2,700,000
Exercised during the year	281,000	12,000
Forfeited/lapsed during the year	-	48,000
Outstanding at the end of the year	7,870,351	8,151,351
Exercisable at the end of the year	1,439,000	655,000

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

(ii) Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 2.18 Crore (previous year ₹ 2.54 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method for accounting of ESOP would be ₹ 3.13 and ₹ 3.13 (previous year ₹ 1.93 and ₹ 1.92) respectively.

Group

Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 22.70 Crore (previous year ₹ 24.62 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 9.41 and ₹ 9.35 (previous year ₹ 8.22 and ₹ 8.20) respectively.

E. Dividend

The Board of Directors of the Bank have recommended a dividend of 90% i.e. ₹ 1.80/- per equity share on face value of ₹ 2/- each for the year 2021-22 (previous year ₹ 0.70/- per equity share).

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance Sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 378.46 Crore (previous year ₹ 139.73 Crore) from the Profit and Loss account for the year ended March 31, 2022. However the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital Adequacy Ratio as on March 31, 2022.

1.2 EMPLOYEE BENEFITS (AS 15)

1.2.1 Defined Contribution Plan

The Bank

Provident Fund

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

New Pension Scheme

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

* As per the provisions of 11th Bipartite Settlement/ Joint Note dated November 11, 2020 it was recommended to increase the Employers Contribution to NPS from 10% to 14%, subjected to approval of Central Government. IBA wide Circular No HR&IR/MBR/XIBPS/10409 dated October 11, 2021 to the member banks which are parties of joint note has conveyed the NOC of Ministry of Finance, Department of Financial Services to enhance the rate of employers' contribution under the National Pension System from the existing 10% of Pay plus DA to 14%, for the employees covered under NPS effective from November 11, 2020.



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

The Subsidiaries

The subsidiaries have defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to the Statement of Profit and Loss for the year.

Group

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 9.70 Crore (previous year ₹ 7.37 Crore) for provident fund contributions, ₹ 0.85 Crore (previous year ₹ 0.64 Crore) for Employee State Insurance Scheme Contributions and ₹ 77.82 Crore (previous year ₹ 45.79 Crore) for DCPS in the Consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the rules of the schemes.

1.2.2 Defined benefit plan

A. Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Fedbank Financial Services Limited

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the Company makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

Federal Operations and Services Limited

The Company pays gratuity, a defined benefit plan, to employees who retire or resign. The Company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on the basis of actuarial valuation under projected unit credit method at the Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

B. Superannuation / Pension

The Bank

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

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

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

(i) Change in benefit obligations

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Projected benefit obligation at the beginning of the year	467.81	374.63	2.49	1.81	0.16	0.06	1,486.28	1,197.98
Current Service Cost	29.27	37.79	1.62	0.99	0.28	0.11	388.95	224.60
Interest cost	31.79	24.22	0.14	0.10	0.01	*	70.65	70.22
Actuarial (gain)/ loss	(5.84)	83.38	(0.94)	(0.30)	*	(0.01)	295.67	330.11
Benefits paid	(71.74)	(52.21)	(0.12)	(0.11)	-	-	(493.61)	(336.63)
Projected benefit obligation at the end of the year	451.29	467.81	3.19	2.49	0.45	0.16	1,747.94	1,486.28

* denotes figures less than ₹ 1 lakh

(ii) Change in plan assets

(Amount in ₹ Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Plan assets at the beginning of the year at fair value	469.49	369.30	2.33	1.49	1,494.71	1,129.93
Expected return on plan assets	37.56	22.20	0.17	0.10	119.58	80.68
Actuarial gain/(loss)	1.67	2.29	(0.01)	0.15	12.35	9.83
Employer's Contributions	56.79	127.91	0.70	0.69	670.96	610.90
Benefits paid	(71.73)	(52.21)	(0.12)	(0.11)	(493.61)	(336.63)
Plan assets at the end of the year at fair value	493.78	469.49	3.07	2.33	1,803.99	1,494.71

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

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Fair value of plan assets at the end of the year	493.78	469.49	3.07	2.33	-	-	1803.99	1,494.71
Present value of the defined benefit obligations at the end of the year	451.29	467.81	3.19	2.49	0.45	0.16	1747.94	1,486.28
Liability/ (Asset) recognized in the Consolidated Balance Sheet	(42.49)	(1.68)	0.12	0.16	0.45	0.16	(56.05)	(8.43)


SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

(iv) Gratuity/ pension cost

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Current Service cost	29.27	37.79	1.62	0.99	0.28	0.11	388.95	224.60
Interest cost	31.79	24.22	0.14	0.10	0.01	*	70.65	70.22
Expected return on plan assets	(37.56)	(22.20)	(0.17)	(0.10)	-	-	(119.58)	(80.68)
Actuarial (gain)/loss	(7.51)	81.09	(0.93)	(0.46)	*	(0.01)	283.32	320.28
Net Cost	15.99	120.90	0.66	0.53	0.29	0.10	623.34	534.42
Other direct contributions to the Fund	-	-	-	-	-	-	(37.52)	-
Net Cost Debit to Consolidated Profit and Loss Account	15.99	120.90	0.66	0.53	0.29	0.10	585.82 [#]	534.42
Actual return on plan assets ^{##}	39.23	24.49	-	-	-	-	131.93	90.52

* denotes figures less than ₹ 1 lakh

[#] Includes entire additional liability of ₹ 177.32 Crore provided by the Bank during the year ended March 31, 2022 pursuant to the revision in family pension payable to employees of the Bank covered under 11th Bipartite Settlement/Joint Note dated November 11, 2020.

^{##} Figures taken from Audited Financial statements of respective trusts

(v) Investment details of plan Assets*

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Central and State Government bonds	-	-	-	-
Other debt securities	-	-	5.00	5.00
Balance in Saving bank account with the Bank	2.07	0.01	3.90	0.01
Net current assets	-	-	0.32	0.32
Balance with LIC/ABSL [#]	491.71	469.48	1,794.77	1,489.38
Total	493.78	469.49	1,803.99	1,494.71

* Figures taken from Audited Financial statements of respective trusts.

[#] In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

(vi) Experience adjustments

a) Gratuity Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit Obligations	451.29	467.81	374.63	329.19	311.55	260.48
Plan Assets	493.78	469.49	369.30	334.23	265.75	261.54
Surplus/(Deficit)	42.49	1.68	(5.33)	5.04	(45.80)	1.06
Experience adjustments on Plan Liabilities [Gain/(Loss)]	8.09	(89.21)	(10.09)	(6.56)	(7.08)	2.18
Experience Adjustments on Plan Assets [Gain/ (Loss)]	(7.67)	7.20	3.29	0.77	1.97	(0.42)

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)
Fedbank Financial Services Limited

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit obligations	3.19	2.49	1.81	1.07	0.64	0.46
Plan Assets	3.07	2.33	1.49	1.10	Nil	Nil
Surplus/(Deficit)	(0.12)	(0.16)	(0.31)	0.03	(0.64)	(0.46)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.75	0.29	(0.07)	0.04	0.05	0.03
Actuarial gain / (loss) on Plan Assets	0.01	0.15	(0.01)	0.01	N.A.	N.A.

b) Pension Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Defined Benefit Obligations	1,747.94	1,486.28	1,197.98	983.39	899.64	737.38
Plan Assets	1,803.99	1,494.71	1,129.93	978.09	893.06	746.33
Surplus/(Deficit)	56.05	8.43	(68.05)	(5.30)	(6.58)	8.95
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(342.70)	(327.78)	(95.10)	(39.39)	(33.27)	93.67
Experience adjustments on Plan Assets [Gain/(Loss)]	(0.49)	13.79	7.54	(3.14)	9.60	6.66

(vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Discount rate	7.36%	6.95%	6.03%	5.60%	7.19%	6.76%	7.25%	6.82%
Annuity rate per Rupee (in ₹)	-	-	-	-	-	-	146.69	150.83
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	8.00%	6.01%	-	-	-	-	8.00%	7.14%
Attrition Rate	2.00%	2.00%	-	-	-	-	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate

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

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

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

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



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

C. Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The Bank

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

Fedbank Financial Services Limited

The Company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the year in which they occur.

Group

A sum of ₹ 112.65 Crore (previous year ₹ 56.85 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

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

Particulars	(Amount in ₹ Crore)			
	March 31, 2022		March 31, 2021	
	FBL	FFSL	FBL	FFSL
Privilege leave	313.01	3.07	219.59	2.36
Sick leave	27.42	-	22.12	-
Leave travel concession	33.48	-	21.26	-
Casual leave	2.23	-	1.23	-
Total actuarial liability	376.14	3.07	264.20	2.36
Assumptions				
Discount rate	7.36%	6.03%	6.95%	5.60%
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
Attrition rate	2.00%	N.A.	2.00%	N.A.

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

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

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

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

1.3 SEGMENT REPORTING (AS 17)

A. Business Segments

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

Treasury

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

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

Corporate/Wholesale Banking

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

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

Retail banking

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

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

Other Banking Operations

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

Unallocated

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



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

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

March 31, 2022

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,313.27	4,223.07	9,781.55	148.37	16,466.26
Result (net of provisions)	627.22	541.14	1,334.33	107.38	2,610.07
Unallocated income / (expense)					36.21
Operating profit (PBT)					2,646.28
Income taxes					(680.88)
Share in profit of associates					31.03
Minority interest					(26.64)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					1,969.79
OTHER INFORMATION					
Segment assets	47,637.64	78,084.65	93,782.55	4.01	219,508.85
Unallocated assets					6,732.19
Total assets					226,241.04
Segment liabilities	18,595.84	18,773.66	166,841.08	3.64	204,214.22
Unallocated liabilities					2,465.97
Total liabilities					206,680.19

March 31, 2021

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,745.14	4,519.07	8,937.08	82.00	16,283.29
Result (net of provisions)	722.26	215.47	1,198.69	69.70	2,206.12
Unallocated income / (expense)					2.44
Operating profit (PBT)					2,208.56
Income taxes					(561.36)
Share in profit of associates					32.37
Minority interest					(15.24)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					1,664.33
OTHER INFORMATION					
Segment assets	44,796.57	70,839.59	82,825.63	-	198,461.79
Unallocated assets					6,504.74
Total assets					204,966.53
Segment liabilities	14,032.76	16,099.60	156,117.03	-	186,249.39
Unallocated liabilities					1,996.15
Total liabilities					188,245.54

B. Geographical Segment Information

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

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

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

1.4 RELATED PARTY DISCLOSURES (AS 18)
a) Details of Related Parties

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

Key Management Personnel

Name of the Key Management personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	▪ Mr. T S Srinivasan
	▪ Ms. Kamala Srinivasan
	▪ Ms. Maya Shyam
	▪ Ms. Meena Lochani
	▪ Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director	▪ Ms. Sunita Khajuria
	▪ Ms. Vasundhara Khajuria
	▪ Ms. Yashodhara Khajuria
Ms. Shalini Warriar, Executive Director	▪ Ms. Parvathi Warriar
	▪ Ms. Asha Warriar

b) Transactions with related parties

For the year ended March 31, 2022

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits [#]	46.55 (81.55)	4.50 (4.66)	2.08 (2.11)	53.13 (88.32)
Advances [#]	-	0.21 (0.24)	0.10 (0.11)	0.31 (0.35)
Investments in shares [#]	232.01 (232.01)	-	-	232.01 (232.01)
Interest paid	*	0.20	0.09	0.29
Interest received	0.11	0.01	*	0.12
Income from services rendered	62.76	-	-	62.76
Receivable [#]	10.20	-	-	10.20
Directors sitting fee received	0.14	-	-	0.14
Remuneration paid	-	5.92	-	5.92
Dividend received	27.67	-	-	27.67
Dividend paid	-	0.08	-	0.08
Share capital received on exercise of ESOS	-	-	-	-
Number of options granted under ESOS	-	226,000	-	226,000
Number of options outstanding under ESOS	-	3,536,680	-	3,536,680

* Denotes figures less than ₹ 1 Lakh.

Represents outstanding as on March 31, 2022



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

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

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

For the year ended March 31, 2021

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits [#]	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	22.18 (45.67)
Advances [#]	5.39 (28.78)	0.25 (0.28)	-	5.64 (29.06)
Investments in shares [#]	229.60 (229.60)	-	-	229.60 (229.60)
Interest paid	0.55	0.14	0.07	0.76
Interest received	0.23	0.01	-	0.24
Income from services rendered	46.95	-	-	46.95
Receivable [#]	8.30	-	-	8.30
Directors sitting fee	0.10	-	-	0.10
Remuneration paid	-	4.56	-	4.56
Dividend received	-	-	-	-
Dividend paid	-	-	-	-
Share capital received on exercise of ESOS	-	1.22	-	1.22
Number of options granted under ESOS	-	-	-	-
Number of options outstanding under ESOS	-	3,310,680	-	3,310,680

[#] Represents outstanding as on March 31, 2021

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

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

The significant transactions between the Group and the related parties during the year ended March 31, 2022 and March 31, 2021 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2022	March 31, 2021
Deposits	Ageas Federal Life Insurance Company Limited	46.46	0.02 [#]
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
Interest paid	Mr. Shyam Srinivasan	0.15	0.09
	Ageas Federal Life Insurance Company Limited	-	0.55
Income from services rendered	Ageas Federal Life Insurance Company Limited	62.76	46.94
Receivable	Ageas Federal Life Insurance Company Limited	10.20	8.30
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.14	0.10
	Mr. Shyam Srinivasan	2.94	2.31
Remuneration paid	Mr. Ashutosh Khajuria	1.52	1.17
	Ms. Shalini Warriar	1.46	1.09
Dividend received	Ageas Federal Life Insurance Company Limited	27.04	-
Dividend paid	Mr. Shyam Srinivasan	0.05	-
	Mr. Ashutosh Khajuria	0.03	-
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	-	1.22
	Mr. Ashutosh Khajuria	113,000	-
Number of options granted under ESOS	Ms. Shalini Warriar	113,000	-
	Mr. Ashutosh Khajuria	960,500	847,500
Number of options outstanding under ESOS	Ms. Shalini Warriar	2,255,000	2,142,500

[#] not significant related party transaction in FY 2020-21.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)
1.5 OPERATING LEASE (AS 19)
The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 174.16 Crore (previous year ₹ 162.49 Crore) was charged to Profit and loss account.

The Bank has not sub-leased its properties taken on lease.

There are no provisions relating to contingent rent.

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

Fedbank Financial Services Limited

The Company has entered into operating lease arrangement for its Corporate office. The lease is non cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

Particulars	(Amount in ₹ Crore)	
	March 31, 2022	March 31, 2021
Future minimum lease payments:		
- Up to one year	4.19	4.62
- More than one year and up to five years	4.82	11.07
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	3.99	4.42

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for branches / offices taken on an operating lease ₹ 26.57 Crore (previous year ₹ 17.66 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

Federal Operations and Services Limited

The Company has taken premises under rental arrangements, which are in the nature of cancellable operating leases except for rent of 2nd floor office in Visakhapatnam, which has a lock-in period of 3 years.

Future minimum lease payable under non-cancellable operating leases are as follows:

Particulars	(Amount in ₹ Crore)	
	March 31, 2022	March 31, 2021
Future minimum lease payments:		
- Up to one year	0.21	0.56
- More than one year and up to five years	-	-
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	0.86	0.72



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

1.6 EARNINGS PER SHARE (AS 20)

Basic and diluted earnings per equity share are computed in accordance with AS 20 – Earnings per share. Basic earnings per equity share is computed by dividing consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

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

Particulars	March 31, 2022	March 31, 2021
Earnings used in the computation of basic and diluted earnings per share (₹ in Crore)	1,969.79	1,664.33
Basic earnings per share (in ₹)	9.52	8.34
Effect of potential equity shares (in ₹)	0.08	0.03
Diluted earnings per share (in ₹)	9.44	8.31
Nominal value per share (in ₹)	2.00	2.00
Reconciliation between weighted shares used in computation of basic and diluted earnings per share		
Basic weighted average number of equity shares outstanding (in Crore)	206.92	199.45
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	1.64	0.72
Diluted weighted average number of equity shares outstanding (in Crore)	208.56	200.17

1.7 DEFERRED TAX ASSETS / LIABILITY (AS 22)

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

Particulars	(Amount in ₹ Crore)	
	March 31, 2022	March 31, 2021
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	148.15	153.75
(ii) Depreciation on Investments	3.77	13.38
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	199.16	168.12
(iv) Others	9.16	10.90
Total - (A)	360.24	346.15
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.38	1.44
(ii) Provision for Standard Assets	342.22	185.42
(iii) Depreciation on Fixed Assets	6.61	11.76
(iv) Others	172.54	153.41
Total - (B)	521.75	352.03
Net Deferred tax liability/ (Asset) (A-B)	(161.51)	(5.88)

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)
1.8 PROVISIONS AND CONTINGENCIES RECOGNISED IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT INCLUDES:

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
i) Provision towards NPAs	661.55	1,547.04
ii) Provision for Non-Performing Investments	(0.72)	28.90
iii) Provision for Standard Assets	610.40	149.95
iv) Provision for Taxation (Refer Note 1.9)	680.88	561.35
v) Provision towards present value of sacrifice on restructuring, other contingencies etc.	33.43	17.66
Total	1,985.54	2,304.90

1.9 AMOUNT OF PROVISIONS MADE FOR INCOME-TAX DURING THE YEAR

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Provision for Income Tax		
a) Current Tax	845.25	583.31
b) Deferred Tax	(164.37)	(21.95)
Total	680.88	561.36

1.10 DRAW DOWN FROM RESERVES

The Group has not drawn down any amount from any reserves during the years ended March 31, 2022 and March 31, 2021.

1.11 DETAILS OF PENALTY IMPOSED BY RBI
The Bank

(Amount in ₹ Lakh)

Particulars	March 31, 2022	March 31, 2021
a) Penalty imposed on currency chests		
Number of instances of default	14	15
Quantum of penalty imposed	0.56	2.08
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	4	-
Quantum of penalty imposed	0.40	-

Fedbank Financial Services Limited

Penalty of ₹ Nil was imposed on Fedbank Financial Services Limited during the year ended March 31, 2022. (previous year ₹ 0.15 Crore*)

- * During the financial year ended March 31, 2021, RBI vide order ref EFD.CO.SO/372/02.14.148/2020-21 March 22, 2021 in exercise of the powers conferred under clause (b) of sub-section (1) of section 58G read with clause (aa) of sub-section (5) of section 58B of the Reserve Bank of India Act, 1934, a penalty of ₹ 0.15 Crore was imposed on Fedbank Financial Services Limited.



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

1.12 FIXED ASSETS

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure. Details regarding the same are tabulated below:

Particulars	(Amount in ₹ Crore)	
	March 31, 2022	March 31, 2021
Gross Block		
At the beginning of the year	313.12	257.74
Additions during the year	67.94	55.87
Deductions / Adjustments during the year	-	0.49
At the end of the year	381.06	313.12
Depreciation / Amortization		
At the beginning of the year	232.68	206.48
Charge for the year	35.46	26.67
Deductions during the year	-	0.47
Depreciation to date	268.14	232.68
Net Block	112.92	80.44

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2022 and March 31, 2021.

1.13 PROVISIONS AND CONTINGENCIES

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

Particulars	(Amount in ₹ Crore)	
	March 31, 2022	March 31, 2021
Opening balance	5.54	5.76
Additions during the year	1.13	1.32
Reductions during the year	-	1.54
Closing balance	6.67	5.54

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

b) Movement in provision for debit and credit card reward points

Particulars	(Amount in ₹ Crore)	
	March 31, 2022	March 31, 2021
Opening provision	5.84	15.58
Provision made during the year	31.68	15.39
Reductions during the year	26.63	25.13
Closing provision*	10.89	5.84

* The closing provision is based on the actuarial valuation of accumulated debit and credit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit and credit card reward points.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)
c) Movement in provision for other contingencies

(Amount in ₹ Crore)

Particulars	March 31, 2022	March 31, 2021
Opening provision	42.22	31.28
Provision made during the year	35.88	14.35
Provision utilized for Write off during the year	1.15	2.30
Reductions during the year	0.48	1.11
Closing provision	76.47	42.22

d) Movement in floating provision:

(Amount in ₹ Crore)

Particulars	Standard Asset Provision		NPA Provision	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Amount drawn down during the year	-	-	-	-
Closing balance	12.75	12.75	69.18	69.18

1.14 DESCRIPTION OF CONTINGENT LIABILITIES
a) Claims against the Group not acknowledged as debts

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

b) Liability on account of forward exchange and derivative contracts

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

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which Group is contingently liable

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

(Refer Schedule 12 for amounts relating to Contingent Liabilities)



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

1.15 PROVISION FOR LONG TERM CONTRACTS

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

1.16 SMALL AND MICRO INDUSTRIES

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 5.36 Crore (previous year ₹ 5.32 Crore), ₹ Nil (previous year ₹ Nil) is due to Micro, Small and Medium Enterprises. The Company has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. The aforesaid classification is based on responses received by the Company to its enquires with suppliers with regard to applicability under the said act.

Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as on March 31, 2022, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

1.17 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The gross amount required to be spent by the Group on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2022 was ₹ 41.03 Crore (previous year ₹ 36.25 Crore) and the Group had spent an amount of ₹ 41.20 Crore (previous year ₹ 36.27 Crore), which is within the limit approved by the Board's of the respective companies in the group. The Group is not intending to carryforward the excess amount spent amounting to ₹ 0.17 Crore.

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

		(Amount in ₹ Crore)	
SI No	Particulars	March 31, 2022	March 31, 2021
1	Construction / acquisition of any asset	-	-
2	On purpose other than (1) above	41.20*	36.27

* Includes amounts of ₹ 3.75 Crore unspent and transferred to Unspent CSR Account within the specified time.

The following table sets forth, for the years indicated, the details of related party transaction pertaining to CSR related activities.

		(Amount in ₹ Crore)	
SI No	Related Party	March 31, 2022	March 31, 2021
1.	Federal Bank Hormis Memorial Foundation*	39.26	33.42
	Total	39.26	33.42

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

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)
1.18 INVESTOR EDUCATION AND PROTECTION FUND

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Group.

1.19 DISCLOSURE AS TO RULE 11(E) OF THE COMPANIES (AUDIT AND AUDITORS) RULES, 2014

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

1.20 ADDITIONAL INFORMATION ON NET ASSETS AND SHARE OF PROFITS OF THE BANK, ITS SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES AS CONSIDERED IN THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent:				
The Federal Bank Limited	97.60%	18,793.84	94.53%	1,862.15
Subsidiary:				
Fedbank Financial Services Limited	1.99%	382.60	3.71%	73.15
Federal Operations and Services Limited	0.03%	6.27	0.18%	3.46
Associate:				
Ageas Federal Life Insurance Company Limited	0.34%	65.85	1.25%	24.53
Equirus Capital Private Limited	0.04%	6.96	0.33%	6.50
Total	100.00%	19,255.52	100.00%	1,969.79

March 31, 2021

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent:				
The Federal Bank Limited	97.71%	16,123.61	95.55%	1,590.30



SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022 (CONTD...)

Subsidiary:				
Fedbank Financial Services Limited	1.85%	306.36	2.60%	43.36
Federal Operations and Services Limited	0.02%	2.82	0.11%	1.84
Associate:				
Ageas Federal Life Insurance Company Limited	0.41%	68.36	1.87%	31.05
Equirus Capital Private Limited	0.01%	1.08	(0.13)%	(2.22)
Total	100.00%	16,502.23	100.00%	1,664.33

1.21 UNCERTAINTIES ON ACCOUNT OF COVID-19

On account of uncertainties prevailing due to COVID-19 pandemic across the world and in India, the extent to which the same will impact the Group's operations and financial position in future will depend on various aspects including actions taken to mitigate its impact and other regulatory measures.

1.22 ADDITIONAL DISCLOSURE

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the Consolidated Financial Statements and the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements.

1.23 Previous year figures have been regrouped / reclassified, where necessary to conform to current year classification and also the previous year figures have been regrouped/ reclassified pursuant to the requirement of Master Direction on Financial Statements-Presentation and Disclosure issued by Reserve Bank of India dated August 30, 2021 (updated as on November 15, 2021), as amended and wherever considered necessary.

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director
(DIN: 05154975)

Shalini Warriar
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Chief Financial Officer

C Balagopal
Chairman
(DIN: 00430938)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Vijay Narayan Govind
Partner
Membership No: 203094
Place: Kochi

Kaushal Muzumdar
Partner
Membership No: 100938
Place: Kochi

Place: Kochi
Date : May 06, 2022

Directors:

A P Hota
Siddhartha Sengupta
Manoj Fadnis
Sudarshan Sen
Varsha Vasant Purandare
Sankarshan Basu
Ramanand Mundkur

(DIN: 02593219)
(DIN: 08467648)
(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)
(DIN: 06466594)
(DIN: 03498212)