

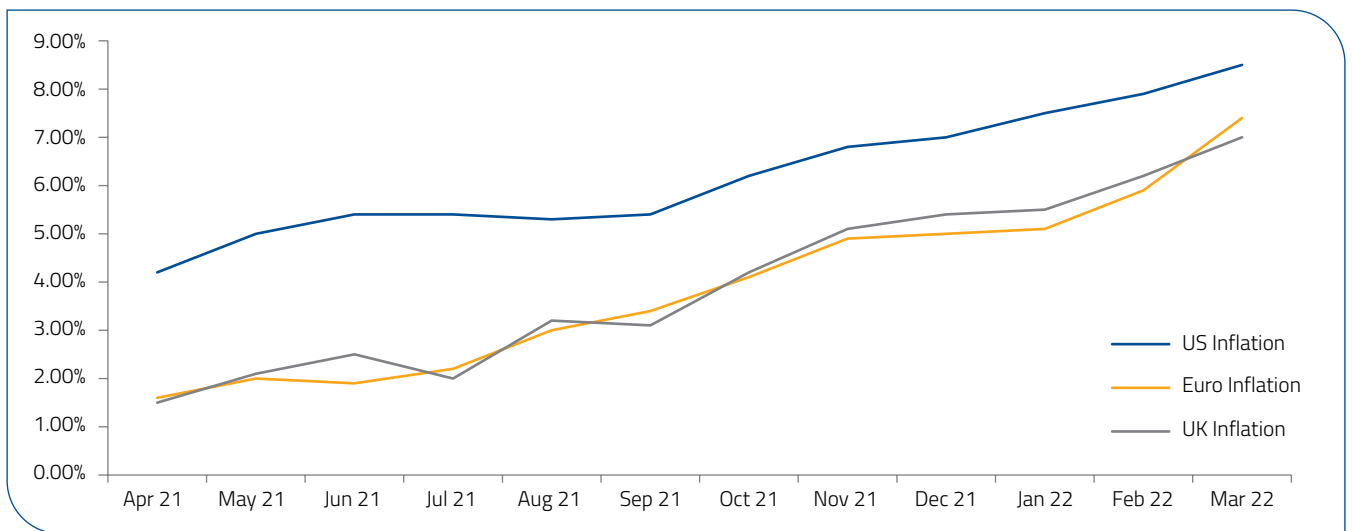


Management Discussion and Analysis

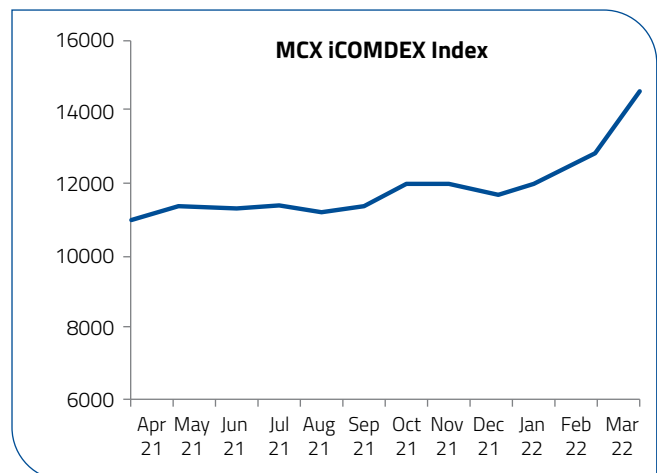
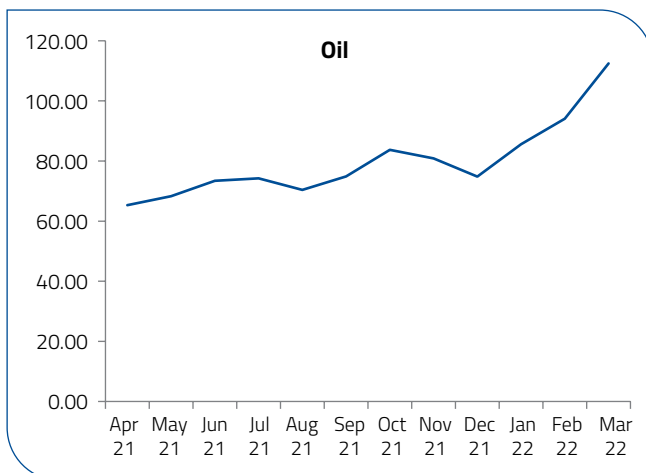
GLOBAL ECONOMIC SCENARIO

We are going through an unprecedented time in history with multiple global level events occurring simultaneously. The second year of the COVID-19 pandemic saw a second and third wave of infections disrupting life across the globe. Many lives were lost and livelihoods destroyed and central banks across the globe have been pumping money into their respective economies to keep the

wheels turning. The multiple stimulus packages managed to keep the economy afloat, but the runaway consequences have made central banks to take a cautious approach in the implementation of normalisation. A planned gradual easing has turned to aggressive tightening to control inflation.



Inflation in almost all developed economies have been touching record levels and now central banks are in the fragile position of having to balance battling inflation and stimulating growth at the same time. For a long time, central banks deemed the elevated inflation levels as transitory and a gradual tapering was planned to bring things back to normal. But what threw a spanner in the works was the invasion of Ukraine by Russia in February 2022 after multiple rounds of discussions between the countries failed. The invasion brought in a new level of uncertainty to already battered economies and commodity prices which were already elevated, shot through the roof.



Oil crossed triple digit prices for a barrel, Aluminium and Nickel touched all time highs in March 2022 with Nickel trading being suspended temporarily due to a frenzy of intra day trading at the London Metals Exchange. A report by the world bank describes the increase in energy prices over the past two years as the largest since the 1973 oil crisis and is expected to increase further in 2022. The report also mentions that the price increases for food commodities—of which Russia and Ukraine are large producers—and fertilizers, which rely on natural gas as a production input, have been the largest since 2008. The high input prices are seen reflected amply in the Producer Price Index for March 2022 which has grown by 11.2% in the US and 31.4% in the Eurozone, both of which are the highest in history.

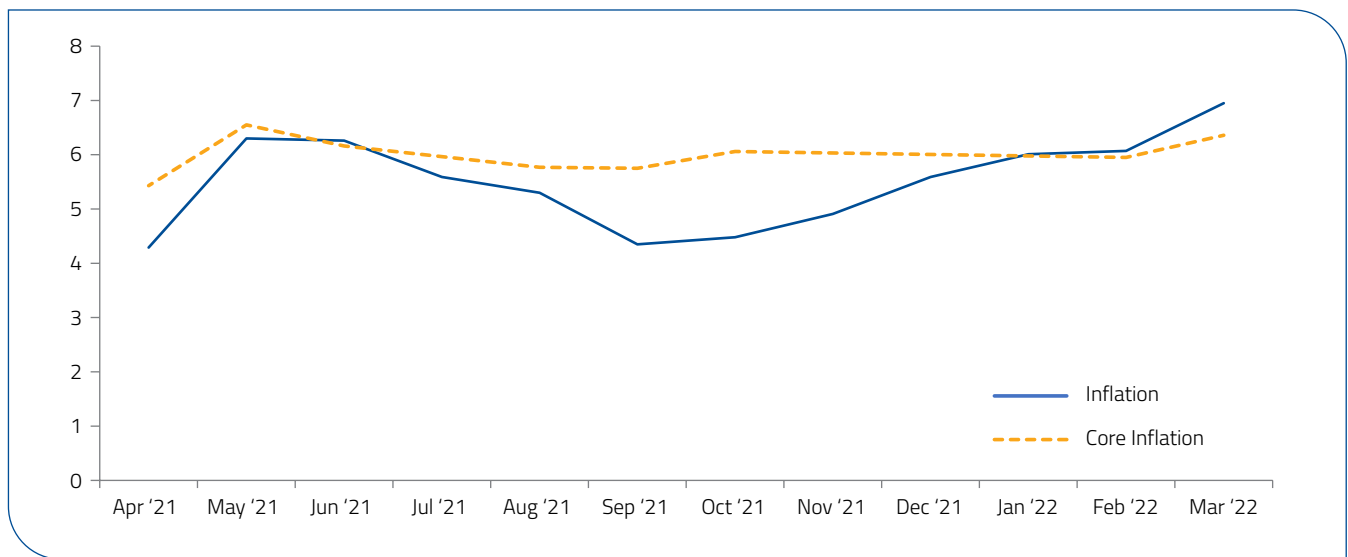
Another factor which is contributing to the uncertainty is the supply chain bottlenecks which are being faced across the globe. As per the report from IMF, shipping times jumped upwards as soon as the COVID crisis hit, and after a marked acceleration from end-2020, the delays surpassed 1.5 days on average by December 2021 – or roughly a 25 percent increase. Long ship queues and long waiting times at US (Long Beach) and European (Rotterdam, Hamburg) ports have frequently made the headlines over the year and the report suggests that the most severe port congestion is concentrated in the US and China. Now with the various sanctions on Russia by the rest of the world, movement of goods will be impacted across the continent adding to the supply chain woes.

With a fresh resurgence in COVID cases in China and strict lockdowns announced in major Chinese cities such as Shanghai and Beijing it is clear that the pandemic is far from over.

Despite all the above the equity markets had a spectacular run. The S&P 500 notched 70 all-time highs in 2021, a record that's second only to 1995 according to a report by The Forbes Advisor. We saw many gravity defying and sometimes logic defying events – the GameStop short squeeze, a frenzy of speculative activity in the NFT and Crypto currency space just to name a few. But the bull run seemed to slow down in the start of 2022.

INDIAN SCENARIO

The Indian economy recovered in fiscal year 2021 after a severe contraction in FY 2020. The recovery was despite two waves of COVID-19, especially of the Delta variant, which severely strained the country's health infrastructure. Provisional estimates of GDP for 2021-22 released by National Statistical Office (NSO) on May 31, 2022 placed India's real Gross Domestic Product (GDP) growth at 8.7 per cent which is a slight decline from the growth of 8.9 per cent forecasted by the Second Advanced Estimates released in Feb 2022. Although there was a sequential increase of 30% Q-o-Q in Govt Consumption expenditure for Q4, the decline in Private Consumption expenditure for the same period may have caused the decline in estimates. Quarterly estimates GDP growth were also on a declining trend towards the end of the year with real quarterly GDP growth for Q3 at 5.4 per cent and Q4 at 4.1 per cent against a growth of 20.1 per cent in Q1. On the supply side, real Gross Value Added (GVA) rose by 8.1 per cent in 2021-22 which is a slight decline from the growth of 8.3 per cent forecasted by the Second Advanced Estimates. The two components of GVA which have shown a Q-o-Q decline in Q4 are Agriculture, Forestry & Fishing and Public Administration, Defence & Other Services which include Education, Health, Recreation and other personal services.





Retail Inflation was largely contained within the limit of 4 +/- 2% set by the RBI in the first half of the year, but started crossing the threshold towards Q4 FY22. Core inflation also remained close to the upper band throughout the year despite numerous initiatives by the Govt to tackle food inflation. Wholesale Price Inflation has been at double digits for the entire year and its impact started to seep into retail inflation towards the end of the year. With no respite seen in the global commodity price dynamics the, Monetary Policy Committee finally caved and raised key rates in May with hopes of tackling the inflation trajectory.

Another fallout of the high global commodity prices is the widening CAD which touched a 9 year high in Q3 FY22. The widening CAD is mainly attributed to a widening trade deficit which touched an all time high in Nov 21. But the silver lining in the trade scenario is that merchandise exports have also been at all time highs in same periods. India's merchandise exports touched a record \$420 billion in 2021-22, led by robust growth in petroleum products, engineering, gems and jewellery, chemicals, and pharmaceuticals. The various incentive schemes for manufacturing such as PLI may help to maintain the performance of exports in the long run.

The fiscal deficit for FY2022 is estimated at 6.9% of GDP against a 6.8 per cent projected in the Budget Estimates, with a strong emphasis on capital spending. During April- November 2021, the capital expenditure has grown by 13.5 per cent (YoY), with focus in infrastructure-intensive sectors like roads and highways, railways, and housing and urban affairs. With the enhanced borrowings on account of COVID-19, the Central Government debt has gone up from 49.1 per cent of GDP in 2019-20 to 59.3 per cent of GDP in 2020-21, but is expected to follow a declining trajectory with the recovery of the economy. The General Government finances are also expected to witness a consolidation during 2021-22, after the uptick in deficit and debt indicators during the pandemic year 2020-21.

Despite many central banks turning aggressive in the increase of policy rates, the RBI kept the rates untouched with throughout the year, opting to control liquidity through innovative methods. VRRR (Variable Reverse Repo Rate) auctions, Long Term Repo Operations (LTRO) and even Open Market Operations (OMO) through Operation twist etc were some of the avenues for liquidity management employed by the RBI. However the dovish stance was brought to a sudden halt by a surprise off-cycle Monetary Policy Meeting (MPC) which increased rates in May 2022 followed by another hike in June. More such incremental increases are expected in the future.

India's equity markets had the best performance in Asia in 2021 with the Sensex hitting all time high in October 2021. The encouraging fact behind this performance is that the rally seems to be largely driven by the retail investors. The markets also saw a flurry of IPO action with highest number of issues in history in 2021.

INDIAN BANKING INDUSTRY

The resilience of the banking industry was tested in FY 2021-22 with various challenges put forward by the pandemic. The biggest factor which underlined the performance of banks in 2021 and will define the industry's growth in 2022 is the ability to capitalize on technology investments and create value. This is evident from the sizzling competition in the Fintech space, with the 100th Unicorn was a fintech. The technology disruption in the banking sector may continue for some more time in the future.

Another marked change in the sector is the convergence of regulations for all entities operating in the banking and finance ecosystem. Through numerous working papers, consultations and regulations put forward by RBI such as the Master Direction on Prudential Regulation for AIFs – 2021, Consultative Document on Regulation of Microfinance, Report of the Working Group on digital lending including lending through online platforms and mobile apps, Internal Ombudsman mechanism for select Non-Banking Financial Companies (NBFCs), Revised Regulatory Framework for NBFCs, a clear convergence is seen in prudential regulation norms for all organisations in the banking and finance space, removing scope for regulatory arbitrage by different entities. The industry also saw the announcement of the biggest mergers in the FI space- the merger of HDFC and HDFC Bank. The union of behemoths is expected to propel HDFC Bank to one of the 5 largest banks in the world by market cap. The coming year could see more consolidation in this space.

As per statement of Position of Scheduled Banks as on March 25, 2022 published by RBI, bank credit by SCBs have grown by close to 8.6 per cent year on year. Insights provided by the Quarterly



The biggest factor which underlined the performance of banks in 2021 and will define the industry's growth in 2022 is the ability to capitalize on technology investments and create value. This is evident from the sizzling competition in the Fintech space, with the 100th Unicorn in the startup ecosystem in India being a Neobank.

BSR-1 filing for December 2021 for outstanding credit of scheduled commercial banks show that, growth in wholesale credit has been lagging. Retail credit, on the other hand, has been generally recording double digit growth, although the pace of growth remains below its pre-COVID level. Growth in personal loans almost doubled even though loans against gold jewellery moderated. Loans for consumer durables rebounded after contracting in the last fiscal year, indicating strengthening consumer purchasing power. Non-food bank credit, which excludes public sector loans for buying crops from farmers, rebounded, growing by 9.6% year on year in January 2022 from 5.5% in March 2020.

Stress tests conducted by RBI as per the Financial Stability Report, December 2021 indicate that the GNPA ratio of all SCBs may increase to 8.1 per cent by September 2022 under the baseline scenario and further to 9.5 per cent under severe stress. Within the bank groups, PSBs' GNPA ratio of 8.8 per cent in September 2021 may deteriorate to 10.5 per cent by September 2022 under the baseline scenario; for PVBs, the share of bad loans may rise from 4.6 per cent to 5.2 per cent and for FBs, it is estimated to increase from 3.2 per cent to 3.9 per cent over the same period. On the other hand, if the stress conditions do not materialise and the situation turns optimistic relative to the baseline, GNPA ratio of all SCBs may moderate. It also found that the systemic risk in the banking sector receded in 2021 from its elevated level during the first wave of the pandemic when stress tested using stock market indicators.

The coming year may be dominated by the continued reimagining of the banking relationships with technology enabled solutions and a reimagining of customer relationship and engagement. The continued push for Financial Inclusion by RBI will also play a part in the future direction of the sector.

BUSINESS STRATEGY

The COVID-19 pandemic has impacted the entire Banking Industry and may continue to do so, as uncertainty remains about the duration of the pandemic and the timing and strength of the global economic recovery. Your Bank was able to adapt well in confronting the dreadful reality of the COVID-19 wave that we largely encountered as a nation in Q1 2021. As the pandemic continued to evolve, your Bank regularly evaluated the processes in place to execute the business continuity plans. Your Bank's credit diversification played an essential feature of the resilience through the ongoing COVID-19 pandemic. The main aim was to provide its customers with banking services in new and innovative ways, embracing technology as a means of making things simpler, more transparent and more secure.

During the year, International Finance Corporation (IFC) became a significant shareholder of your Bank with 4.99 percent of the Bank's paid-up capital. The addition of this marquee name to the list of prominent shareholders reinforced the trust and confidence reposed by the IFC group on your Bank and its management. The infusion of quality capital further strengthened the Tier 1 and overall CAR of the bank. The equity investment is expected to see your Bank grow and strengthen its ESG portfolio, with increased green portfolio financing for projects including energy efficiency, renewable energy, climate smart agriculture, green buildings, and waste management.

Your Bank has launched its own credit card and opened it up firstly for all employees and later to its existing customers. The Bank has adopted a 'Digital First' card approach by issuing an instant credit card, through a three-click approach. The launch of the product was aligned with the bank's strategy to improve unsecured, high-yielding book and completes the suite of banking products.

During the year, your Bank has carved out FinTech partnerships as a separate unit with an exclusive team in-line with the Bank's strategy of 'Branch-light, Distribution heavy' and pursue the partnership opportunities to build and deliver better propositions and services to its customers. The main FinTech segments your Bank is focussing on are high-margin lending products such as unsecured loans, personal loans, credit cards etc and also expanding the granular liabilities.

In order to attain the vision of making your Bank the 'Most Admired Bank' and the ambition to become the first choice Bank, a three year strategy plan was laid out during the year.

The strategies identified include focusing more on Higher Margin Lending with well-designed risk architecture, build capabilities around Priority Sector Lending, building scale with unique FinTech partnerships, embedding ESG parameters in the business strategy not only to meet the stakeholders' requirements, but also factor in environmental, social and governance (ESG) aspects and build sustainability.

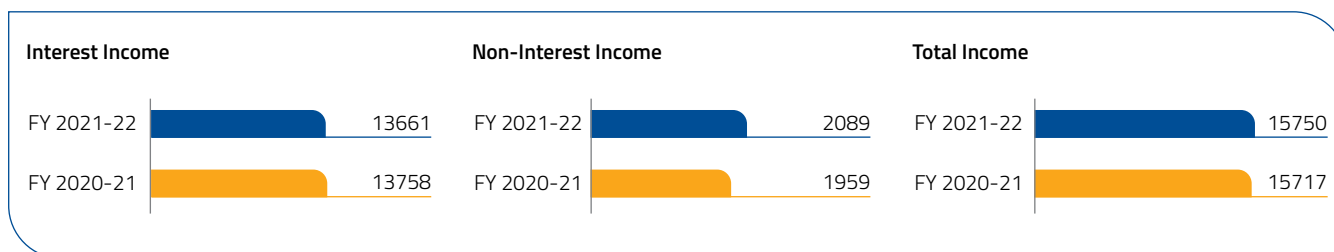
With a clear vision which strives for deeper and more profitable customer relationships and operational excellence to streamline the organization, your Bank is all set to move towards an ever-improving P&L and Balance Sheet. The mantra for our onward journey is consistent high-quality growth with scale up and generate returns. Over the next two to three years, the Bank plans to clock 15-17 % of Business CAGR, i.e., around 1.5x increase in business.



OVERVIEW OF PERFORMANCE (STANDALONE)

Income

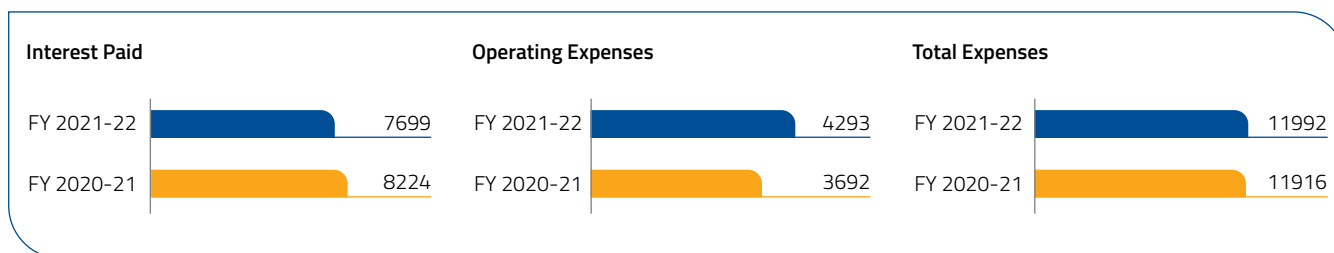
(₹ in Crore)



During the financial year, the yield on average advances (gross) stood at 8.05% and the yield on investments (excluding trading gain) stood at 6.17%. The interest/discount on advances/bills improved to ₹10,830 Crore (March 31, 2022) from ₹10,795 Crore (March 31, 2021), interest on investments reached ₹2,339 Crore in March 31, 2022 and other interest including interest on balances with RBI / other interbank funds reached ₹492 Crore in March 31, 2022. The share of interest income of your Bank to total income stood at 87%.

Expenditure

(₹ in Crore)



During the financial year, the average cost of deposits of your Bank dropped to 4.33% from 5.00% as on March 31, 2021. The interest paid on deposit stood at ₹7,333 Crore with YoY drop of 6% and other interest expenses stood at ₹366 Crore with a YoY drop of 13%. The staff opex increased by 14% and other operating expenses increased by 19% translating to 16% increase in operating expenses.

Operating Performance

(₹ in Crore)

Particulars	March 31, 2022	March 31, 2021
Net Interest Income	5,962	5,534
Non-Interest Income	2,089	1,959
Net Total Income	8,051	7,492
Operating Expenses	4,293	3,692
Operating Profit	3,758	3,801

Net Profit

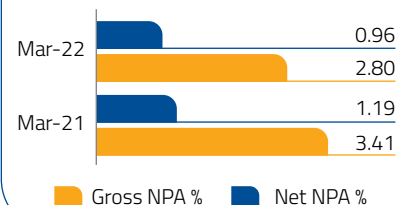


The net interest income of your Bank registered a growth of 8% YoY and Non-Interest Income grew by 7% YoY. During the financial year, your Bank's spread on advances (net) is at 3.27% and spread on investments (gross) is at 2.85%. Net profit registered 19% growth.

Asset Quality Parameters

Particulars	March 31, 2022	March 31, 2021
GNPA (in Crore)	4,137	4,602
NNPA (in Crore)	1,393	1,569
Provision Coverage Ratio (%)	65.54	65.14
Provision Coverage Ratio (%) (Inc TWO)	80.60	77.65

Gross and Net NPA %



The asset quality metrics improved during the FY, with reduction in NPA ratios year on year. The Gross NPA of your Bank as on March 31, 2022 stood at ₹4,137 Crore. Gross NPA as a percentage to Gross Advances is at 2.80%. The Net NPA stood at ₹1,393 Crore and this as a percentage to Net Advances is at 0.96%. The Provision Coverage Ratio (including technical write-offs) stood at 80.60%, an improvement of 295 bps. Provisions (excl TWO) improved by 40 bps to reach 65.54%.

Key Ratios

Particulars	March 31, 2022	March 31, 2021
Return on Average Total Assets	0.94	0.85
Return on Average Equity	10.87	10.38
Cost to Income Ratio	53.32	49.27
Net interest margin	3.20	3.16
Earnings per Share (EPS) ₹ (Annualised)	9.13	7.97
Book value per share (end period) ₹	88.75	80.71

CASA Ratio



Return on assets and return on equity improved during the year and stood to 0.94% and 10.87% respectively. Earnings per share improved to ₹9.13 from ₹7.97, while book value per share increased to ₹88.75 from ₹80.71. CASA ratio improved by 313 bps supported by robust traction in savings book and current deposits.

Balance Sheet parameters

(₹ in Crore)

Particulars	March 31, 2022	March 31, 2021	% Change
Liabilities			
Capital	421	399	5%
Reserves & surplus	18,373	15,724	17%
Deposits	1,81,701	1,72,644	5%
Borrowings	15,393	9,069	70%
Other Liabilities & provisions	5,058	3,531	43%
Total	2,20,946	2,01,367	10%
Assets			
Cash & balances with RBI	9,999	7,647	31%
Balance with Banks & Money at call	11,011	11,944	-8%
Investments	39,179	37,186	5%
Advances	144,928	131,879	10%
Fixed Assets	634	491	29%
Other Assets	15,195	12,220	24%
Total	220,946	201,367	10%

Total assets increased by 10% to reach ₹220,946 Crore as on March 31, 2022 from ₹201,367 Crore on March 31, 2021, driven by 10% growth in net advances, and 24% increase in other assets.

Deposits

(₹ in Crore)

Particulars	March 31, 2022	March 31, 2021	% Change
Customer Deposits	1,78,101	1,63,609	9%
Certificates of Deposit	2,437	5,985	-59%
Interbank deposits	1,163	3,050	-62%
Total Deposits	1,81,701	1,72,644	5%

CASA



Deposits growth held up well for your Bank during FY 2021-22 with CASA increasing by 15% YoY. Retail deposits make up 94% of overall deposits and core deposits constitutes 99% of the total deposits. Retail deposits grew by 10% YoY and NR deposits by 7% YoY.


Advances

(₹ in Crore)

Particulars	March 31, 2022	March 31, 2021	% Change
Retail Advances	47,593	44,866	6%
Business Banking	12,728	11,280	13%
Agri Advances	19,238	16,041	20%
CV/CE Advances	1,275	910	40%
Gold Loans	17,316	15,816	9%
Commercial Banking	14,712	13,054	13%
Corporate Banking	52,094	48,725	7%
Gross Advances	1,47,639	1,34,877	9%

Net Advances


The overall advances stood at ₹1,47,639 Crore led by a broad-based growth. Agri advances clocked a YoY growth of 20%, CV/CE at 40%, Business Banking loans grew by 13% and Retail loans at 6% growth and Gold loans at 9%. Corporate Advances and Commercial Banking advances also grew by 7% and 13% respectively.

Capital Management

(₹ in Crore)

Particulars	March 31, 2022	March 31, 2021
Common Equity Tier-1 Capital	17,639	15,455
Additional Tier-1 Capital	0	0
Total Tier-1 Capital	17,639	15,455
Tier-2 Capital	1,637	868
Total Capital	19,276	16,323
Common Equity Tier-1 Ratio (%)	14.43	13.85
Total Tier-1 Capital Ratio (%)	14.43	13.85
Tier-2 Capital (%)	1.34	0.78
Total Capital Ratio (%)	15.77	14.62

Capital Adequacy Ratio and Tier – 1/ CET - 1 Ratio of your Bank computed as per Basel III guidelines for the financial year increased by 115 bps and 58 bps respectively. Capital Adequacy Ratio at 15.77% stood well above the regulatory minimum requirement of 11.50%, including a Capital Conservation buffer of 2.50%.

OPPORTUNITIES AND THREATS

FY23, could in many ways be the year that determines who emerges stronger from the trials of the past few years. The Annual results that have started to emerge may end up showing a trend of survival of the most agile and the days of heady valuations and pricing based on potential may be behind us. The company of the future may be described by strong fundamentals, agile but established processes with focussed and consistent growth.

The banking and finance sector in India, may also be on the cusp of re-invention going forward. The entry barriers to the sector are slowly diminishing and banks will have competition from different entities at multiple fronts. As per report by RBI, bank credit growth had grown to double digits in March 22. Companies going for capital expenditure encouraged by the Government should help maintain the growth in bank credit throughout the year.

Multiple interest rate increases planned by the RBI throughout the year and an apparent stop in the bull run in the capital markets may encourage depositors to look for safer options in bank deposits. Given this backdrop, Banks which are able to engage best with the customer and provide the best product and service, may see rapid growth for the coming year.

Business Overview
CORPORATE AND INSTITUTIONAL BANKING

Corporate and Institutional Banking division offers a comprehensive suite of banking products and services, catering Business Houses and Large Corporates, MNCs, Capital Market clients, PSUs, Fintechs and Financial Institutions. It offers customized products and services across working capital, term funding, structured finance, cash management, trade finance and forex management backed by comprehensive electronic banking solutions, which provide easy day to day operations for your Bank's clients.

During FY 2021-22, Corporate advances increased to ₹52,094 Crore from ₹48,725 Crore and total assets (including credit substitutes) reached ₹54,183 Crore from ₹50,888 Crore. The focus of wholesale banking continues to be the preferred banking partner to its clients, with a well-designed client selection strategy and a robust credit underwriting process, which is reflected in its asset quality. Customer engagement under this division has been further strengthened through tailor made and differentiated solutions that caters to the client's banking requirements, enabling your Bank to be the preferred choice for multi-product relationship.

The distribution continues to expand through the Relationship Management structure at numerous locations and touch points, catering to the entire value chain across business verticals. This approach has helped your Bank in tapping various Retail, SME and cross-sell opportunities. Most of your Bank's clients have moved to digital platform of the Bank, "Fed E Biz" and all

products are being offered and serviced through this platform, in line with the philosophy of "Digital at the Fore, Human at the Core". Few clients are being offered API based solution to cater to their structured digital requirement enhancing client's experience.

COMMERCIAL BANKING

Commercial Banking division focuses on providing end-to-end financing solutions to Mid-Market and MSMEs. Your Bank's offerings in this segment include working capital, term loan, trade finance and advisory services, cash management, supply chain finance, foreign exchange services, structured offerings, gold metal loan and liability products. The Bank leveraged upon its relationship structure, branch network, digital platform (Fed e biz), structured digital solutions and multiple product offerings to add many New to Bank clients as well as increase its wallet share of business with existing clients.

During FY 2021-22, this business scaled up further with a closing advance position of ₹14,712 Crore as against ₹13,054 Crore in FY 2020-21. The business continues to have a diversified and granular portfolio in terms of sectors and geography. Your Bank's focus in Commercial Banking will continue to be the "Bank of First Choice" for all its clients.

CV/CE BUSINESS

The CV/CE Division finances Small operators, fleet operators and strategic clients for their purchase of new and used Commercial Vehicles and Construction Equipment. In last three years since this vertical formation, Your Bank has gradually expanded the reach to cover Southern and Western India and plan is afoot to cover North and East as well.

During last year, your Bank further grew its CV/CE book by 40% to reach ₹1,275 Crore of advances with a good mix of new and used vehicles spread across different user groups in strategic client segments, while ensuring robust asset quality. Over 80% of its book qualifies for PSL. CV/CE division have dynamic teams in business acquisition, credit underwriting and collections to ensure asset quality throughout its lifecycle. Bank could on-board many new clients with significant cross sell and fee income opportunities. The vertical has signed MOUs with all major OEM players in Commercial vehicle OEMs like Ashok Leyland, Eicher Motors and Schwing Stetter to be a preferred financier for them.

GOVERNMENT BUSINESS

Government Business vertical focuses on providing end to end solution to the Government departments and entities. This vertical augment the liability book and tap the potentials of these Government departments and entities in building CASA and Term Deposits. This vertical is managed through Relationship Managers posted across numerous locations and touch points to canvass liabilities business from Central & State budgetary allocations and Local and State Government



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

offices like Panchayats, Municipalities etc. Your Bank offers bespoke CASA products exclusively designed to suit the needs of Government & related entities. The vertical actively engages with Government Departments to digitalize various operations for the Government functioning.

During the year FY 2021-22, the Bank got empanelled by Government of India and RBI for collection of Direct & Indirect taxes (GST and Customs), which would make it convenient for customers to make tax payment digitally and seamlessly.

BUSINESS BANKING

Business Banking comprises of business loans up to 7.5 Crore (10 Cr at Metros), mainly to Micro, Small and Medium Enterprises. The segment registered a growth of 13%, disbursing 12,000+ loans (excluding GECL) during FY 2021-22, of which 50% loans were disbursed to New To Bank customers.

Business Banking vertical focused on granular growth through neighbourhood banking and remained one of the high yielding portfolios of your Bank in FY 2021-22. While the business vertical is mainly driven through the traditional strong hold branch network, Relationship Managers posted at potential centres across the country contributed in bringing good quality fresh customers to our fold. The DSA arrangement and Asset Banking Advisor (ABA) channel which your Bank introduced during FY 21-22 has contributed to additional sourcing from unexplored markets.

Your Bank, by implementing directive from Ministry of Finance on classification of MSME based on Udyam certificate through an automated system, could improve MSME loans to 60% of Business Banking portfolio.

Your Bank also actively participated in the implementation of COVID-19 relief measures announced by the Government, through Covid relief loans like GECL, LGSCAS and LGSCATSS, thereby assisting the economy to revive. Business banking vertical of your



Bank is actively engaged in implementation and improvisation of various digital channels for quick loan sanctions. Your Bank introduced digital lending platform-‘Federal Insta Loans’ for providing instant In-principle sanction for MSME customers in a digital manner. Digital process was implemented for the renewal of loans too, thereby simplifying the process. In tune with the Environmental and Social Management System (ESMS) policy your Bank has adopted, Bank introduced a scheme for financing Solar Power Generation especially for MSMEs in FY 21-22.

RETAIL BANKING

During FY22, your Bank could register a growth of 15% in CASA amidst various ongoing issues related to Covid-19 pandemic, recession threats etc. The total deposits grew by 5%. Retail deposits constituted 94% of the total deposits.

The NR flag was flying high amidst all odds in the market and the total NR deposits grew by 4,554 Crs with a whopping growth percentage of 7% whereas the industry grew only by around 2% during the period. With this, the market share of the Bank in NR business clocked 6.72% as against 6.67% in the beginning of the FY.

The NR team had turned up with exciting campaigns and programs which helped the Bank to deliver three times as that of the Industry. The key highlights of the year include launch of separate scheme for Seafarers which is a unique offering in the industry, with hardly few competitors offering services to these niche segment. Imperio NR, the bespoke savings cum segment proposition for HNIs, was also introduced during the year. Your Bank has entered into a strategic tie-up with UAE-based Mashreq Bank to facilitate money transfers from the UAE. With a market share of 17% in personal inward remittances to India, a fully end-to-end automated solution to ensure that our customers get the benefit of instant transfers in a safe and secure manner.

Your Bank has also commenced remittance tie up with new partners from new geographies-, Mashreq Bank and Federal Exchange in UAE, Lotus Forex in Malaysia, Laxmidas Taria Ved

Exchange in Oman and Wall Street Finance in USA. Your Bank now has a market share of 20% in personal inward remittances to India.

The retail loan book of your Bank grew by 6% reaching ₹47,593 Crore, forming 32% of the total advances of your Bank. The retail book has seen good traction across all its major products. Mortgage-backed Housing Loans and Retail Loan against Property (Retail LAP) continue to be the major components of the retail loan book with a combined share of 65%. During the year, the housing loan portfolio crossed ₹21,000 Crore, registering a growth of 14%, Retail LAP portfolio crossed ₹8,000 Crore, registering a growth of 8%, and the auto loan portfolio grew by 17%, crossing ₹4,000 Crore in book size.

Your Bank continues to streamline the internal processes and digital capabilities, thus ensuring better productivity and cost reduction. During COVID-19, your Bank had also strengthened its credit monitoring and credit norms thus helping to manage the portfolio quality.

Your Bank has integrated with the largest Passenger Car OEM, Maruti by offering Instant Car Loan approvals- it is a preapproved journey to existing customers where loan can be approved in a few clicks. Additionally, your Bank has also tied up with other major OEM players including Honda Motors, TATA Motors and Toyota Motors to increase the penetration in Auto loan.

Your Bank had also tied up with the Cred Avenue technology to manage the Direct assignment/securitization portfolio.

CARDS AND PAYMENT SOLUTIONS

Your Bank has become the 5th largest private sector bank in the country in terms of monthly debit card spends. During December 2021, monthly debit spends of your Bank has reached an all-time high at ₹ 1,315 Crore. Your Bank has partnered with leading e-com merchants in the country to conduct promotional campaigns. More than 100+ campaigns have been conducted across leading brands like Amazon, Flipkart, Myntra, INOX, BookMyShow, Indigo, Snapdeal, MMT, Big Basket, Swiggy, Lulu, Reliance Digital etc. to name a few. This has not only helped in enhancing the Bank’s brand presence across leading e-commerce merchants but has also played a key role in increasing spends on debit cards. The number of customers using debit cards for spends on POS and E-Com has increased exponentially.

Your Bank expanded the Debit Card EMI (DC EMI) reach to leading e-com giants including Amazon and Flipkart. Affordability loans of more than ₹46 Crore have been disbursed during the FY through DC EMI, thus establishing consumer finance as a stable business line contributing to a higher yield in the loan book.

Your Bank ventured into organic Credit Cards business in FY22 and the issuance is initially restricted to Existing to Bank customers.

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During FY22, your Bank could register a growth of 15% in CASA amidst various ongoing issues related to Covid-19 pandemic, recession threats etc. The total deposits grew by 5%. Retail deposits constituted 94% of the total deposits.

Bank has set up best in class features for its credit card business consisting of fully digital onboarding journey, instant issuance of virtual credit card, differentiated reward point structure, dynamic APR etc to name a few. The Bank currently issue credit cards to its customers on pre-approved basis as well Secured cards to Non-resident customers. Bank has rolled out 3 variants of credit cards viz; Signet, Imperio and Celesta, specifically curated for young professionals, family and HNI segment respectively. Your Bank is in the process of rolling out several initiatives shortly, including capability to issue cards to New to Bank customers, which will help Bank to take confident stride towards being a prominent credit card issuer in the country.

FEE INCOME

In FY 2021-22, the WMS business, in collaboration with M/s Equirus Wealth, reached new heights, increasing both AUM and income from the previous year. Overall AUM reached ₹2,926 Cr as of March 31, 2022, earning fee income of ₹10.01 Cr. The total client base reached 48,740, by adding over 41,000 customers in FY 2021-22 itself. Increased focus on digital business acquisition resulted in the launch of an investment platform in FedMobile and the channel was widely accepted as a means of quick and hassle-free client onboarding, adding over 35,000 customers over a span of 6 months exclusively via the digital onboarding route. The retail business conversion was very encouraging, having sourced 14,600 SIPs with a monthly instalment of ₹3.6 Cr and 3,735 lumpsum transactions of ₹16.40 Cr.

The investment product basket was expanded to cater to a wide range of customer requirements. A structured USD product was rolled out exclusively for the bank's customers, partnering with SCube, an investment firm based out of Singapore.

The Bank registered a business figure of ₹ 108 Crore in Insurance and Para Banking Fee Income. Some of the key highlights of FY22 are given below.

- The insurance business has been the largest contributor to non-banking fee income totalling to ₹85 Crore. During the financial year, your Bank has partnered with Aditya Birla Health Insurance & Star Health and Allied Insurance for offering various health products.
- Revenue from MF for the investments done in Federal ARN reached ₹ 2 Crore.
- Launched SGB application through FedMobile and touched 6.35% market share in SGB Tranche X FY22. This is the highest ever market share for SGB.
- Your Bank has launched PIS account opening online through Internet Banking, FedNet.
- Improved the penetration of 'Sovereign Gold Bond' with pan India market share @ 2.83%

- The Bank has partnered with an Insuretech company- Turtlefin, for the digitalisation of insurance distribution across channels.

AGRI BANKING

The importance of Agri sector in India's social and economic fabric is much above this indicator as nearly three quarters of the Indian population is still dependent upon rural/agriculture income. India continues to be a dominant player in exports of Agriculture commodities and is an Agricultural power house globally. Your Bank's network is strategically placed in Rural & semi-urban centres along with a good network of Agricultural RM/Development officers which is a big enabler for reaching out to the farmer community for supporting them. The tailor made products suiting to meet all types of farming requirements of the farmer with a committed workforce makes us the preferred banking partner for the farmer community.

Your Bank has introduced new agricultural products like Agri infrastructure Fund scheme/Financing against ENWR/Financing FPO against Credit Guarantee Scheme understanding the market requirements and priorities set by government for financing new avenues/segments . Agricultural advances of your Bank has registered a remarkable growth of 20 % in FY 2021-22 despite external challenges and stood at ₹19,238 Crore as on March 31, 2022 against the base figure of ₹16,041 Crore. Your Bank is committed towards giving additional focus on this sector which holds a significant place in the Indian economy. Your Bank continued it's focus on priority sector lending overachieving the targets for Priority sector and Agriculture lending.

As individuals in the low-income category and small businesses continue to be hit by reduced earnings, your Bank's gold loan business registered a growth of 9.40% earning a yield of 11.07%.

Various new Gold Loan schemes like Fed Smart Saver, GGL & KGL Limited were specifically offered by your bank to the customers with attractive features to tide over the difficult times. Tailor-made schemes such as Agricultural Gold Loans, Business Gold Loans, Overdraft Loans, EMI Gold Loans and Bullet Repayment Loans to suit the needs of various sections of the society were contained in the portfolio during the year.

Your Banks digitally-powered doorstep Gold Loan services in association with various Fintech partners to enhance ease of availing loans during the year which includes Rupeek Fintech Pvt Ltd, Oro corp Technologies Pvt Ltd.

Micro lending through Business Correspondents (BCs)

Reaching the unbanked to bring them under the financial umbrella has always been the priority of your Bank which is being effectively driven through its various financial inclusion programmes under Branch and Business Correspondent (BC) channel.



As permitted by RBI and in compliance with Bank's Board approved policy on engaging Business Correspondents, your Bank has a network of seven Corporate Business Correspondents tie-ups across selected geographies, exclusively for sourcing and servicing of Micro lending portfolio, in which four Corporate BCs were added in FY 2021-22. In FY 2021-22, your Bank could on board 36,184 new customers with a total business of around ₹140 Crore through these Business Correspondent tie-ups. As part of efforts on technological process improvements in Micro lending, your Bank developed an exclusive Loan Origination System for micro lending vertical, named FEDMI.

Financial Inclusion

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

Financial Literacy through Rural Branches and Financial Literacy Centres (FLCs)

Your Bank believes that business exists in the society and any business requires social sanction for its survival and growth. Thus, it is crucial for organisations to have a social commitment.

Financial literacy programmes intend to provide basic banking knowledge to people across various walks of life. The financial literacy classes are organised and conducted by our branches in rural areas to spread financial awareness amongst the masses. Currently 157 Rural branches of your Bank are conducting financial literacy campaigns for general public and school children in these areas.

Federal Ashwas Financial Literacy Centres (FAFLCs) are your Bank's initiative to provide free, unbiased, fair and coordinated financial education through financial literacy classes and credit counselling and have proved to serve as effective financial literacy and credit counselling centres in rural and semi urban areas. The centres aim to create awareness and educate the targeted segments including farmers, micro & small entrepreneurs, self-help groups, senior citizens and school children about products from various banks, thus benefitting the entire industry. Other than this, the FLCs also organise 'Going Digital' camps for the rural populace to provide awareness about the Digital Banking and Digital payment services prevailing in the banking industry.

During the financial year ended March 31, 2022, FLCs could conduct both offline and online literacy classes and financial counselling to the needy people. FLC Counsellors also participated in Block Level Bankers' Committee (BLBC), District Level Review Committee (DLRC) and other meeting conducted

by the lead bank/ SLBC through Offline and online mode. Around 1113 literacy camps (including 408 online sessions) and 845 counselling sessions (including Tele counselling) were undertaken by these centres during the FY 2021-22, benefitting more than 36,000 people.

Your Bank participated in the Financial Literacy Week (FLW) observed by RBI during February 14 to 18, 2022 across the country. The theme for FLW 2022 was **"Go Digital Go Secure"**, which is one of the strategic objective of National Strategy for the Financial Education 2020-25 and the focus will be on the following topics:

- Convenience of digital transactions
- Security of digital transactions
- Protection to customers

During the financial literacy week, your Bank conducted the following activities:

- Branches displayed posters on FLW-2022 theme at prominent places within the branch premises and distributed FLW-2022 leaflets to customers
- Displayed the FLW-2022 message on home page of your Bank's website in English and Hindi
- Financial Literacy Centres (FLCs) of your Bank conducted special camps on each day of the FLW-2022, while focusing on the key theme – Go Digital Go Secure.

Your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the general public with an overdraft (OD) facility to eligible cases (mainly to weaker section & low income household groups), with OD facility of up to ₹10,000/- to eligible customers, with an objective to ensure access to financial services, namely savings & deposit accounts, remittance, credit, insurance, pension in an affordable manner. The main attraction of PMJDY scheme is zero-balance bank account with RuPay debit card and with free accidental insurance cover of ₹2 Lakhs. Till date, your Bank has opened more than 6.40 Lakhs accounts with an outstanding balance of ₹331.18 Crore. The average balance in PMJDY accounts as on March 31, 2022 is ₹5,175/-.

Aadhaar and mobile seeding in PMJDY accounts with your Bank is 88% and 96% respectively as on March 31, 2022.

Your Bank is also actively participating in the PM's social security schemes (Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana) launched by the Government of India in 2015. The PMSBY and PMJJBY schemes provide low cost insurance benefits to the general public for death or disability due to accident and for death due to any reason respectively. Atal Pension Yojana

(APY) is the Government backed pension scheme provided to unorganised sector.

Your Bank could help around 600 families of our deceased customers who joined the low cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹12.00 Crores.

INTEGRATED TREASURY OPERATIONS

Your Bank's treasury operations involve Balance Sheet Management, Liquidity Management, maintenance of Statutory Reserve Requirements, trading in Money Market Instruments, Bonds and Debentures, Equity, Alternate Investment Instruments and Foreign Exchange. The Treasury & Forex dealing room is located in Mumbai and your Bank has dedicated and full-fledged dealing desks in the major segments namely; Foreign Exchange Interbank and Merchant Forex, Derivatives-Currency Options / Cross Currency Swaps / Interest Rate Swaps, Currency Futures, Interest Rate Futures, Overnight Index Swaps, Non Deliverable Forwards. Domestic - Money Market, Government Securities, Bonds and Debentures, Certificates of Deposit, Commercial Paper, Interest Rate Swaps and Equity. Your Bank is also providing a web-based trading platform and intraday trading facilities to clients in the CSGL segment. Treasury activities are further being augmented by a robust Front Office System which efficiently captures all the front end dealings of the Bank and has a robust risk management and monitoring capabilities. This ensures total automation of the treasury activities and its seamless integration with your Bank's core banking system.

FOREIGN EXCHANGE BUSINESS

Foreign Exchange Business of your Bank has taken a leap in the past 4 years and the entire business model has been revamped to focus on the distribution of Forex and Interest Rate products, oriented towards the hedging needs of the clients. The Treasury Sales Team spread across the country, is offering these hedging products to the Bank's clients. Seamless co-ordination between the Treasury Sales team, the Relationship Managers spread across various centres and the team at the dealing room in Mumbai has resulted in enhanced distribution of these products to the customers. The Derivatives Desk of your Bank has significantly expanded its Treasury product basket, thereby bringing in a diversified revenue stream, besides significantly adding value to the existing customer relationships. The extensive usage of data analytics in understanding customer business has also helped the Bank in increasing the Forex business through its branches.

Your Bank conducted regular one-on-one meetings with exporters/importers at the zonal level to strengthen relationships, assess the financial position of units, support additional credit requirements and acquire new relationships. Your Bank is closely associated with various trade bodies/ associations

including Federation of Indian Exporters Organisations (FIEO), Engineering Export Promotion Council (EEPC) etc. for deepening relationships with exporter/importer communities and offering them apt guidance.

Your Bank has a dedicated Foreign Exchange Cell at Mumbai, catering to all the requirements of the clients / branches with respect to foreign exchange, trade finance, FDI/ODI/ECB and cross border transactions. The Bank has been giving thrust to the development of forex business and is continuously working to improve the operating skills of relevant personnel through meetings, interactions and training programmes. Your Bank is also on the forefront of conducting Foreign Exchange Dealers Association of India (FEDAI) training programmes for the banking fraternity. This enables the designated branches to improve their operating efficiency substantially. Your Bank is a member of the Managing Committee of FEDAI

Foreign exchange business of your Bank is conducted through two 'A' category branches and ninety two (92) 'B' category branches/ offices and the IFSC Banking Unit (IBU) Branch in GIFT City (Gujarat International Financial Tech City). The entire foreign exchange/trade finance transactions are centralised to extend timely and efficient service to forex clients and improve effectiveness of the branches. Your Bank has introduced the concept of Trade Hubs/Corporate Client Service Centres in all metro cities and other major centres to bring more efficiency in handling trade transactions. SWIFT operations are also centralized to ensure speed and reliability. Presently, all financial messages in SWIFT are generated only through Straight Through Process (STP), whereby contents of such messages flow directly from the accounting system (Core Banking Solutions) to SWIFT platform without any manual intervention. In the trade finance segment, export credit facilities are provided in both rupee and foreign currency for pre-shipment and post-shipment activities of the exporters. Non-fund based facilities, such as letter of credit, stand by letter of credit (SBLC), guarantees etc., including various structured products are also extended by your Bank.

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FEDERAL BANK – IFSC BANKING UNIT (IBU)

Your Bank opened its IFSC Banking Unit (IBU) at India's first International Financial Service Centre (IFSC) located at GIFT City (Gandhinagar, Gujarat) in November 2015. IFSC in GIFT City is conceptualized and designed at par with other global financial centres operating in various parts of the world viz. Hong Kong, Dubai, Singapore etc. The branch is like an overseas branch situated in an overseas jurisdiction, enabling your Bank to explore International business opportunities. IBU is regulated by International Financial Services Centres Authority (IFSCA) with effect from October 01, 2020, who is the uniform regulator for all financial institutions, including Banks in the IFSC.

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

- Credit facilities to Wholly Owned Subsidiaries (WOS)/Joint Ventures (JV) of Indian companies registered abroad
- Credit facilities to overseas companies
- Retail Lending to Non-resident Individuals
- Current account facility for resident individuals for making overseas investments
- Savings and Current account for Non-resident Individuals
- External Commercial Borrowings (ECB)
- Trade Finance Products
- Non-fund based facilities (Standby Letter of Credit/Bank Guarantee etc.)
- Acceptance of foreign currency deposits
- Treasury operations

With the opening of IBU, your Bank caters to both domestic and international clients for their various funded and non-funded investment requirements at multiple jurisdictions. IBU boosts the balance sheet of your Bank by empowering it to extend various foreign currency loans to eligible entities as well as Non-resident Individuals across different foreign jurisdictions. Your Bank also participates and extends facility in foreign syndicated Loans to large corporates. It also extends facilities like External Commercial Borrowing (ECBs), Trade Credit facilities etc to resident entities. Federal Bank IBU has executed transactions in various segments like manufacturing, metals, media & entertainment, health care, electrical, food, construction, retail etc.

DIGITAL & TECHNOLOGY

Digital, the word in itself is a definition and has become an indispensable part of our daily routines irrespective of the demography. With the arrival of the pandemic in 2020, an existential effort by institutions across industries, began. The core part of this strategy to "Go Digital" for this was to turn out to be deciding factor in the survival of the fittest. Digital is no more a differentiating factor but a necessary and mission critical one.

Your Bank has always been the flag bearer of introducing novel and useful digital initiatives time and again. Products like FedBook and Selfie app to open accounts are testimony of your Bank's inclination towards digital innovation. Today, a prospective customer of your Bank can open a full-fledged account in less than 5 minutes, using the Video KYC services, facilitated by e-KYC services of UIDAI and the new regulations allowing the usage of Video calling service for completing customer due diligence. The technology enables them to open accounts as per their preferred scheme from the comfort of their office or any other Indian location.

Your Bank also had launched FedSwagat, an online appointment booking solution to allow the customers to book an appointment with a branch staff avoiding all the hassle of a queue in these uncertain times.

Your Bank also introduced an AI based personal assistant 'Feddy' which is a true omnichannel virtual assistant for customers to help them with their queries. To make Feddy a true flagship banking assistant, we launched an industry first true '24x7' Live feature in Feddy across channels such as WhatsApp, Google Maps + Search and Website. Now customers need not call the legacy call center, for they can now connect with a bank's agent over the chat on all these popular platforms.

With the ever-evolving digital landscape came the Account Aggregator ecosystem which was hailed as the next UPI moment. Launched in September 2021, Your Bank was amongst 4 Banks in the industry to have gone Live in the ecosystem; displaying the

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Getting more and more customers to migrate to digital channels has been made simple by the multitude of functionalities in FedMobile. Once such feature was the launch of Sovereign Gold Bond facility.

Your Bank has made a name for itself when it comes to the resiliency of the technical infrastructure supporting our digital initiatives and platforms. Your Bank has handled the largest number of successful UPI requests as a remitter and second most as a beneficiary in its category for the month of March-22.

New Age Digital Platforms

Your Bank has been marching toe to toe with the digital space and the rapid evolutions it is going through. Your Bank has launched Careerbook platform which allows the educational institutions to digitize and manage the end-to-end tasks such as fee collection, attendance, exams etc.

Your Bank offers the best security possible across all the platforms and one such initiative was to join the Visa and MasterCard network for the tokenization of the cards such that the ease of transaction is in proportion to the security of the credentials.

Your Bank offers digital journeys for multiple flows such as an auto loan platform 'GoNoGo' which is has been loaded with new features such as a STP flow and E-Nach. Both these facilities allow us to complete the customer journey, strictly digitally.

Self-service is the way to go for it reduces the cost for customer interaction and dependency on the availability of an agent for the customer. Your Bank has launched a self service kiosk for cheque deposits thus helping to reduce the counter transactions. This is made available as a part of the wider package of a smart branch ecosystem.

Major Launches in FY 2021-22.

Your Bank has launched many digital initiatives during the year.

1. **Feddy Live Agent** – Being a first in the industry, we have Introduced a 24x7 live agent functionality in Feddy. This feature will allow customers to interact with a human agent through Feddy. Customers or general public can live chat with Bank’s agents through public platforms like WhatsApp, Goggle search, Google maps and our website.
2. **Fintech partnerships** – Your Bank has tied up with Fintech partners epiFI and Jupiter to provide personalised, user-centric banking and investment experience primarily focusing on the salaried, millennial user segment. In partnership with Federal Bank, these partners provide

Savings Accounts, Recurring Deposits, Debit Cards, Payments and UPI services to its users. Your Bank aims to add strength to its CASA book leveraging the agile delivery capabilities of such partners.

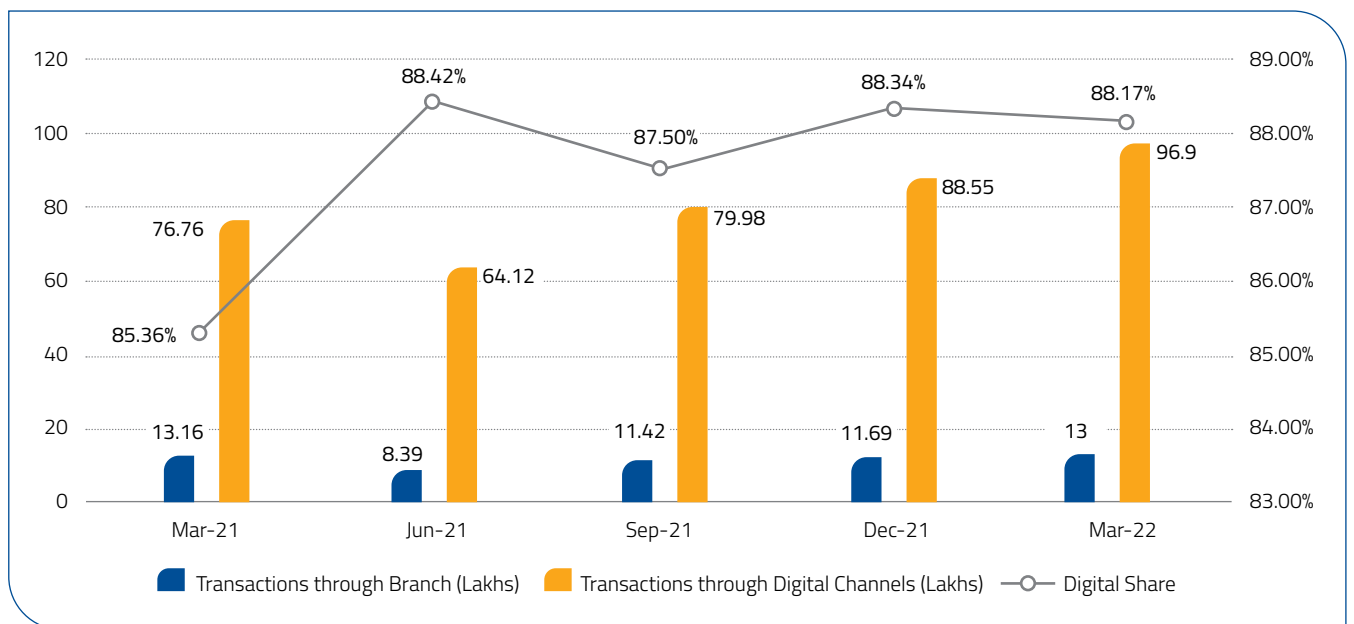
3. **Participation in Account Aggregation** – Account Aggregation is a new concept wherein data aggregated by financial institutions, insurance companies, etc. can be used for consumption digitally entirely based on a valid customer consent. Your Bank has partnered with FinViu an aggregator to become one of the first 8 banks to go live on this ecosystem.
4. **Tokenization** – Your mobile is now your debit card. As part of increasing the security in card transactions, tokenisation allows you to store your debit card on your smartphone and when making payments, this token is used for completing the transaction which is completely secure. We are live with this technology on both Visa & MasterCard networks.
5. **Careerbook** – Your Bank has launched Careerbook during the period under report. Careerbook is a unique platform for educational institutions wherein they can manage their fee payments also for admissions, attendance, exams or any other student management activity. Careerbook also allows schools to connect to BBPS-the bill payment service of NPCI and this will allow parents to make payments through 150 plus UPI Apps and Mobile/Net Banking of all the banks.
6. **Launching of Cheque Deposit Kiosks** – To reduce the time spent by branch employees behind cheque related operational activities, we have launched a self-service cheque deposit kiosk for customers. Customers can visit branch and deposit the cheque directly in the kiosk by entering appropriate cheque details. The facility is live in 96 branches.
7. **GoNoGo** – Your Bank’s digital Car Loan platform GoNoGo is now equipped with 2 new features - STP & E-Nach. With STP (Straight Through Processing), all eligible existing & prospective customers will get instant auto loans without going through underwriting process. Also, E-Nach integration has helped automation of mandate registration further making it paperless.
8. **Fed-e-Studio** – In our initiative to digitize the branches by providing self-service kiosk, we have introduced 2 new features, Passbook Printing & Loan against Deposits. With introduction of Passbook printing in Fed-e-Studio, now customers can authenticate themselves & get their passbook printed through the Kiosk. Customers can also authenticate themselves with an OTP & within seconds avail the loan for the desired amount.



9. **Sovereign Gold Bond (SGB) in FedMobile** – We have launched the functionality of applying Sovereign Gold Bond through FedMobile. This will serve as a major digital platform for the issuance of SGBs in future.
10. **Dynamic QR on POS machines** – In our continued efforts to simplify accepting & making payments journey for both merchants & customers, your Bank has implemented Dynamic QR in our POS machines. Now merchants can enter bill the amount in POS machine and the machine will display a dynamic QR consisting of the same bill amount which the customer can scan & pay using any Scan & Pay apps installed in their mobile phone.
11. **e-Rupi Voucher** – e-RUPI is a cashless and contactless person and purpose specific digital payment solution launched by National Payment Corporation of India. Federal Bank is now Live as an issuer in e-RUPI. The vouchers can be shared with beneficiaries via SMS or QR code. Voucher Beneficiary (the one who receives the voucher) can redeem the voucher without a card, smart phone or payments app, at the merchants accepting e-RUPI.
12. **Credit Card Module in FedNet** – Hero feature of our Bank's Credit Card – Virtual card is now accessible in Bank's Internet Banking platform FedNet as well. This will serve as an additional platform from which the customers can perform card life cycle management activities. All the functionalities which are currently available in FedMobile's credit card module will be available in FedNet as well.
13. **GST Enabled UPI** – We are live on GST enabled QR code payments. Now our customers will be able to make payments using GST enabled QR codes.
14. **Minor A/c Opening through IAO** – To simplify and standardize the on-boarding process of Minor Accounts (Self and Guardian Operated), we have now introduced this new service in our Instant account opening (IAO) module.

DIGITAL PENETRATION

Bank's digital users grew by 47.48% YOY and the monthly Mobile Banking volumes crossed ₹14,000 Crore mark during the Fiscal Year.



FINTECH PARTNERSHIPS

Fostering new Partnerships in the Open Banking Era

India is the fastest growing Fintech Markets in the world and the size of the industry is expected to be USD 125 Bn by 2025. Fintech financial services are transforming the entire banking system and they work in different financial domains and customer segments. Fintech firms considering their market size, capital and the business objectives work with the concept of creating more value for the end users in a specific area of business. Fintechs provide innovative products and services to end consumers with the help of partnerships with Banks and NBFCs. Your Bank has considered partnership with Fintech firms as a strategic decision to acquire more customers and grow business.

Your Bank has partnered with many Fintech companies in the country where the Fintechs make use of the API/Open Banking capability and business knowhow of the Bank while making contribution in terms of use of cutting-edge technology to create innovative products and enabling a hyper personalised customer experience. A few partnerships that commenced in FY 2021-22 are:

Epifi Technologies Private Limited: Fi Money is digital platform created in partnership with Federal Bank and epifi that aims at providing hyper-personalised and frictionless savings and investment services to salaried millennials and working professionals. The partnership rides on the Open Banking capabilities of your Bank and helps acquisition of new customers for the Bank through the FI mobile banking application. The project was launched to customers during April 2021 and the partnership has helped the Bank to add more than 1.5 million customers in a span of 12 months from the date of launch of the service.

Amica Financial Technologies Limited and Federal Bank has partnered to create the Jupiter Money app which aims to provide a fully digital banking experience to customers with features like wealth management, portfolio analysis etc, aimed at Millennials and GenZ customers. The partnership is created to help the Bank attract the young customers to the Bank who want a completely digital and hassle-free banking experience. The partnership has helped the Bank to acquire more than a million customers to the Bank in a period of 9 months from the launch.

FPL technologies Ltd and Bank has partnered to issue India's first metal credit card to customers especially new to Bank customers. The card is different from most of the credit cards in the market in terms of form factor, partner offers and innovative reward mechanism. The card has received wide acceptance among customers and the OneCard app is providing a unique experience to customers in many ways including the slide to pay option that helps customers to prevent online frauds.

Empowering the Milk farmers in rural areas of Gujarat State

– We have tied up with a Fintech Company, M/s Digivridhi Technologies Pvt Ltd (M/s DGV) for enabling financial services to the Milk Farmers who are associated with AMUL in the State of Gujarat. Various basic banking transactions like cash withdrawal, deposit, fund transfers etc. are offered to the rural dairy farmers and in addition to this, value added services like Bill payment, Recharges etc., are also extended to them.

CREDIT HEALTH MANAGEMENT

Credit Administration Department ensures the credit administration functions of the Bank for borrowers with aggregate exposure of ₹2 Crore and above. The department ensures compliance of all pre-disbursal covenants of credit sanctions and error free documentation before disbursing a limit. The department prepares the documents as per sanction terms, verifies the executed documents once they are submitted for setting up of limit, and ensures creation of charge and perfection of securities within the stipulated timeframe through regular follow up. The department also regularly follows-up and ensures proper compliance of post disbursal covenants of credit sanction. Further, the department ensures sufficiency and protection of underlying assets, and also ensure that the securities are updated and revalued at regular intervals. The department constantly endeavours to ensure an excellent turnaround time.

STRESSED ASSET MANAGEMENT

Gross NPA as a percentage of Gross Advances of the Bank stood at 2.80% and Net NPA as a percentage of Net Advances of the Bank stood at 0.96%. The Provision Coverage Ratio (including technical write offs) stood at a healthy 80.60%.

Your Bank constantly improves its collection and recovery architecture to improve its asset quality. It also uses various analytics tools to predict the propensity to default and collection score of the borrowers. Collection strategies are formed based on these analytics driven reports. Your Bank strengthened the collection mechanism through increased team strength and improved partnerships. Enhanced use of digital tools and analytics has also helped your Bank to maintain one of the industry best collection efficiency, despite the challenges faced by the COVID-19 pandemic.

Your Bank has recorded highest recovery & upgradations in NPA accounts during FY 22 and achieved healthy credit cost.

RISK MANAGEMENT

The Risk Management philosophy of your Bank is to take risk by choice rather than by chance. Your Bank seeks to build scalable and resilient businesses while operating within the guardrails of risk management. Your Bank is exposed to various risks that are inherent to any banking business. The major risks are credit risk, market risk including interest rate risk and liquidity risk, information



and cyber security risk and other operational risks. Your Bank has a robust risk management framework in place, which covers the policies, procedures, methodologies and framework established to systematically manage the material risks.

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

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

Credit Risk Management

Macro factors such as slowdown in economic growth, imbalances in the economy, stress in certain industries etc and micro level factors such as borrower specific issues, poor underwriting standards, inadequate monitoring, weak collection and recovery mechanism etc are some of the few factors that contribute to the credit risk of a Bank.

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

Further, your Bank has a distinct credit risk architecture, policies, processes and systems for managing credit risk in both its retail and wholesale businesses. Wholesale lending is managed on an individual as well as portfolio basis. In comparison, retail lending, due to the granularity of individual exposures, is managed largely on a portfolio basis across various products and customer segments. For both categories, there are robust follow up and monitoring mechanisms including automated EWS system in place to ensure credit quality and minimise defaults. The factors considered while sanctioning retail loans include income, demographics, employment, credit history of the borrower and tenor of the loan. In wholesale loans, credit risk is managed by capping exposures on the basis of the borrower group, industry, credit rating grades and geography, amongst others.

Your Bank follows a policy of portfolio diversification and evaluates its total financing exposure to a particular industry in the light of its growth forecast and profitability. Your Bank's Credit Risk division monitors all major sectors of the economy and specifically tracks industries in which the Bank has credit exposures. Your Bank also has a framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record of the borrowers. The exposure limits for lower-rated borrowers and groups are substantially lower than the regulatory limits. Your Bank is continuously reviewing and validating the credit rating models / score cards for its appropriateness and predictiveness. Credit risk management in your Bank, through its various policies, risk assessing tools and risk mitigating measures, ensures robust credit growth with superior asset quality.

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

During challenging periods, like the one triggered by the Covid pandemic, where the economic activities become highly dynamic and volatile, your Bank conducts stress testing of the portfolios and ensures necessary remedial actions.

Currently, credit risk capital is computed using the standardized approach. RBI guidelines on Basel III capital regulations have been implemented and your Bank is sufficiently capitalized as per the current requirements under Basel III.

Market Risk Management

Market Risk arises largely from the Bank's statutory reserve management and trading activity in interest rate instruments, equity and forex market. Your Bank has well-developed framework, comprising of Board approved policies and established

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During challenging periods, like the one triggered by the Covid pandemic, where the economic activities become highly dynamic and volatile, your Bank conducts stress testing of the portfolios and ensures necessary remedial actions.

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

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

Liquidity Risk Management & Interest Rate Risk Management

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

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

The policy frameworks for management of liquidity risk and interest rate risk are established vide the Bank's Asset Liability Management policy. Your Bank has established appropriate risk appetite limits and other tolerance limits for both liquidity risk and interest rate risk. While the maturity gap and stock ratio limits help manage liquidity risk in your Bank, regular assessment of its impact on the NII and economic value help mitigate interest rate risk. This is complemented by a stress testing programme covering both liquidity and interest rate risk. Your Bank conducts various studies to assess the behavioural pattern of noncontractual assets and liabilities and embedded options available to customers, which are used while managing maturity

gaps. Further, your Bank also has necessary framework in place to manage intraday liquidity risk. Your Bank's Asset Liability Management Committee (ALCO) is responsible for monitoring its adherence to liquidity risk and interest rate risk limits.

Liquidity Coverage Ratio (LCR), a global standard to assess organisation's ability to meet its payment obligations, is used as a measure to assess your Bank's liquidity position. LCR level ensures that the Bank has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30 day calendar liquidity stress scenario. Based on Basel III norms, RBI has mandated a minimum LCR of 100% from January 1, 2019. Your Bank's LCR as on March 31, 2022 stood at 134.91% and the average LCR was at 179.72% for the quarter ended March 31, 2022.

RBI has also mandated minimum Net Stable Funding Ratio (NSFR) of 100% with effect from October 01, 2021. NSFR indicates that the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities. As a prudent risk management practice, your Bank has been monitoring this ratio, and is adequately prepared to meet the RBI mandated requirements. Your Bank's NSFR as on March 31, 2022 stood at 144.44%

Operational Risk Management

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

Business Continuity Management

Your Bank has put in place a comprehensive Bank wide Business Continuity Management (BCM) plan and procedure to ensure continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. Your Bank's Business Continuity Program is developed considering the criticality of the functions performed and the systems used. In terms of the Business Continuity Management Policy approved by the Board, Business Continuity Management (BCM)



Committees have been formed at all units of the Bank, which acts as a Primary Crisis Management Team in the event of any business disruption. A Central Crisis Management Team (CCMT) is in place to take responsibility and act swiftly in case of any breakdown/ failure of critical systems, occurrence of natural disasters/ accidents/ pandemic affecting business continuity. Periodic drills and tests are conducted to evaluate the effectiveness of the business continuity arrangements and necessary steps are taken wherever needed.

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

INFORMATION SECURITY & CYBER SECURITY

Your Bank has a robust information and cyber security framework for securing its IT infrastructure and systems. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices. Bank has a Security Operations Center (SOC) which performs security monitoring round the clock. Dissemination of information and cyber security awareness among the staff and customers is undertaken on a regular basis through various modes.

Your Bank has received ISO 27001 accreditation for its critical IT areas including Data Center, DR Site, ATM Switch etc. Your Bank has also received the PCI-DSS certification for its card payments infrastructure.

INTERNAL FINANCIAL CONTROLS

Your Bank has put in place a comprehensive internal control framework which is supplemented with appropriate procedures across all its business and support activities. The internal controls implemented are intended to manage/ mitigate the risks, ensure compliance with laws and regulations, and provide reliable and timely financial reporting.

Your Bank has sound processes for periodic assessment and review of internal controls. Risk Control Matrices are prepared for all processes and products. Risks inherent in all business/ support activities are identified and assessed on a periodic basis. The related controls are also identified and evaluated in terms of their effectiveness. The adequacy and effectiveness of these controls are independently assessed on a regular basis and if gaps are observed, action plans are prepared and implemented by the product/ process owners for remediation of risks and control improvements. These aspects are periodically reviewed by the Operational Risk Management Committee.

COMPLIANCE WITH BASEL FRAMEWORK

Currently, your Bank is using Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standardized

Duration Approach with respect to market risk for computation of capital charge under Basel guidelines. Further, your Bank is gearing up with data build up and system requirements for migrating to advanced approaches. Capital Adequacy Ratio of your Bank as on March 31, 2022 under Basel III norms stood at 15.77%. Your Bank's Common Equity Capital level of 14.43% offers good cushion for further expansion and growth in asset portfolio and is in compliance with the requirements of Basel III norms. The Capital Adequacy ratio at consolidated bank level stood at 16.33%.

RBI guidelines on Basel III demand building of capital and liquidity buffers in phases and seek to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Your Bank has complied with the guidelines for maintaining Capital Conservation Buffer and is well capitalised and fully prepared for maintaining Countercyclical Capital Buffer, when RBI mandates it. Your Bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel III norms. The LCR of your Bank on a consolidated basis as on March 31, 2022 stood at 136.35%.

CAPITAL MANAGEMENT FRAMEWORK

Your Bank's approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management involves an on-going review of the level of capitalization against the set risk appetite and to maintain a strong capital base to support long term stability, planned business growth and mitigate inherent risks in various businesses.

Your Bank endeavours to maintain strong Tier I capital position as part of the overall business strategy and as a source of competitive advantage. It provides assurance to regulators and credit rating agencies, while protecting the interests of depositors, creditors and shareholders. Strong capitalization also enables the Bank to take advantage of attractive business opportunities. Your Bank strives to strike a balance between the need for retaining capital for strength and growth while providing an adequate return to shareholders and sets an internal Capital Adequacy ratio target that includes a buffer in excess of the minimum regulatory requirement. In addition to the regulatory risk based capital framework, your Bank is also subject to minimum Leverage Ratio requirement and maintains a Leverage ratio which is higher than the regulatory requirement.

Your Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/ financial position/ capital adequacy. The ICAAP framework is guided by a comprehensive Board approved ICAAP Policy. ICAAP is aimed to ensure that your Bank maintains capital commensurate to its risk profile and

improves upon its risk management systems and framework on an ongoing basis. It involves realistic assessment of level of risks inherent in the business operations of the Bank and setting aside adequate capital to cover all such risks. The annual ICAAP is placed before the Board and the Risk Management Committee (RMC). Quarterly review of the ICAAP is conducted and placed before the RMC. The capital management framework is also complemented by the risk management framework, which covers the policies, processes, methodologies and frameworks established for the management of material risks.

Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. Based on the stress testing policy approved by the Board, your Bank conducts stress tests on various portfolios and assesses its impact on the capital ratios and the adequacy of capital buffers for current and future periods. Your Bank periodically assesses and refines its stress testing framework in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market movements that could arise as a result of market conditions and the operating environment.

ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM

Your Bank has put in place an 'Environmental and Social Management System (ESMS) Policy' for all lending activities as part of strengthening Bank's commitment for the cause of sustainable development as desired by the government, regulators and other stakeholders. ESMS policy enables Bank to minimize environmental and social impacts posed by the lending activities. The policy prescribes an exclusion list i.e., the list of activities prohibited for lending operations considering its impact on the environment and the society. The policy ensures more focus on funding to the borrowers whose projects are sustainable and environment friendly. This is achieved by your Bank through meticulous risk categorisation of the borrowers and by ensuring that the funds lent by Bank will be used for purposes / activities which have minimal impact on the environment and the society.

COVID -19 CONCERNS

The outbreak of Covid-19 pandemic posed serious threat to lives and livelihoods across the world and impacted the global economy, including that of India. The impact of the pandemic posed various challenges in terms of aspects like business continuity and asset quality. The RBI and Government of India came out with various measures to manage the situation and adequate measures were put in place by your Bank to respond dynamically to these challenges and minimise impact. Though the impact has subsided, your Bank is closely monitoring the situation and necessary steps are in place to ensure business continuity. The credit quality is being assessed under various stress scenarios at close intervals. Bank is also closely watching the liquidity position and contingent liquidity position and available sources of funds to meet contingent scenarios are being assessed periodically.

HUMAN RESOURCES

Innovations and improvisations, all sustainable and digital; have always marked the way forward for your Bank. Despite the challenges the economy was facing, fortunately, the last fiscal year also could feel the varied flavours of Brand Federal being much accepted, recognised and celebrated. Your Bank ensured that the processes and applications get the periodic revamp, and each Federal got to upgrade and transform themselves to the next best version, which make your Bank team more current and informed, and thereby emerge much sharp and confident. Your Bank proved that Braving the Odds is not just an expression, it was their way of doing things! Though the trials were many, varied and erratic – hitting at the most unpredictable moment, your Bank stayed connected and together during these tough times and contributed to reinforce a robust growth while ensuring sustainability. The total human capital of your Bank stands at 12790 at the end of the financial year. The average age of the employees is 36 years and the current male-female ratio is 59:41. Your Bank has enlivened the core values always - by being ethical and responsible in the roles, always agile and committed to excellence, with thoughtfulness in relationships and sustainability in actions. These values echo in attitude and actions in your Bank and make every stakeholder feel that a true Federal CARES!

Employee Engagement, Wellness & Welfare

For the last two years, your Bank has been successfully conquering many of the challenges posed by the pandemic. An environment of innovation is encouraged, and the refinements being done take the Bank to a new territory of growth, where success is not only measured by the profit we generate, but how effectively we are able to positively influence and engage the employees and thereby all other stakeholders. Many activities including sports and family get-togethers, virtual as well as physical, were conducted pan India, had rev up the energy levels, morale and positivity among the employees. Founder's Day was observed in your Bank in a solemn manner with programs that ensured responsible social involvement of employees in various projects with relevance to ESG & Sustainability. In order to take care of the stress related issues during the COVID times; your Bank continued with the facilities of SMILES, the employee counselling program. Other major activities of your Bank in the wellness and welfare front included conducting for COVID 19 vaccination drives pan India for Federals and their families, financial support to employees who required emergency financial assistance to care for themselves and their immediate family members affected by COVID- 19 and for those employees who had lost their family members due to COVID-19, facility for doctor e-consultation for employees and end-to-end Digital platform - Fed-e-Life for pensioners.

Connect, Communicate and Collaborate

Your Bank believes that Connect, Communication, and Collaboration are the three most vital aspects for the growth,



both internally and externally. Many of the communications during the pandemic times used the latest technology available like intranet, group calls, blogs, social media that helped your Bank to reach towards a wider audience and aid employees to collaborate with each other. All the meetings were done in virtual platforms as webinars and interactions, which seldom required people movement. This helped curbing the possible chances of COVID infection for employees as well as reducing the cost on travel, for your Bank.

Rewards & Recognition

As elevations, incentives and PMS scores would not be enough to sustain employee morale, your Bank has broadened the Rewards and Recognition plans. Zonal level Rewards and Recognition programs were crafted for identifying and recognising teams/employees with outstanding and inspiring qualities. Customer Service Champion, which is a Team Excellence Award for Branches were also instituted, where minimum customer complaints/ escalations, ATM/CDM maintenance/ uptime and ambience of the branch were the parameters for selecting the branches. Your Bank has instituted Talent Champion Awards for recognizing those individual employees who have brought accolades or have been recognised in external events, which may be cultural, sports or any other non-banking activities. This would not just help in celebrating the recognitions but motivate more employees to participate in events and get engaged in a creative and productive manner. Your Bank also ensured maximum employee engagement by instituting Engagement Champion Awards for the Best Engaged Team and this would be awarded based on the overall engagement levels of the team members in various activities organised by your Bank.

Great Place To Work – Admired by Federals

Your Bank could excel with the formula of Perseverance, Purpose, Drive, Determination and with the committed efforts and collective actions of each of the team members. And many of those required stretching beyond the threshold and braving through the odds of the season. All the good work, dedication and drive has been paid off with the honour that has brought admiration and recognition to the Brand Federal. Your Bank has been certified as the Great Place to Work for the second time consequently. Great Place to Work Institute has recognized your Bank as one among India's 50 Best Companies to work for in 2021. It has also recognized your Bank under Best in Banks category. Your Bank received this certification for excelling on the 5 dimensions of a High-Trust, High-Performance Culture – Credibility, Respect, Fairness, Pride and Camaraderie. Chief Human Resources Officer of your Bank has been selected as the HR Leader of the Year at the Economic Times Human Capital Awards, for the various initiatives undertaken by your Bank in aligning business objectives with HR functions, new policies and practices in training, engagement etc., the progressive HR practices of your Bank that equips to maintain good relations with various representative bodies, new

technologies/ software's/ processes adopted, implementing the initiatives by connecting the dots of people, processes, organization design and culture and also for the initiatives implemented for an improved ROI, improved performance of business and employees, cost effectiveness, improved work culture, etc, along with other initiatives on employee wellbeing, welfare and connect.

Resource Re-skilling

As part of revamping the Relationship Management framework your Bank is expanding the relationship banking network even more and are looking forward to gain a significant pie of market share in the coming days. In order to focus on new opportunities for growth and sustaining relations with our existing customers and acquiring new customers, your Bank has posted a team of young vibrant Officers as Relationship Managers in various business verticals, who are having very good communication skills and have the aptitude to source leads from potential markets in line with Bank's business strategy. The main focus behind this is to help the Branches in identifying leads and converting the leads into closings. Our future manpower recruitments will mainly be focusing on various Relationship Roles. By providing more Relationship Managers, your Bank will be able to support the Branches/ Verticals in business acquisition and thereby converting the branches/verticals into centres of excellence.

Employee and Industrial Relations

The Industrial Relations scenario during the last year had been congenial and various representative bodies were given due importance to maintain harmonious relations.

Learning and Development

Driven by the theme of B.I.G. – Business and Individual Growth, the Learning & Development Division of your Bank is committed to provide an ecosystem of continuous learning to employees enabling their growth and development along with that of the organisation. A wide range of sharply focussed training/learning solutions that include (a) Instructor-led training programs in functional domains and soft skills, (b) Self-paced e-learning and micro-certification programmes, (c) Capacity building certifications support, (d) MOOC Partnerships, (e) Executive coaching support, (f) mentoring, (g) communication clubs, (h) knowledge sharing forums (i) institutional training etc. provide every employee with multiple opportunities to continuously upskill, re skill and develop themselves to stay relevant and confidently scale up to the needs and challenges of changing times. During FY 2021-22, your Bank navigated the pandemic times with undisrupted learning and training dissemination by going 100% Digital.

A Learning Need Analysis survey conducted at the beginning of the financial year maps the Knowledge, Skills & Attitude gaps. An Academic Council chaired by Executive Director and Chief Human Resources Officer with members drawn from various

administrative and business verticals, field representatives and faculty team meet twice in a financial year to chalk out the priority training areas for the Bank and to review the progress and effectiveness of Training interventions. Effectiveness is measured using Kirkpatrick's Model which involves measurement at 4 levels – Reaction, Retention, behavioural Changes and Business Impact through a dedicated feedback mechanism.

Virtual Townhall Meetings

Virtual Townhall Meetings were rolled out in the Bank in FY 22 covering all employees Pan India. The meetings were conducted Region and Department wise over MS Teams. Heads of Zones, Regions & Departments along with the HR Department led the Meetings. Messages intended to be delivered was shared to all the leaders from HR Department to ensure that the same message percolates down. Sharing of Bank's strategy, Numbers achieved, Quizzes formed part of the presentation and the meeting concluded with a high tea at their respective units.

Training Highlights FY 2021-22

- **Leadership Talent Pool** – Custom curated Executive coaching cum leadership development interventions to build a strong leadership pipeline under the categories of Lumineux and Infinti.
- **MOOC partnership** - Arrangement with LinkedIn Learning for à la carte learning in a continuous and engaging way.
- **Digital & Technology** - Institutional training and arrangement with for upskilling and reskilling in Digital, Automation, Blockchain, etc. Skill development training programmes in Agile solutions, Trade and Forex, Data Analytics, Fintech and New Customer Experience Platforms.
- **Role Specific Skilling** - Focussed role specific skilling and curated behavioural interventions for various roles such as Branch Heads, other branch officers, non-officers, Operations team, Compliance, Credit and Risk teams and Talent Pool interventions in Trade & Forex and Relationship roles etc., for future proofing.
- **Diversity & Inclusion** - Women Leadership Certification Programs and focused Executive Development programme for women officers by various external partners, in addition to multiple internal women leadership trainings. Training programmes for ICC members (Internal Complaints Committee) and employees on various aspects of POSH.
- **Communication & Management Clubs** – Tie-ups/arrangements with Industry partners for Communication upskilling, confidence building and managerial effectiveness for aspiring leaders.
- **DAKSHA** – An online webinar series by external industry experts and stalwarts in Industry enabling Knowledge sharing.
- **Master class series**- An online webinar series by internal resources for tacit knowledge sharing and soft skills

- **Digital Induction Training**- A carefully curated blend of virtual training sessions, self-learning videos, remote activities, simulations, engagement tools and gamified leader boards which gives the essential learning as well as desired social and cultural immersion even in a virtual environment.
- **Junior Development Programs:** Intensive blended learning journey spread over 18 months for overall development of new recruits under Junior Banking Certification Program which includes Self-Learning, Webinars, Remote Proctored Assessments and Mentoring support.
- **Compliance through Mandatory e-learning** – Dedicated E-learning drives in all regulator prescribed areas like Information Security Awareness, Business Continuity Management, KYC & AML Guidelines, Banking Ombudsman etc to ensure Growth with Compliance. E- Learning on Information Security Awareness was provided to 10,386 employees (95.2 % of Officers and Non-officers) as part of the mandatory learning programmes. E-learning on Business Continuity Management was provided to 6,489 employees including Senior Management (99% officers)
- **Gamification of Learning** - A dedicated Learning Management System (LMS) enables gamification through scoreboards, unique and personalized dashboards and Digi badges

Key Statistics 2021-22

- Against total employee strength of 12,790 training was provided to 11,535 employees in the current FY under blended modes of learning. (including 936 employees trained via external institutes)
- 99% of our officers including executives, and 91% of total employees have participated in various self-paced e-learning programmes.
- 4.88 Lakhs person hours of learning generated under various training and self-paced e-learning modules, which is approximately equivalent to an average of 5 days of classroom training per employee.

Performance Management System

- Performance Management System in your Bank helps employees stay focussed and ensures continuous improvement at Individual, Group and Organisational levels.
- Half-yearly Performance Review discussions and Year-end Performance Evaluation are conducted and the performance of Officers against their set goals are analysed. The Officers are given online feedback on their level of performance against the allotted goals. Employees awarded with lower grades are given an opportunity to submit their grievance through an online platform.
- An independent committee then looks into the grievances and arrives at a judicious decision, which is communicated to the employees concerned.



INSPECTION AND AUDIT

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

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

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

- **Risk Based Internal Audit** - Your Bank has leveraged on Risk Based Internal Audit (RBIA) as a tool to assess the risks in its processes, operations and effectiveness of related controls. Risk Based Internal Audit conducted at branches focuses on prioritizing the audits and audit resources based on the level of inherent business risks and control risks. 731 Risk Based Internal Audits were conducted during the year.
- **Information System Audit** - Information System Audit collects and evaluates the evidence to determine whether the information system safeguards assets, maintains data integrity and availability, achieves organisational goals effectively and consumes resources efficiently. It focuses on the risks that are relevant to information assets and assesses the adequacy of controls implemented for mitigating the risks. All critical IT infrastructures in your Bank are subjected to Information System Audit by information systems

professionals from reputed CERT-IN empanelled external audit firms and Certified Information System Auditors (CISA) of your Bank. Critical Information Systems are subjected to Vulnerability Assessment & Penetration Testing (VAPT) every quarter. In addition to this, Information System Audit covering physical security of IT systems and business continuity procedures is conducted at branches/ offices. During the year 2021-22, Information System Audit was conducted in 1,286 branches/ offices.

- **Management Audit** - Management Audit in your Bank essentially focuses on identifying the adequacy and effectiveness of processes adopted for decision making in various Head Office Departments of the Bank, Zonal Offices, Large Corporate Hubs, National and Regional Credit Hubs, Loan Collection & Recovery Divisions, Currency Chests, Regional Cheque Processing Centers, your Bank's Subsidiary Companies etc. The feedback from management audit is relied upon by the auditee units to improve the processes, procedures and systems in place in such offices. During the year 2021-22, Management Audit was conducted in 127 offices.
- **Offsite Audit** - Offsite audit is a forward looking diagnostic tool to identify gaps in the systems and procedures of your Bank. The entire revenue audit in your Bank is undertaken through Offsite Audit. Your Bank leverages Computer Aided Audit Tools (CAAT) for generating and analysing exceptions while conducting offsite audits.
- **Concurrent Audit** - Your Bank is increasingly relying on 'Concurrent Audit' as an early warning system to ensure near real-time detection of irregularities and lapses and is also used as a tool to prevent frauds. Your Bank has implemented the revised Concurrent Audit framework, duly approved by the Audit Committee of the Board, as per RBI circular dated September 18, 2019, with effect from April 1, 2020. During the year under review, Concurrent Audit was in place in 247 branches and 81 offices, covering 57.59% of total advances and 42.35% of total deposits of your Bank. The offices covered under the Concurrent Audit include Treasury Department, Operations Department, Information Technology Department, Loan Collection and Recovery Department, Zonal Credit Administration Divisions, Depository Participant, International Financial Service Center Banking Unit, National Credit Hubs, Large Corporate Hubs, Regional Credit Hubs, Centralised Retail Credit Hubs, Corporate Client Service Centers, Retail Assets and Cards, Transaction Banking Department, Digital Center of Excellence, Regional Cheque Processing Centers, Transaction Monitoring and Fraud Prevention Department, AML Monitoring Department, Credit Monitoring Department, Exceptionally Large Branches and Branches where RBIA risk rating is assessed as "High". Concurrent Audit is also conducted in all the currency chests as required by the Reserve Bank of

India. 301 External Auditors / Audit Firms, 12 Retired Officers and 13 internal audit staff were engaged for concurrent audit assignments during the period.

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

The Inspection & Audit Department is manned by appropriately qualified personnel and has a staff strength of 113 officers (as on March 31, 2022) with expertise and exposure in all activities of the Bank, such as branch operations, credit sanction, credit monitoring, clearing operations, information technology, risk management and treasury operations.

During the FY 2021-22, audits were undertaken at various operating units, considering the audit universe and in tandem with the Annual Audit Plan approved by the Audit Committee of the Board. Data on major audits conducted during the year is as follows:

Type of Inspection / Audit	Number of Audits conducted
Risk Based Internal Audit	731
Information System Audit	1286
Management Audit	127
Revenue Audit	1272
Gold Loan Audit	1432
Credit Audit	1007
Legal Audit	504
Bi-monthly audits at Currency Chests	54
Audits of outsourced agencies / managed services	230

TRANSACTION MONITORING AND FRAUD PREVENTION

Your Bank is having a fully equipped Transaction Monitoring & Fraud Prevention Department with state-of-the-art monitoring tools working round the clock. The transactions in Core Banking and various online channels are monitored by the Transaction Monitoring Team. On the onset of Fintech partnership arrangements in bank, we have started deploying specific scenarios to monitor the Accounts opened through Fintech Arrangements. With special focus on UPI, a new team has been set up to monitor UPI transactions on NPCIs eFRM tool. Monitoring of POS acquiring and Payment Gateway (Cards) transactions is also under the purview of the Department to have a holistic control over the transaction monitoring activities of the Bank. Proactive Risk Manager (PRM) tool has been implemented for monitoring Debit Card transactions in view of the increased technology-led vulnerability in the market. Other special tools are also used for monitoring cyber frauds. The card monitoring

activity also takes place round the clock. With the launch of Credit Cards (CUG & Staff Launch), monitoring of Credit Card transactions on dedicated tool – Falcon has also commenced. Transaction Monitoring Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. The close association with Cyberdome of Kerala Police has been instrumental in preventing many fraudulent transactions and making recoveries to a reasonable extent. Bank has associated with Ministry of Home Affairs on their new initiative of Citizen Financial Cyber Fraud Reporting Portal and cases reported on the portal are being processed on priority by the dedicated team.

LEGAL COMPLIANCE

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

Your Bank has a healthy compliance and legal risk management culture. The processes are designed to ensure legal and regulatory compliance and enable detection and prevention of any breaches. The Legal Department of your Bank frames processes and controls that can efficiently manage and mitigate the legal risks stemming from the daily business transactions of the Bank. Further, your Bank has a well laid system, which ensures that the documentation process is contemporary and in tune with industry standards, thus minimising the menace of legal risk, and in the meantime enhancing customer experience. Additionally, a “Manual of Instructions on Documentation” has been published by Legal Department comprising of all the general instructions pertaining to documentation for the reference of branches and other functionaries, and the same is also updated periodically.

Legal Hubs are set up at all the Zones of your Bank to ensure compliance with local laws and render legal support to the branches, underwriting teams and credit administration teams. New products, processes and schemes introduced by your Bank invariably undergo legal vetting by the Legal Department to ensure legal compliance and proper analysis of legal risks involved. Moreover, the Legal Department is rendering professional and expert advice on various legal issues associated with your Bank.

With the strong objective of making your Bank a Zero Customer Complaint Bank, strenuous efforts are being made to reduce the number of suits/ complaints filed against the Bank before different courts/ consumer forums. The fortnightly publication of “Legal Decisions Affecting Banks” circulated by Legal Department based on verdicts rendered by Supreme Court/ various High Courts/ Tribunals coupled with various educational circulars issued by Legal Department, keeps all teams well informed on



legal challenges/ issues and steps to be taken to avert compliance failures. Legal Department, a repository of statutes, also updates the teams/offices/ branches of the relevant amendments/ modifications made to statutes from time to time. Standard Loan Agreements are modified/ simplified from time to time to make them contemporary and in tune with industry standards.

Other than this, the Legal Department has formulated a framework for legal compliance of local laws compiling the Land and Stamp Laws, related customs and practices etc., in vogue in different states. It has also published Stamp Duty tracker for guidance of branches/ offices. Moreover, Zonal Legal Hubs have been holding sessions on legal topics for enriching branch level functionaries. With a view of imparting awareness on latest developments/ amendments in law and to strengthen the knowledge base of the Legal Officers of your Bank, the department is also conducting Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics.

The Department is also conducting Panel Advocates Meet across various Regions/Zones, which helps the Bank in understanding the best practices on legal/documentation side and also helps in deriving optimum services from the panel advocates. Value addition is imparted by holding interactions amongst the members of Legal Department and Legal Hubs through audio-visual means, which also helps in resolving the hitches faced by the Legal Hubs, thereby enabling them to function efficiently and contribute to the overall growth of your Bank.

REGULATORY COMPLIANCE

Compliance, with all applicable laws and regulations, is quintessential to the success of the Bank. Hence, your Bank balances growth and controls simultaneously in its aspiration for the Most Admired Bank status. Your Bank's compliance philosophy declares that the Bank has neither appetite nor tolerance for any compliance risk on account of non-compliance with regulations.

Your Bank adopts risk-based approach and has put in place appropriate policies and processes to ensure enterprise-wide compliance. To manage compliance risk, we have built a comprehensive Dynamic Compliance Risk Management Framework (CRMF), containing processes covering implementation of regulations, identification of risks, and remediation of risks on time. To identify any known or hidden risks, we have a variety of monitoring and testing programs, like branch and department self- testing by frontline staff, review by Compliance Monitoring Officers and Compliance Quality Assurance Cell (C-QAC). Every employee of your Bank is committed to maintain the highest level of compliance standards, both in professional and personal life.

Your Bank has taken many steps to strengthen its compliance structure. It has revised the Compliance Policy and the Policy

on Combating Financial Crime, keeping in view the regulatory requirements and best domestic and international practices. It has also extended the compliance program to the subsidiaries and group companies. Additionally, your Bank has also framed a robust annual Compliance Risk Assessment Program and Quality Assurance Program to rate the compliance risk and ensure sustenance of compliance standards. Key objectives of the Compliance Department are (a) Benchmark Regulatory Compliance, (b) Integrate Risk Management in Business, (c) Never err on Critical Compliance, (d) Always be Fair and Transparent and (e) Fit to Partner the Digital & Fintech Journey. Towards these objectives, the Bank has set a protocol where every Business Unit & Department will have Compliance Monitoring Officers who handle the first level of compliance, closely associating with respective heads. These are supplemented by Zonal level Compliance Monitoring Officers who are empowered to directly report to central Compliance.

On the technological front, your Bank is also embarking on tech-based innovations to rewrite its compliance controls and standards. The Continuous Compliance Monitoring (CCM) is a new technological solution leveraging the data analytics and artificial intelligence. The solution will be industry's first and help multiple control functions such as compliance, audit, vigilance and C-QAC to comprehensively monitor scenario-based alerts on any transactional deviations within 24 to 48 hours. The upgraded Anti- Money Laundering solution that your Bank has implemented during the year provides exhaustive list management and screening capabilities of individual transactions and customers, comparable with the Financial Action Task Force (FATF) recommendations and international standards. Moreover, the Bank has developed an electronic comprehensive obligation register covering more than eighty statutes and thirty regulatory authorities/ industry bodies. The obligation register will be supplemented by a manual of instructions to each department for process mapping, gap identification and periodic confirmation of compliance through self- testing, monitoring, concurrent and internal audits. The periodic compliance confirmation to the Board and the Regulator by your Bank will be based on the actual testing and affirmations carried out on all transactions from time to time. With this, your Bank can proudly present its Compliance Model as a benchmark for the industry.

MARKETING

It is often heard that challenges may give rise to new opportunities, to explore new avenues and make it a way of life. To describe the last two years as 'Challenging' will be an understatement as it was something beyond that. However, those times did give us a chance to explore and execute things that were otherwise minimal. Your Bank adopted Digital Marketing as the main media to drive awareness and promotion for the brand and the products. Digital Marketing campaigns were executed quite frequently with an objective to promote the brand, product and services and to ensure conversions.

Though Digital Marketing was the main marketing media for your Bank in FY 2021-22, other marketing media like Radio, Print & Television were also used sparsely and basis the requirements from business teams. Within Digital, Social Media was given prime importance by ensuring regular content and engagement on platforms such as Facebook, Instagram, Twitter and LinkedIn. Apart from product and offer related content, importance was also given for RTMs (Real Time Marketing posts), festival related wish content, milestones etc. As the count of followers on social media has become an important indicator, your Bank had executed curated campaigns to increase followers on Facebook, Instagram and Twitter.

Through the year, your Bank had executed campaigns to promote various products such as Federal 24 7, Car Loans, FedMobile, Gold Loans, Sovereign Gold Bonds etc. The year also saw your Bank employing M/s Nielsen to undertake a 'Brand Perception Study' to understand the level of awareness, recall and various other key brand parameters. The insights derived out of this study will be utilized to design campaigns in future. The year also saw your Bank winning the following awards

- Great Place to Work® Certification (Feb 2022-23)
- Best mid-sized Bank' in the 26th 'Business Today - KPMG Annual Survey
- BFSI Technology Excellence Awards 2022
- IBA's 17th Banking Annual Technology Awards

SERVICE QUALITY

An increase in adoption of digital banking by consumers and enhanced reliance on technology based solutions to overcome

day-to-day challenges has made it imperative for any business to leverage innovation and technology for improving the existing products and procedures and delivering quality experience to customers. Your Bank thus initiated a Quality movement in 2012 with the following objectives:

- Ensure standardization in the look and feel of branches
- Raise pan India branch performance with regard to customer experience
- Ensure uniformity and predictability across the Bank's touch points
- Create system, processes and procedures, inherently capable of continuous improvement
- Ensure standardization in customer communication

In pursuit of this, your Bank has employed a dedicated team to facilitate identification and implementation of process improvements which are critical from a customer point of view. This team liaises with other teams to evaluate various customer touch points and strives to improve various services. The team had identified and executed 100+ process improvements, large and small, to ensure responsive and frictionless customer service. One of the initiatives was upgrading of the self-service facility (Fed e Point) via website, where the customer can avail various banking services through a single portal. The services available in this portal was scaled up from 6 to 20 key services which includes updating PAN/AADHAAR, activation/deactivation of e-statement, intra bank account transfer.

Customer Grievance

Sl. No.	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
1	Number of complaints pending at beginning of the year	3,498	1,692
2	Number of complaints received during the year	160,857	147,914
3	Number of complaints disposed during the year	158,965	146,108
	Of which, number of complaints rejected by the bank	61,018	46,394
4	Number of complaints pending at the end of the year	5,390	3,498
Maintainable complaints received by the bank from Banking Ombudsman (BO)			
5	Number of maintainable complaints received by the bank from BOs	569	757
	Of which, number of complaints resolved in favour of the Bank by BOs	245	243
	Of which, number of complaints resolved through conciliation/ mediation/advisories issued by BOs	324	511
	Of which, number of complaints resolved after Passing of Awards by BOs against the bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and Reserve Bank Integrated Ombudsman scheme 2021 and covered within the ambit of the Scheme



Customer Delight

Your Bank is always keen on relationship building, customer convenience and delight. With the purpose of enhancing customer experience and brand trust, it initiated opening of new branches, capacity building of contact center, web based portal for self-service, digital products and also observes customer-day on 15th of every month. Branches are also sanitized and laced with fine interiors, at par with industry standards. The security aspect has been given utmost importance with modern equipment like closed circuit TV, motion sensors, infra-red cameras and fire alarm systems. Your Bank has also started online real time remote security and surveillance of ATMs and branches towards this end. Further, it is progressively equipping its branches with fake note detectors, note sorting machines and currency authenticating machines, in compliance with the regulatory guidelines. Your Bank has installed 1885 ATM/Recyclers which will enable customers to withdraw/deposit cash in their account 24 X 7. With these measures, your Bank is focussing on ensuring excellence in operations, service delivery with least gaps based on customer feedback and strives to maintain high level of customer satisfaction along with reduced count of customer complaints through an efficient redressal mechanism.

STRATEGIC PLANNING

Corporate planning department of your Bank formulates long term objectives which aims to ensure a viable relation between the resources and the environment, favourable for the growth and the pursuit of Bank's fundamental goals. The department co-ordinates diverse functions like Planning, Budgeting, Monitoring of Business Performance, Business Analytics, Cost Management and Management Information systems. The Department articulates performance measurement mechanism to monitor the performance of each business units. The strategic priorities followed by the department in the yesteryears has helped to maintain a good position through the pandemic.

Your Bank follows a healthy co-existence of the branch channel with alternate distribution channels including Relationship Managers, Field Sales teams, and Digital Acquisition; thereby leveraging multiple engines for customer acquisition and engagement; embracing its goals with focus, quality, granularity, regularity and sustainability. The department, through its various initiatives, brings synergy between the distribution channels to deliver desired results. Cost Management has also become a vital part to ensure sustainability in the long run pushing the department to maintain a holistic approach and adopting an agile operating model, while connecting cost reduction and investment decisions.

With a core analytics data science team functioning for more than 5 years now, your Bank has built a strong foundation with advanced capabilities for tapping the huge potential of data,

uncovering the strategic opportunities it holds. The data science team is best engaged and is leveraging the rich underlying internal and external data across the business functions, evolving along the way into a Centre of Excellence for efficient delivery of the state-of-art analytical frameworks. The main focus includes addressing the core of business problems, thus optimizing the costs with enhanced efficiency, and exploiting every possible opportunity for establishing enhanced and additional revenue centers for business. Powered by machine learning (ML) and artificial intelligence (AI) capabilities, the team is aligned towards the principal objective of enhancing customer experience, value and delight by ensuring high quality customer acquisition, servicing, personalization, next best actions and retention, thereby enabling fostering the deeper healthy customer relationships at each step.

MIS team, a multi-functionary cell under Corporate Planning Department, coordinates comprehensive report generation and automation, ensuring data quality, accuracy and timeliness of information for management decision making as its prime objectives. The agile reporting of MIS enables branches and offices to align and organize themselves to the set goals. The automated reports/ insights to individual business units, by making use of cutting-edge business intelligence tools, enable the users slice and dice data, helping them to derive meaningful insights and empowering them to take informed business decisions. The Regulatory Reports Cell, which functions under MIS, is a specialized team that deals with generation and automation of regulatory reports of your Bank, ensures integrated and prompt generation of reports to stakeholders for onward submission to the regulators. Your Bank also has a Quality Assurance Cell for MIS, that ensures the accuracy and consistency of data captured in the Bank's systems and validates the critical reports generated by the MIS team.

CORPORATE SOCIAL RESPONSIBILITY

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

The CSR projects are executed under the Federal Bank Hormis Memorial Foundation, which acts as a special purpose vehicle for the implementation of CSR activities of your Bank. The last financial year witnessed second wave of the COVID-19 pandemic/ its medical and socio-economic impacts, and our major CSR spends focussed for Covid 19 related activities- Health Care, Livelihood Enhancement & Awareness Programmes which comes under eligible CSR Activities stipulated by the Ministry of Corporate Affairs.

Major CSR projects undertaken during FY 2021-2022 by your Bank are as follows:

PROMOTING EDUCATION

(a) Federal Bank Hormis Memorial Foundation Scholarships:

The foundation is providing scholarships to the needy students for pursuing professional courses for many years. During the year, the Trust has offered scholarship to 180 meritorious students, 20 students from each stream.

(b) Federal Skill Academies

While India has the largest percentage of youth population in the world, it has a very high percentage of unskilled youth as well. For addressing this issue, Bank included skilling as one of the activities under CSR Policy to create a larger skilled workforce.

(c) Vidyakiranam Project-Educational Support in association with CII

To help the deserving students across the State, Government has launched 'Vidyakiranam' project to make available tablets for marginalised and underprivileged students for attending the on-line classes seamlessly. We have supported the initiative by providing 474 tablets to eligible students studying in various schools in Kerala.

(d) Traffic Barricades in Metro Cities-Promoting Road Safety-Traffic Engineering & Awareness.

During the second wave of the pandemic, Bank has supported Police Departments in Chennai, Mumbai for law enforcement and covid containment measures. Messages for creating traffic awareness and covid prevention were displayed on the barricades provided.

(e) Cyber Security Awareness programme

Cyber Cell in Vigilance Department has devised a plan in alliance with Marketing Department and a creative partner to conduct a yearlong campaign on Cyber Security.

This campaign is intended to create awareness on Cyber Frauds among General Public under CSR Activity- Promoting Education- educating the masses through print, audio and visual media.

(f) Support to ASAP-Promoting Education

Support to ASAP(Additional Skill Acquisition Programme) by Govt of Kerala for establishing Community Colleges in Kerala enabling access to better education and professional training. We have sponsored a part of tuition fee of 91 students for one year .

(g) Transformation of Govt Schools- Odisha under 5T scheme of Govt of Odisha

State Government of Odisha has started an initiative under the name " 5T" for transforming Government High Schools in Balasore District by providing well-furnished infrastructure

to enable quality education to students. The Bank has supported the scheme by sanctioning 3 projects to BDO, Balasore, BDO Jaleshwar BDO, Bahanaga .

(h) Nammukku Naame Project- Govt of Tamil Nadu

Govt of Tamil Nadu has launched Nammukku Naame Thittam project which is being implemented with the help of public/ corporates in all urban areas of Tamil Nadu to restore water bodies, create parks, recreation and sports facilities, tree plantation, construct or upgrade school buildings, dispensary buildings etc . The Bank has supported the initiatives.

FOUNDERS DAY – THEME -ESG

Every year we celebrate 18th October, birthday of our visionary founder as CSR day of the Bank. Bank conducted various CSR activities through our branches Pan India to commemorate his vision, which helped for the welfare of the society in general. This year we sanctioned 49 projects on the above theme from various branches, Pan India

WELFARE & POVERTY ALLEVIATION

The Bank has supported various projects for the upliftment of economically backward sections, countering malnutrition and supporting the right to education of socio-economically disadvantaged children by associating with various Govt initiatives and NGOs across India . The Bank has also done various CSR projects to Old age homes, Orphanages, other NGOs, for setting up hostels/improving infrastructure facilities etc and for providing food kits to the needy.

HEALTH CARE

(a) Sponsoring Trauma Care Units- Support to Sansad Mobile Swasthya Sewa, Himachal Pradesh.

Supported a public healthcare programme in remote rural villages in Hamirpur, Himachal Pradesh, a fleet of Mobile Medical Units which covers five districts,800 Panchayaths and 13000 beneficiaries.



The Bank has supported various projects for the upliftment of economically backward sections, countering malnutrition and supporting the right to education of socio-economically disadvantaged children by associating with various Govt initiatives and NGOs across India.



(b) Support to SCTIMST (Sree ChithiraThirunal Institute for Medical Sciences and Technology)

Your Bank joined hands to set up a Comprehensive Centre for Cognitive Rehabilitation of Children with Neuro disorders.

(c) Support to Guardian Angel Peace Mission Centre, Angamaly

Bank has joined hands with the Palliative centre to construct one floor of the proposed building, having an area of 10721 sq ft in order to accommodate more number of patients requiring palliative care due to the spike in demand for inpatient services and the project is nearing completion.

(f) Other supports in Health Care Sectors

Support extended for	Support to:
Enhancing Medical facilities- Setting Up ICU Facilities	LF Hospital, Angamaly
Palliative Care-Purchasing a vehicle for palliative care purposes	St Joseph's Pain & Palliative Care Trust, Dimapur
Enhancing Medical Facilities- procuring medical equipments required for Cardiology Unit	General Hospital, Ernakulam
Palliative Care-Purchasing a vehicle for palliative care purposes	Signature Foundation, Ernakulam
Health Care-For purchasing an ambulance	Holy Redeemer Health Centre, Dimapur
Health Care-For purchasing an ambulance	St Thomas Hospital, Chethipuzha, Changanachery
Health Care-For purchasing an ambulance	Vimala Hospital, Kanjoor
Enhancing Medical Facilities- Construction of Hospital Block	Nirmal Rani St Joseph's Hospital, Olarikkara
Enhancing Medical Facilities- Dialysis Unit	MAGJ Hospital, Mookkannur
Enhancing Medical Facilities- Procuring various medical equipments	Konni Medical College, Pathanamthitta
Health Care-For purchasing an ambulance	Hridaya Palliative Care, Irinjalakuda

PROMOTING WOMEN EMPOWERMENT

(a) Project "SwayamSakthi "

Since 2018-19, Your Bank is supporting Drshtikona Consultancy And Program Management Services Pvt Ltd partnering with Himalayan Social Institute for the above project

The Project envisages to enable Girl Child who has not completed her education by providing 'Bridge Education'. Remedial Education is given to them for fulfilling their aspirations and dreams for a better livelihood and career prospects by continuing their study in a regular school.

(b) Kochi Corporation-HEAL Project

The bank has supported the initiative by sponsoring Fabric Shredding machine & Washing cum drying Machine for the Textile shredding unit being set up by Kochi Corporation, which will provide livelihood opportunities for Kudumbasree and other needy women.

(c) Support to AIDA, Dimapur

Supported ANMA Integrated Development Association (AIDA), the development wing of the Salesians of Don Bosco, Dimapur Province is committed to the socio economic and educational development of marginalized sections of the society in four north eastern states for over 35 years. Currently it reaches out directly to 200 villages.

(d) Support to Sewa Social service Society, Khadi, Pune

We have supported the NGO towards training and setting up of 2 stitching units for underprivileged women in rural areas of Pune and Raigad districts of Maharashtra

PROMOTING ENVIRONMENT SUSTAINABILITY & SWATCH BHARAT

(a) SEED - Student Empowerment for Environment Development

To build awareness amongst student fraternity to conserve the earth's natural resources, Federal Bank joined with Mathrubhumi, a leading Newspaper daily in Kerala in the SEED Programme since 2012. SEED (Student Empowerment for Environmental Development) is an initiative aimed at spreading the message of ecological conservation. Schools carry out simple but effective steps in environment protection like Planting & Protection of saplings, Agricultural Activities, Bio-diversity conservation, Energy Conservation, Conservation of Water bodies, Cleanliness & protection of public health, Reduce, Reuse and Recycle Plastic waste and intervention in local area environmental issues through SEED Police. Bank is supporting this noble cause for the past ten years.

- (b) Support to Town Panchayath, Kushal Nagar**
Support to Town Panchayath, Kushalnagar for Grill Fencing the bridge on Cauvery River located in Kushalnagar in order to protect the river from getting polluted.
- (c) Support to St.George Balikagram**, Home for the Female Children of Leprosy Patients, Pune for - Installation of 7KWP Grid Interactive Roof Top Solar Photovoltaic Power Plant
- (d) Support to Bhigwan Grama Panchayath** for purchasing a Garbage Collection Vehicle (Three Wheeler Electric Model)

DISASTER RELIEF-COVID 19 PROJECTS-FY2021-2022

As a responsible organization committed to the welfare of society, the Bank has provided major share of our mandatory allocation in Covid related relief measures in FY2021-22 also, which includes, livelihood enhancement projects, improving health care facilities, vaccination awareness programmes, promoting vaccination in selected districts, providing free vaccines to disadvantaged sections of society through various organizations, distributing groceries to the underprivileged etc.

Brief details of projects are given below:

(a) Sanjeevani –A Shot of Life & Vaccination of 5 Districts Pan India-in association with NW18 & United Way of Mumbai

Sanjeevani –A Shot of Life –

On 16 January 2021, India started its national vaccination programme against the SARS-CoV-2 virus which has caused the COVID-19 pandemic. The drive prioritized healthcare and frontline workers, and then those over the age of 60, and then those over the age of 45 and suffering from certain comorbidities.

As part of our CSR activities, Bank joined hands with E18 group for educating the masses on the benefit of vaccination through Sanjeevani Programme

The project, one of the largest vaccine awareness drive in India was started on 7th April 2021. The event was held across a period of nine months commencing from April 2021 to December 2021.

The project has been implemented by E18 group, a digital media company having reach over India and broadcasting in 11 regional languages.

The project has two-pronged approach of mass mobilization through reaching audience via digital media while also simultaneously running “Sanjeevani Ki Gaadi” for on ground mobilization to encourage vaccination coverage .

The impact of the project have surpassed the expected coverage and beneficiary number. Both Central & Local Govt representatives applauded the project contributing to national cause.

Gift A Vaccine - (Promotion of Vaccination in 5 Districts) in association with United Way of Mumbai

The Sanjeevani campaign supported by Federal Bank has been carrying out awareness activities across 1000 villages in 5 districts in India. This initiative covers mass awareness, facilitation of vaccinations and strengthening of vaccination centres.

The project was implemented for a period of 10 months across 1000 villages in 5 districts- Amritsar, Indore, Nashik, Guntur & Dakshin Kannada. Program started on 24th May 2021 and completed in March 2022. The project has been well received by District Health Offices and other relevant authorities.

(b) Covid Warden- Livelihood Enhancement Project-

From the month of September 2021, the Bank associated with M/s SB Global Educational Resources Pvt Ltd, the implementing partner of Federal Skill Academies for creating a cadre of **skilled Trainee Covid Wardens** for effective crowd management and Covid protocol implementation. These Covid Wardens are assigned for a period of 4 months from September 2021.

Unemployed youth/those lost their jobs due to the pandemic belonging to the age group 20-35 including women from different locations covering all districts of Kerala were selected through a well-defined process. The selected candidates were groomed through a 3 day on line training program on effective communication, people management and covid protocol.

The trainees on completion of the skilling program were posted as “Trainee COVID Wardens” for covid protocol enforcement at various branches in Kerala and also with several non-commercial establishments. The project was continued till March 2022 due to hike in covid cases in January 2022.

(c) Support to Aluva District Hospital-Conversion of 100 bed block in Aluva District Hospital into Covid Care Facility/ ICUs

The Bank has provided support for setting up an ICU unit for COVID Care in Aluva District Hospital at the request of National Health Mission which was well appreciated by the Govt. during the massive second wave of Covid-19.



Other initiatives

Support extended for	Support to:
Conducting Free Vaccination Drive	Various Supports to Hospitals, Govt Departments, Elected representatives of various constituencies.
Oxygen Concentrators/ cylinders/oxyimeters/ Oxygen Plant	Support to Panchayaths, District Administrations
Enhancing Medical Facilities	Various Hospitals,
Covid Protection Gears	Support to Local Authorities, Police Departments, Medical College, Govt Offices
Setting up CFLTC, Covid Care Centres, Distribution of groceries, food packets in constituencies, orphanages	Support to various District Administrations, CII, Local Authorities etc
Distribution of Medicines	Thalayolaparambu Municipality Soukhyam Charitable Trust

PROMOTING SPORTS & CULTURE

Your Bank has supported various organizations/Educational institutions for promotion of sports activities:

Support extended for	Support to:
Construction of Tennis Court	St Jospeh's College, Irinjalakuda.
Towards training expenses, mess expenses, salary of coaches, jerseys etc for their Senior Team during 2021-22 season	M/s Kovalam FC
For supporting Senior Girls team of M/s Don Bosco Football Academy in 2022 edition of Kerala Premier League	M/s Cochin Don Bosco Society- Don Bosco Football Academy
For supporting Women's National team of Gokulam FC	M/s Gokulam FC
For rebuilding basketball court	U C College, Aluva

FEDERAL OPERATIONS AND SERVICES LIMITED

Federal Operations and Services Limited (FedServ) is a wholly owned subsidiary company of your Bank fully dedicated to operational and technology-oriented services of the Bank. The company has helped the Bank in re-engineering various operational activities and implement various process improvements since its inception, in 2018. FedServ has been effective in providing support on 109 operational activities for the year ended March 31, 2022 and is expected to provide support on 30+ additional processes during FY 2022-23. FedServ's primary objective is to enhance the customer service level by up keeping and upgrading processes on a continuous basis while ensuring that all the perceived risks are duly mitigated.

FEDBANK FINANCIAL SERVICES LIMITED

Promoted by The Federal Bank Limited, Fedbank Financial Services Limited ("Fedfina") is a retail focused NBFC, headquartered in Mumbai, Maharashtra. It is one among the five private bank-promoted NBFCs in India. Fedfina is registered with the Reserve Bank of India as a Systemically Important Non-Deposit Taking Non-Banking Financial Company (NBFC-ND-SI).

Fedfina has a vision to empower emerging India with easy access to loans. It operates a "twin engine" business model, which focuses on two complementary products, namely gold loans and instalment loans catering to MSMEs (Micro, Small and Medium Enterprises) and ESEI (Emerging Self-Employed Individuals). This business model provides Fedfina with an opportunity to grow as well as a countercyclical hedge for Fedfina against disruptions in the Indian economy and the retail loans industry.

Business Overview

Fedfina operates a twin-engine business model with two complementary products, i.e., instalment loans to MSMEs and ESEIs and gold loans. Fedfina also has other instalment loan products such as housing loans and unsecured business loans that are offered to target customer segments. It has largely focused on a collateralized lending model for its retail finance segment targeting ESEI consumers and the emerging MSME sector. As on September 30, 2021, 86.25% of Fedfina's total Loan Assets are secured against tangible assets, namely its customer's gold or property.

Fedfina has delivered consistent and one of the industry leading performances across various benchmarks, such as AUM Growth, NNPA and GNPA levels and cost of funds. As of September 30, 2021, Fedfina covered 136 districts in 15 states and Union Territories through 463 branches, with a strong presence in Southern and Western regions of India. During H1F22, it added 104 branches as against 359 branches as on March 31, 2021. Fedfina has a "Phygital" door-step model, a combination of digital and physical initiatives, for providing customized services to its customers across all their products.

Performance in FY 2021-22

The financial numbers of Fedfina mentioned herein below are in accordance with notified Indian Accounting Standards ('Ind-AS').

Revenue/ Profit Parameters

The revenues from operations for FY 2021-22 grew by 25.7% to ₹869.3 Crore (PY ₹691.8 Crore) on the back of growth of 24.0% in the loan book. Net profit grew 67.7% to ₹103.5 Crore (PY ₹61.7 Crore).

Profit and Loss Statement (₹ Cr)	For the Year ended March 31, 2022	For the Year ended March 31, 2021	Growth (%)
Revenue from Operations	869.3	691.8	25.7%
Total Income	883.6	697.6	26.7%
Profit Before Tax	139.2	76.9	81.0%
Net Profit	103.5	61.7	67.7%

Fedfina has been raising capital via issues, in the past three years. On June 29, 2021 it raised capital aggregating to ₹200 Cr through a rights issue. The net worth in FY 2021-22 grew 38.2% to ₹1,153.5 Crore (PY ₹834.8 Crore).

The on-balance sheet loans as on March 31, 2022 was at ₹5,644.8 Crores, compared to ₹4,552.1 Crores as on March 31, 2021 registering a growth of 24.0%. The total assets grew 19.9% in FY 2021-22 to ₹6,555.7 Crore (PY ₹5,466.3 Crore).

Financial Disclosures (₹ Cr)	As at Mar 31, 2022	As at Mar 31, 2021	Growth (%)
Net Worth	1,153.5	834.8	38.2%
Loan Book	5,644.8	4,552.1	24.0%
Total Assets	6,555.7	5,466.3	19.9%

Asset Quality and Capital

Ratios	As at Mar 31, 2022	As at Mar 31, 2021	Growth (bps)
CRAR	23.04%	23.52%	- 48 bps
Gross Non Performing Assets (GNPA)	2.23%*	1.01%	122 bps
Net Non-Performing Assets (NNPA)	1.75%	0.71%	104 bps
Provision Coverage Ratio (PCR)	22.07%	29.86%	- 779 bps

$GNPA = \text{Stage 3 Loans} / \text{Total Gross Loans}$

$NNPA = [\text{Gross Stage 3 Loans} - \text{Impairment allowance for Stage 3 Loans}] / [\text{Total Gross Loans} - \text{Impairment allowance for Stage 3 Loans}]$

$PCR = [\text{Total Impairment allowance for Stage 3 Loans}] / [\text{Total Stage 3 Loans}]$

*NPA for FY22 is computed in accordance with the RBI circular issued on November 12, 2021, and is not comparable with earlier reported NPA.

Competitive Strengths

"Twin engine" business model ensures growth and risk insulation across economic cycles

Fedfina has a "twin engine" business model, which focuses on two complementary retail products, namely instalment loans to ESEIs and MSMEs, and gold loans. Fedfina believes that this business model provides it with growth opportunities while mitigating the risk across economic cycles. The credit demand from ESEIs and the MSME segment, drives business growth when there is an upturn in the economy. On the other hand, the demand for gold loans drives business growth when there is a downturn in the economy. Gold loan portfolio offered by the Fedfina provides an active hedge against the cyclicity in the Indian retail lending industry that may arise due to economic or other factors.

In particular, the credit analysis and valuation methodology done by Fedfina requires market knowledge and practical experience developed over a period of time, which it believes will allow it to continue to grow and service its customers.

Focus on performance of its large branch network and extracting operating leverage

Fedfina is present across 15 states and UTs with a strong presence in Southern and Western regions of India. The presence across these states gives it the ability to meet the demand from under penetrated markets and customer categories. It has more than tripled its branch network from 149 branches as of March 31, 2019 to 463 branches by September 30, 2021 and most of its branches have still not reached a mature stage. Fedfina intends



to continue to focus on branch level AUMs to increase its total number of customers and total AUM. Further, it has adopted a contiguous strategy wherein the aim is to expand across regions in India where it has a presence and expand to adjacent geographies by evaluating areas with established credit culture.

Well diversified funding profile with an advantage of lower cost of funds

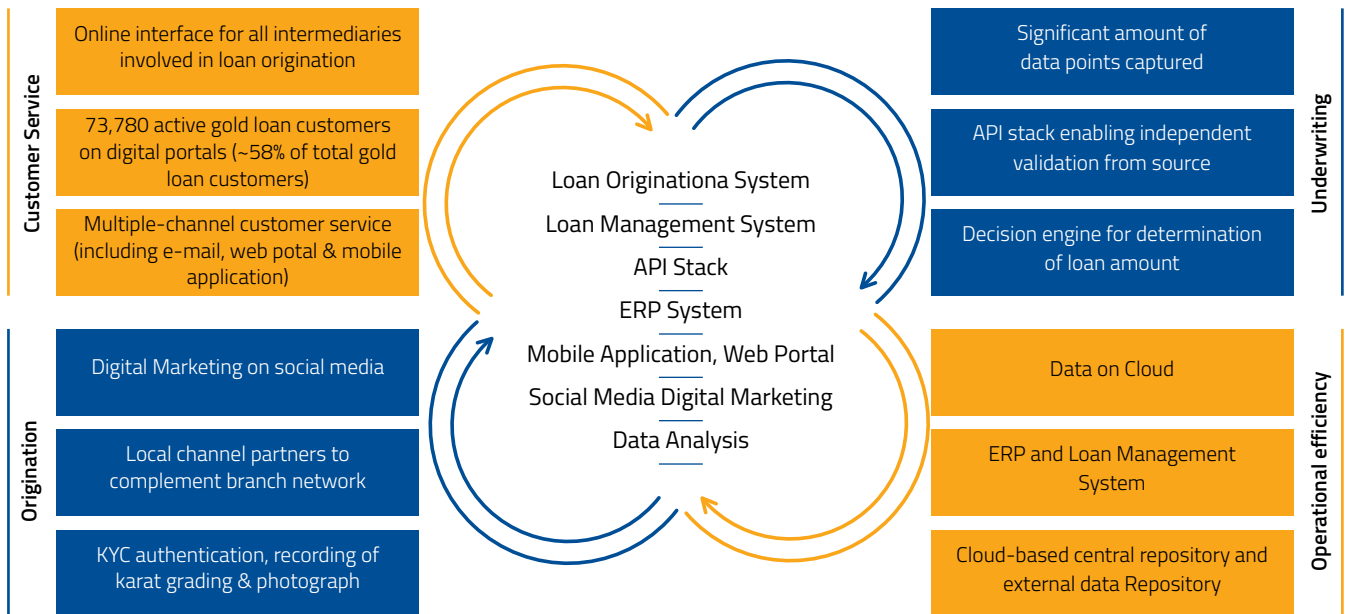
Fedfina’s ability to access diversified sources of funding is a key contributor to its growth. It intends to continue to diversify its funding sources, identify new sources and pools of capital and implement robust asset liability management policies with the aim of further optimizing borrowing costs and help expand its net interest margin. It has the ability to access borrowings at a competitive cost due to its stable credit history, credit ratings, conservative risk management policies and strong brand equity. Fedfina has borrowing from more than 20 entities, banks, NBFCs, Financial Institutions and Mutual Funds, as on September 30, 2021 with a long term rating of AA- / Stable for its long term bank facility and non-convertible debentures (by India Rating and Research Pvt. Ltd.).

Historically, it has secured financing from diversified sources of capital from banks, financial institutions, mutual funds and other financial institutions, including term loans, proceeds from loans securitized, proceeds from the issuance of NCDs, proceeds from loans assigned and commercial papers, to meet its capital requirements. In addition, it has access to capital from its Promoter, The Federal Bank Limited.

Fedfina’s diversified sources of borrowing, stable credit history, credit ratings and effective asset –liability management have allowed it to gain better access to cost –effective debt financing

Technology driven company with scalable operating model

Fedfina is technology driven, using systems with digital infrastructure to manage a scalable and sustainable operating model. This enables it to expand and scale businesses and drive growth in revenue at lower incremental costs. Its technology stack is deployed with customized tools and applications that enhances operational efficiency, automation and customer convenience.



It is able to capture significant amounts of data points through credit bureau data, API stack enabling independent validation from source, customer financials, observations from front end teams, and feedback from credit underwriting and management teams. The data gets stored in a highly secured manner and through a cloud services platform. The integrated loan management and loan origination systems provide a seamless transaction processing capability and standardization of processes across

branches which finally flows into a cloud-based central repository, thereby enabling superior portfolio management and customer engagement

It offers mobility solutions for customers providing them with transparency and convenience of engagement and transaction execution. The digital application allows customers to perform a variety of transactions and share their experiences which manifests in the form of customer ratings.

Capital Raise

Fedbank Financial Services Limited has filed its DRHP with the Securities & Exchange Board of India, on February 19, 2022, for a fresh issue of equity shares aggregating upto ₹9,000 million and an offer for sale of up to 45,714,286 equity shares by certain existing shareholders of Fedbank Financial Services Limited (the "Offer"). The filing of the red herring prospectus by Fedbank Financial Services will be subject to market conditions, regulatory approvals and other considerations and will be in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and other applicable laws.

Disclaimer: Fedbank Financial Services Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India ("SEBI"), BSE Limited and National Stock Exchange of India Limited. The DRHP is available on the website of the SEBI at www.sebi.gov.in as well as on the websites of the book running lead managers, ICICI Securities Limited, IIFL Securities Limited, JM Financial Limited and Equirus Capital Private Limited, at www.icicisecurities.com, www.iiflcap.com, www.jmfi.com and www.equirus.com respectively, and the websites of the stock exchange(s) at www.nseindia.com and www.bseindia.com, respectively. Any potential investor should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP, when available. Potential investors should not rely on the DRHP for any investment decision.

The equity shares proposed to be offered in the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, ("U.S. Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and accordingly, the equity shares are being offered and sold within the United States solely to persons who are reasonably believed to be qualified institutional buyers ("QIBs") as defined in Rule 144A under the U.S. Securities Act, and that are qualified purchasers ("QPs") as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "U.S. Investment Company Act") (persons who are both a QIB and a QP are referred to as "Entitled QPs"). The equity shares are being offered and sold outside the United States in "offshore transactions" as defined in and in reliance on Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

Each purchaser is hereby notified that sellers of equity shares may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act.

Until the expiry of 40 days after the date of commencement of the Offer, an offer or sale of the equity shares within the United States by a dealer (whether or not participating in the offer) may violate the registration requirements of the U.S. Securities Act.

Fedfina Financial Services Limited has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act. Fedfina Financial Services Limited is relying on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act, and as a result the equity shares are being offered and sold in the United States and to U.S. Persons only to persons who are Entitled QPs.

Fedfina Financial Services Limited Company may be a "covered fund" for purposes of the "Volcker Rule" contained in the Dodd-Frank Act (Section 619: Prohibitions on Proprietary Trading and Certain Relationships with Hedge Funds and Private Equity Funds). Accordingly, entities that may be "covered banking entities" for the purposes of the Volcker Rule may be restricted from holding Fedfina Financial Services Limited's securities and should take specific advice before making an investment in Fedfina Financial Services Limited.

AGEAS FEDERAL LIFE INSURANCE COMPANY LIMITED

Performance Summary

During FY 2021-22, AFLI continued to play to its strengths such as best-in-class customer service, high customer retention, and a committed workforce, among many others. This has helped it to keep overall premium growing over the previous year.

AFLI has witnessed strong and sustainable growth in New Business Premium (NBP) by 29% and in Renewal Premium by 5% over the last year. Retail new business premium growth is 23% for the life insurance industry private players and AFLI has grown by 27%. AFLI has also improved its market share on APE basis over the last year despite a challenging environment. The company achieved 36% growth rate on Individual APE-basis which is 4th highest in the industry.

FY 2021-22 saw a continued thrust on customers shopping for financial products to build a stronger future and in turn, live the life and lifestyle of their choice. AFLI continues to work on its stated objectives and build a healthier and better society by helping its customers in this process.

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

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

With retail life insurance market expanding at a pace lower than anticipated, existing insurers are chasing a smaller globe and trying to increase their pie. AFLI stayed well connected with its distribution partners and improved its market position in Individual new business premium sales.

The life insurance market continues to be fiercely competitive. AFLI continues to hold the fort and is working on surging ahead at the opportune time. With a growth of 5% in renewals, AFLI has had another successful year in maintaining high retention ratio for its existing customers.

Against this backdrop of business performance and cost effectiveness, the Operating Cost Ratio (Operating Cost to Gross Written Premium) improved to 12.5% from 12.7% during the year. The Company registered a profit before tax of INR 104.3 crores, down by 23% over the earlier year due to sharp increase in death claims, strengthening of Covid reserves and new business strain on account of new business premium growth.

Awards and Accolades

The organisation's commitment to creating an exceptional employee experience has earned it several accolades during the year. Ageas Federal was recognised as a Great Place to Work® for the third consecutive year and also featured among 'India's Best Workplaces in the Insurance sector' by Great Place to Work® Institute (India). Additionally, the organisation was recognised as one of 'India's Top 15 Best Employers' by Kincentric.

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AFLI received the award for 'Best Brand Building Campaign - Life Insurance' for its impactful rebranding campaign at the 3rd Annual BFSI Technology Excellence Awards 2022. The organization was also honoured with the award for 'Best CSR Initiatives - Life Insurance' at the Banking Frontiers | InsureNext Conference & Awards 2022, as well as the award for 'India's Best Life Insurance Company for Customer Obsession' at the 4th Insurance Alerts & Excellence Awards 2021.

Transformation Journey

In FY2020-21, the Company transitioned to a new identity as Ageas Federal Life Insurance pursuant to Belgium-based Ageas Insurance International NV increasing its shareholding to 49% by acquiring 23% of stake from IDBI Bank. Further to this rebrand, Boston Consulting Group (BCG) was engaged for a comprehensive strategic review which concluded in August '21. The new strategy was approved by the Board and is now in the process of being implemented. The outcome of the comprehensive review revealed the following main strategic objectives for the organisation:

- 1) Multi-channel business model
- 2) Customer-centric offerings and approach
- 3) Digital and data-driven growth
- 4) Build and nurture a culture with sustainability at the forefront

To achieve these objectives, a strategic agenda has been put in place to guide the organisation on its Transformation Journey.

Products

AFLI's comprehensive product suite of 24 plans offers customers financial protection for themselves and their families, while effectively meeting their diverse needs and varying life-stage requirements.

Reinsurers were badly hit by the surge in claims during the pandemic, especially during the second wave, and hence, there was pressure on them to hike term plan rates. With this revision, AFLI has relooked at rates for its protection plans and has filed new plans with the regulator on both the individual and group platforms. Additionally, the economic uncertainty and falling interest rate regime in the country during the COVID-19 scenario resulted in customers displaying a greater interest in guaranteed products. Looking at this opportunity, AFLI has filed a different, appealing offering on the savings platform that allows for systematic savings and provides long-term income. Furthermore, with ULIPs seeing greater traction due to the buoyant stock markets over the past couple of years, AFLI has filed a new ULIP single-pay proposition, offering enhanced benefits to customers.

Risk Management Framework & Risk Mitigation Measures

Discipline is a key component of a visionary organization focused on greatness. To this end, AFLI is continuously evolving its risk management framework for timely identification, intervention and mitigation of risks. The risk management structure is guided by development, implementation and monitoring of financial and operational strategies.

AFLI is thus able to not only assess the risks but also ensure mitigation, thereby improving efficiencies and enhancing the value that it delivers to its stakeholders by aligning risk appetite and strategy with growth and return. Its assessment process ensures timely response decisions to minimise operational surprises and losses.

Cognizant of the strong connect between risk and return, it does not believe in risk avoidance; rather it is focused on understanding and managing risks effectively. This approach helps it to identify the acceptable risks and optimise the same for expected returns.

AFLI has a well-defined governance structure which clearly outlines the organisational hierarchy and the scope of responsibilities of all the Governance bodies involved in the risk management function. The Company's risk management governance structure includes the Board of Directors (Board), the Risk Management Committee (RMC), the Operational Risk Management Group (ORMG), the Asset Liability Committee (ALCO), the Anti-Fraud Committee, the BCP Crisis Management Team, the Product Concept Committee, Outsourcing Committee (OC) and Information Security Committee (ISC).

Risk Taxonomy continues to be a vital component of its risk management framework and helps ensure a consistent and comprehensive approach to risk identification, assessment, monitoring and response. Guided by this mechanism, AFLI is able to properly highlight and define all the identified risks within the Company, which helps it to evolve the necessary risk management efforts. It also helps establish ownership of the various risk categories and provides a link to the overall governance structure of the Company. As a result, risk management becomes a shared responsibility and is not owned by the Risk Management Department alone.

EQUIRUS CAPITAL PRIVATE LIMITED

Based on Consolidated Financials, total gross revenue generated by the Company during the financial year ended March 31, 2022, was ₹152.23 Crores as compared to ₹65.41 Crores during the previous financial year. (YoY growth 133%) Profit before tax posted by the Company for the financial year ended March 31, 2022, was

₹43.57 Crores (29% of revenue) as against of ₹3.95 Crore (6% of revenue) reported in the previous financial year ended March 31, 2021. Profit after tax was ₹35.16 Crores for the financial year ended March 31, 2022, as against ₹3.40 Crores in the previous financial year. Net worth is increased to ₹97.81 Crores from ₹53.79 Crores in Previous year.

As on March 31, 2022, the Company had the following subsidiaries:

1. Equirus Securities Private Limited - Institutional broking business in the cash and derivative segment
2. Equirus Wealth Private Limited - Wealth Management and PMS business
3. Equirus Insurance Broking Private Limited - General Insurance Broking

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

- As a BRLM, the Company had closed the equity capital market transaction like Anand Rathi Wealth Limited (IPO), G R Infraprojects Ltd (IPO), KRSNAA Diagnostics Limited (IPO), Metro Brands Limited (IPO), Minda Industries Limited (QIP), Rolex Rings Limited (IPO).
- The Company had filed DRHP's for 13 Companies for the purpose of IPO. i.e. for BIBA Fashion Limited/ Corrttech International Limited /Dreamfolks Services Limited/ Ebixcash Limited/ Fabindia Limited/ Fedbank Financial Services Ltd/ Godavari Biorefineries Ltd/ Harsha Engineers International Limited/ Hexagon Nutrition Limited/ Protean eGov Technologies Limited/ Prudent Corporate Advisory Services Limited/ Shri Bajrang Power and Ispat Limited/ TVS Supply Chain Solutions Limited.
- PMS fund, ELHF is rated number 1 fund and rated as top performing fund in Small and Med. category (three years) by CRISIL + PMSbazar and in all categories in five years horizon by IIMA & PMS AIF world.
- With integration of Fed Mobile app, its wealth business has on boarded 40k+ clients.
- It's insurance broking subsidiary got license from IRDA in August 2021 and commenced insurance broking business too.
- Institution broking business is rated in top 15 in most of the fund house.
- Investment banking, advisory and fixed income has outperformed in revenue during the year.