

The Federal Pie



FEDERAL BANK
YOUR PERFECT BANKING PARTNER

ANNUAL REPORT 2015-2016

Safe Harbour

This document contains certain forward-looking statements based on current expectations of The Federal Bank Limited management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses for The Federal Bank Limited as well as its ability to implement the strategy. The Federal Bank Limited does not undertake to update these statements. This document does not constitute an offer or recommendation to buy or sell any securities of The Federal Bank Limited or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by The Federal Bank Limited. Figures for the previous year have been regrouped wherever necessary to conform to current year's presentation.

Content



THE DELECTABLE FEDERAL PIE



The Federal Pie is a metaphor for the diverse strengths and attributes of Federal Bank. It captures the solidity as well as the agility of an organization that has withstood the vicissitudes of time with aplomb.

The bank's Home Market Dominance, robust Capital Structure, evergrowing NR business, State-of-the Art Digital Capabilities, high quality Liability Franchise and adaptive Credit Processes are the ingredients that make this pie delectable for investors and customers alike. This year's annual report cover reflects the multi-faceted personality of Federal Bank.

ABOUT THE BANK

The history of Federal Bank dates back to the pre-independence era. The Bank was incorporated on April 23, 1931 as the Travancore Federal Bank Limited, Nedumpuram under the Travancore Companies Regulation, 1916. Late K.P. Hormis, the visionary banker and founder took up the reigns in 1945 and built the bank a nationwide institution. The Bank's name was changed to The Federal Bank Limited on December 2, 1949. The Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934 in July 20, 1970. Today the bank is present in 25 States and 5 Union Territories and the bank is listed in Bombay, Cochin, National and London Stock Exchanges.

OUR VISION

To be the **Most Admired Bank** by all stakeholders

OUR MISSION

Devote balanced attention to the interests and expectations of stakeholders, and in particular:

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

Employees: Develop in every employee a high degree of pride and loyalty in serving the Bank.

Customers: Meet and even exceed expectations of target customers by delivering appropriate products and services, employing as far as feasible, single window and 24-hour-seven-day-week concepts, leveraging a strengthened branch infrastructure, ATMs, other alternative distribution channels, cross-selling a range of products and services to meet customer needs varying over time, and ensuring the highest standards of service at all time.

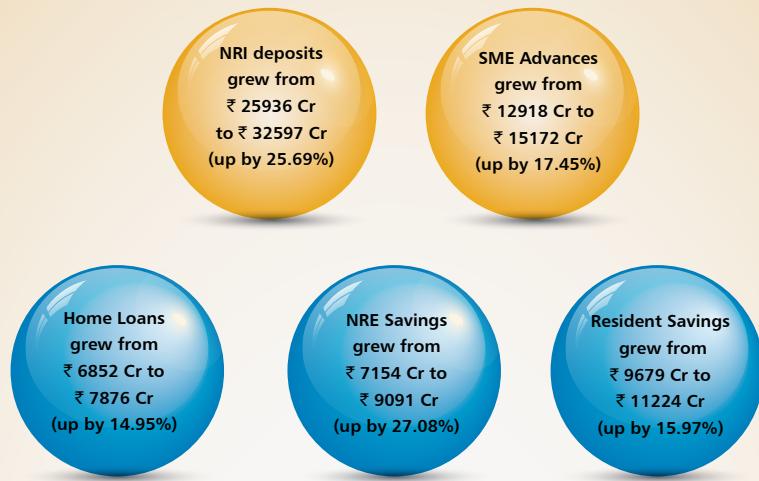
1,252 Branches (March 31, 2016)

1,516 ATMs (March 31, 2016)

11,735 Team (March 31, 2016)

PERFORMANCE DASHBOARD

Volume Growth



Income Profile

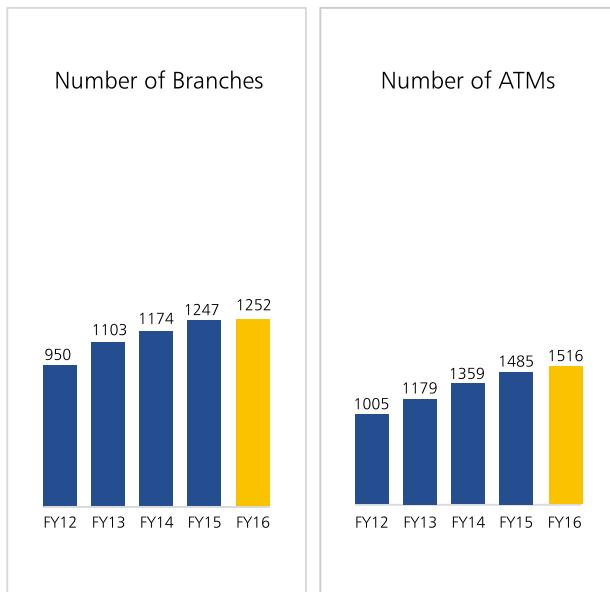


Key Ratios

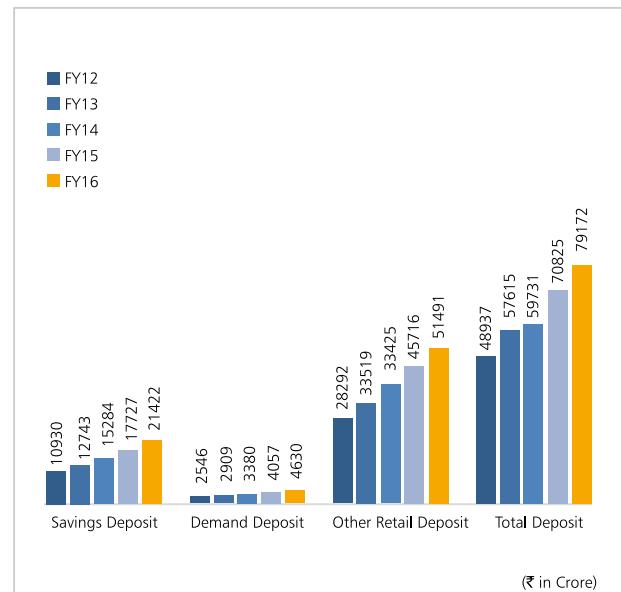


Performance Dashboard

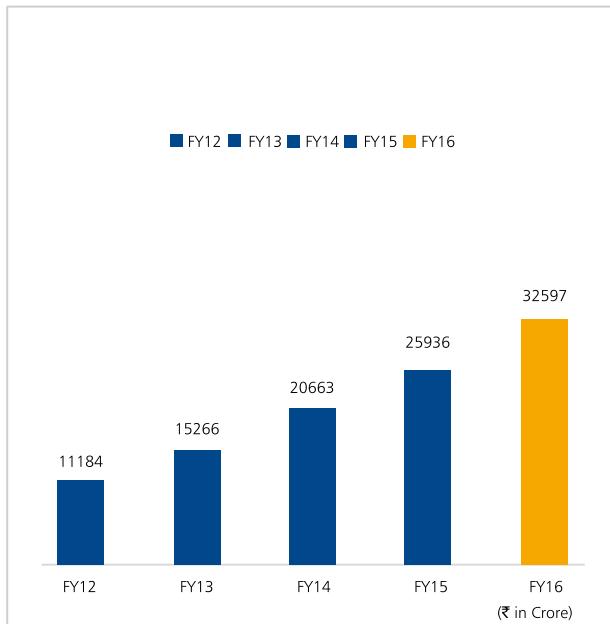
Footprint expansion



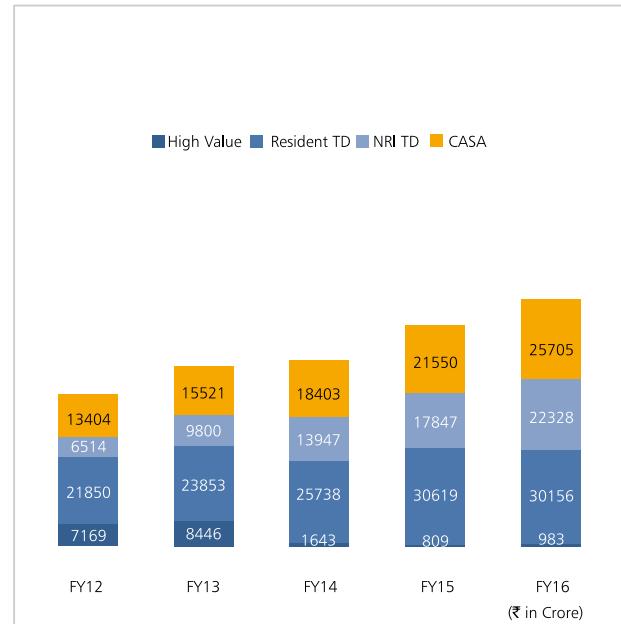
Retail Deposit



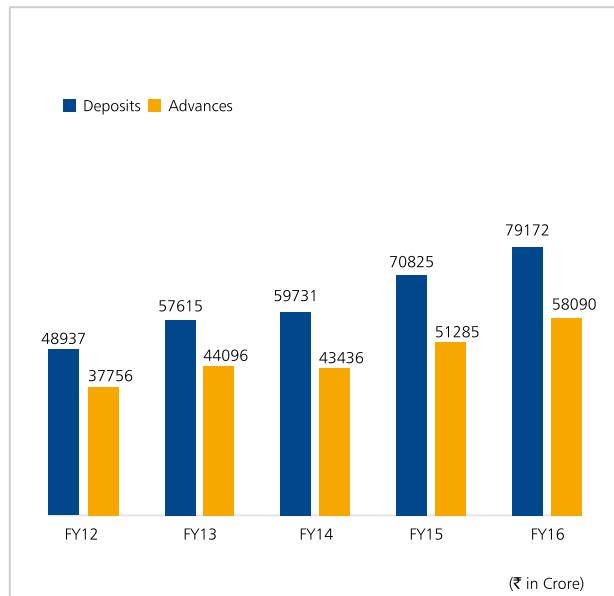
NR Deposits



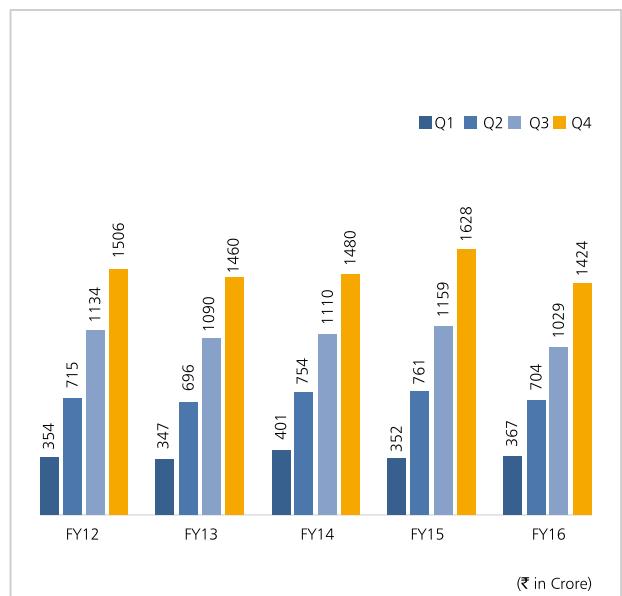
Deposit Mix



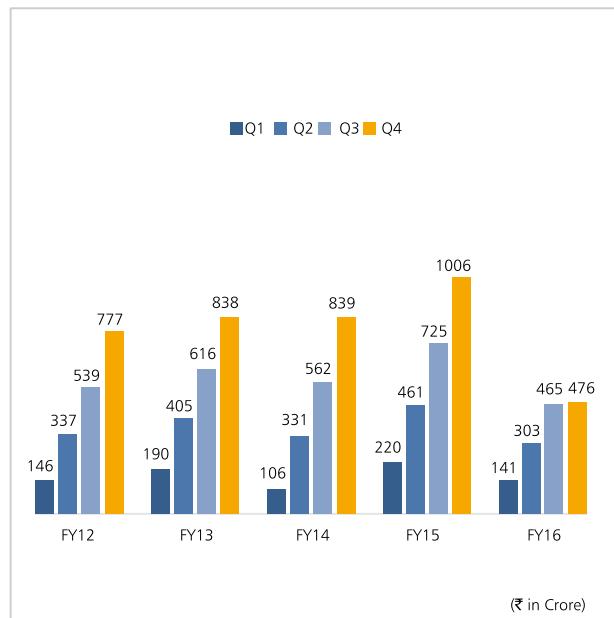
Business



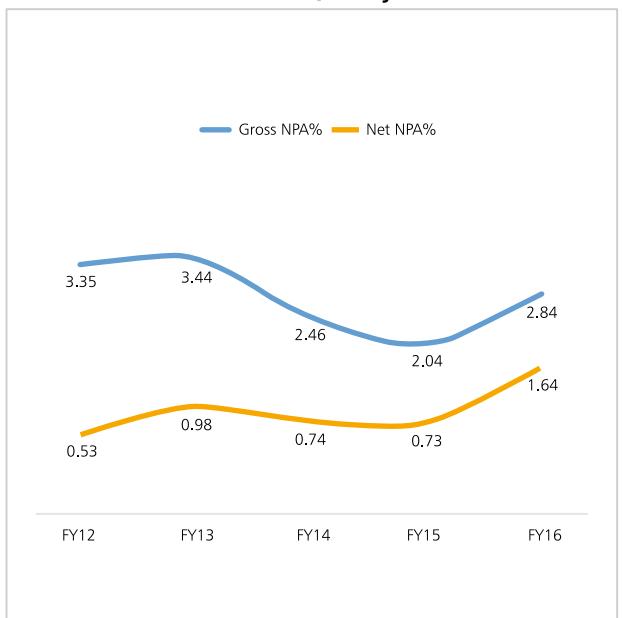
Operating Profit



Net Profit



Asset Quality



MESSAGE FROM THE CHAIRMAN

It gives me immense pleasure to present before you the Annual Report of Federal Bank for the year ended 31 March, 2016.

During my five years of association with the bank, I have seen clear signs of the bank strengthening its underlying capabilities in all areas of its functioning including business, people and franchise.

Over the years, through a continuous journey of transformation, diversification and expansion, the bank has shown robust growth and transformed itself as a national player with its branches spread pan India.

In FY 2015-2016, the global economy was negatively impacted by continuing decline in oil prices, a prolonged slowdown in China and uncertainty in Europe. The world scenario continues to be fragile and uncertain especially with regard to the impact of the Chinese slowdown and the ramifications of "BREXIT" yet being unclear. Though we cannot hazard a guess about which way the wind is going to blow, it's fairly certain that world economy is going to be in a dynamic state of flux in coming months too.

Even in such uncertain times, India's macro-economic fundamentals continued to improve in terms of growth, inflation etc through a host of initiatives from Government like Start up India, Digital India, Make in India and it provided a reasonable degree of resilience to the Indian financial system. The Reserve Bank of India has responded to these macro-economic conditions by cutting the benchmark repo rate by 75 bps during FY 2015-2016.

When the going gets tough, the tough get going' is a truism that accurately reflected the state of the banking industry in the year 2015-16. The current weakness in economic activity has muted credit demand for banks. In addition, alternative sources of financing, both domestic and offshore are a challenge to credit growth of banks. As we turn our gaze towards banking in FY 2016-2017, there are conflicting signs of both hope and despair at play. On the positive side, the domestic and international



Shri NILESH SHIVJI VIKAMSEY

uncertainties that engulfed our industry in the past year had been an eye opener, as well as an opportunity to correct, excel and exceed on business and recovery fronts.

As an organization, your Bank continues to be driven by a strong performance ethic and a strong set of values and we are

committed to delivering excellence to our stakeholders. Your Banks investments in people, capabilities, technology and infrastructure ensured that the Bank remains relevant to our customers and is constantly focused on offering tailor made solutions.

The board of the bank is blessed with exemplary individuals with successful track record of performance and integrity from a variety of sectors. The diverse experience of the board has enabled the management shape and put into practice the goals and strategies of the bank in a disciplined manner.

One of the priorities of our board is to ensure a credible and high quality senior management team. We have this year strengthened the senior management team with the infuse of a blend of senior talent from the market with our home grown seniors taking on strong and significant responsibilities. We are confident that this senior team under stewardship of the MD who has now completed almost six successful years, is well positioned to lead the bank to high quality performance on the year ahead.

The corporate governance followed by the Board of the Bank is well recognized. Your bank is one among the eight companies that have managed to score 100 per cent on a Composite Disclosure Index 2016, (published by FTI Consulting) which has been prepared after taking into account both mandatory and voluntary disclosure parameters. The composite index measured firms on a scale of 1 to 10 and a score of 10 indicates that all 12 mandatory and voluntary disclosure parameters are publicly and readily available.

Turning to the business highlights of your bank's performance in FY 2015-16, the strength of your bank has always been an exceptionally good liability profile, both in terms of granularity and the mix of the portfolio. The strong liability profile enabled the bank to ensure stable NIM. The credit book is well diversified between Wholesale, SME and Retail. The credit growth and deposit growth showed uniform upsurge during FY 2015-16. Market share dominance in Network-I which is our home market is increasing and the bank has started seeing share gains in Network-II which is all the rest of non-Kerala markets. The Bank posted a net profit of ₹ 475.65 Cr. The Net worth of the bank increased to ₹ 8091.22 Cr as on 31.3.2016. The Capital Adequacy Ratio (CRAR) of the bank computed as per Basel III guidelines, stands at a comfortable level of 13.93% as on 31st March 2016. The Bank has 1252 branches and 1516 ATMs as on 31st March 2016. The key messages from a point of view of FY 2015-16 is that our Credit momentum growth focus is back, most of the provisioning related issues have been addressed, market share gain is visible and we

are strengthening our franchise to ensure that we have fortified to deal with FY 2016-17 and beyond.

In the fast changing milieu of banking, we aspire to remain relevant always. We will continue to adopt cutting edge technology and platforms in digital banking, introducing new products and enriching the existing ones. We will endeavor to adapt these exciting new technologies to our business environment with caution and prudence, since a significant chunk of our customers still prefer the more familiar world of conventional banking. And finally, with constant training and learning, we should become adept at harnessing the strengths of digital banking. Through various initiatives taken by your Bank in last FY and with the vibrant talent pool we have, I am sure that it should be easy for us to walk the digital talk. We are anticipating scalable returns through our digital leap and I am confident that substantial progress would be ensured through our ongoing endeavor on this front.

We are conscious of the fact that we ended the year on a subdued note. Amidst the industry headwinds, we are hopeful in delivering an encouraging FY 2016-17. While the management is focused for growth and is completely aligned to the needs and opportunities in the market, FY 2016-17 will also be a year for all of us to ensure we deliver strong progress on the key operating metrics of the business and we have prepared an action plan for the same. There are opportunities in the market in plenty; which we aim to capitalize on and reap in results with support of digital banking and building stronger capabilities in customer service. SME and Retail are areas where we could deliver in the last FY. Your bank would continue to maintain that momentum and improve thrust through effective product and process changes. We anticipate the leverage of the bank's digital capabilities to the changing trends on retail front which would help gain remarkable share in the portfolio.

Over the years the bank has ensured professionalism in the conduct of the board and also we have one of the most respected panel of professionals on board leveraging skills from various dimensions of banking; to give us the edge when it comes to the quality of our functioning. The board is confident of the management in achieving quality results in the current FY and we look forward to our team coming out scaling new heights of glory.

In conclusion, I express my sincere thanks and gratitude to our esteemed shareholders, customers, employees (Federals) and all stakeholders.

MESSAGE FROM THE **MANAGING DIRECTOR & CEO**

Dear Shareholders,

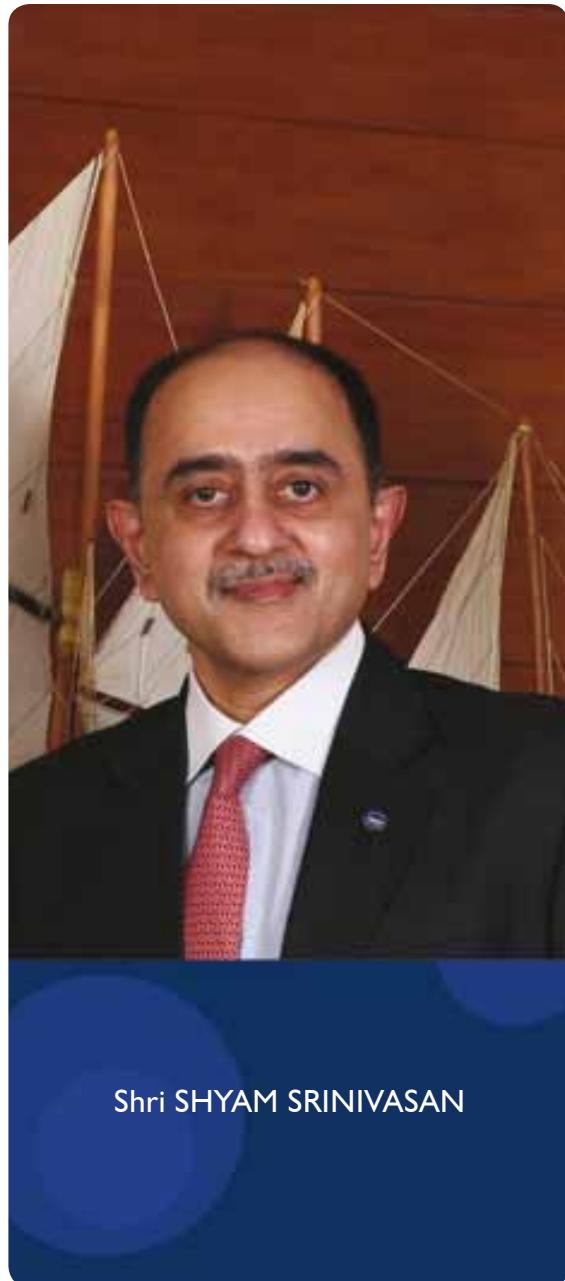
I would like to begin by thanking all of you for your support and confidence through what was arguably a challenging year for Banks and Bankers in India. Many have even described it as a "Perfect Storm"! We too had our share of challenges, as evidenced by lower profits on the back of higher slippages and provisioning. Exacting situations such as these often force fundamental structural changes to the Industry and therefore all its participants. However, through these volatile times emerge quality and stronger players. I believe we at Federal bank, are certainly one of them.

Launch of 7 state-of-the-art products (FedBook Selfie, Scan n Pay, Missed Call Banking as some examples), a meaningful growth in share of new business across India and a marked increase in Current Account -Saving Account (CASA) share are proof, that our team did everything in its command to navigate through this period by persevering and delivering on what is core and important to emerge as a stronger franchise.

Our Capital Adequacy Ratio as depicted by strong Capital to Risk-weighted Assets of 13.93% combined with our robust liability structure (97.94 % - Retail) are testimony. Our Focus through the year was to stay true to our '4D' principle and diligently execute on the agenda agreed with our Board.

- Dominate our Home Market
- Double our operating run rate in our chosen markets
- Develop impactful Digital solutions
- Delight our stakeholders by focusing on creating lasting values

Our priority to Dominate our Home Market has been well served. Over the past few years, we have strengthened the franchise and now command over 13.5% share (up from around 10% four years ago) of the market and what is heartening is that in FY 16, we had as much as 18% of all new business that originated in the state. Almost one out of every five client business was with us! We will



Shri SHYAM SRINIVASAN

certainly seek to extend this dominance in the year ahead.

With a focus to leverage our pan India presence, we pursued to Double our share of flow of new business in the geographies outside our home market. This too has seen share gain. When the industry credit grew below 10 %, we grew over 14 %; which we will further accelerate in the year ahead. Our presence, accept-

ance and profile is now well accepted nationally and this will help to gather quality business in all our focus markets across India.



The RBI Governor's words

"I walked through the future of banking" while visiting the Digital Lounge of the Bank reflect the Bank's focus on digital products and services. His visit to the Digital Lounge and the words quoted re-affirm the Bank's mission statement of "Digital at the fore and human at the core".

Some of our established larger competitors have their own set of challenges which gives us a rich opportunity to take share in large measure, supported by our enhanced on ground and digital distribution power.

No commentary on our business can go without a strong reference to our Digital journey and performance. The third D refers to our Digital journey and performance. The RBI Governor's words "I walked through the future of banking" while visiting the Digital Lounge of the Bank reflect the Bank's focus on digital products and services. Dr Rajan made this comment while delivering the lecture at the Annual Hormis Memorial Event. Dr Rajan's presence at the lecture, the first time by a Governor of Reserve Bank of India while in office, is a rich tribute to our visionary founder, K P Hormis. His visit to the Digital Lounge and the words quoted above re-affirm the Bank's mission statement of "Digital at the fore and human at the core". Our launch of numerous technology enabled solutions and continuous reach-out to clients and prospects helped us grow our digitally enabled transaction volumes by 43%.

The fourth of our "4D" principle; of course is Delighting our Stakeholders; be it our customers, owners, employees and all those who govern and regulate us. Every effort to deliver on the promise of being a Perfect Banking Partner was made through our numerous innovations in products and services; all with an eye on superior client experience. The Bank won the Banking Frontier's Finnovit 2016 Award for its path-breaking FedBook Selfie App. The Bank also won the renowned ET Best Corporate Brand 2016 Award and the IDRBT Banking Technology Excellence Awards 2014-15.

Despite all this, we are acutely aware that FY 16 results were lower than what was expected of us. The financial outcomes were impacted by higher provisioning requirement for credit slippages; on account of some of our clients facing the impact of slowdown

which directly impacted their cash flows. The Industry Gross NPA increased from 4.3% to 7.6%. The Bank, through various actions taken, contained the increase in NPA and the ratio moved up to 2.84% from 2.04% This is an area that we are committed to change and outperform in FY 17. The building blocks are well in place and the team that we have is an excellent blend of home-grown talent and handpicked specialists who have joined us with a mission to build a strong and high quality franchise.

I am also pleased to report that our efforts of reaching different sections of society and meeting their needs beyond banking did continue through the year. Events like the 'Speak for Kerala' and 'Speak for Karnataka' gathered momentum as did our Skill Development Initiative. With a view to focus on fostering the Start-Up culture in India, the Board approved a separate Start-Up fund that is being delivered through our 'Launchpad' branches.



I believe the 'Perfect Storm' is well behind us and we are looking to FY 17 and beyond with confidence and high sense of purpose and dedication. Our '4D' principle will continue to guide us through FY 17; only that we will add yet another dimension to it - "Dig Deep" and focus on every opportunity to originate new business while we collect and recover all that is due to us.

I thank every one of our esteemed Board members for their strong and committed support. The intellectual and personal gravitas they bring to the team is unparalleled and I am confident that this will only spur us to face the future confidently in the years ahead.

Once again thanks to all our stakeholders and here's committing to a robust performance in the year ahead. I remain 'Proud to be a Federal'.

BOARD OF DIRECTORS



Nilesh Shivji Vikamsey



Sudhir Moreshwar Joshi



K M Chandrasekhar



Dilip Gena Sadarangani



Harish H Engineer



Grace Elizabeth Koshie



Shubhalakshmi Panse



Balagopal



Shyam Srinivasan



Ashutosh Khajuria



MANAGEMENT TEAM



Shyam Srinivasan



Ashutosh Khajuria



Ganesh Sankaran



Shalini Warrier



Varghese K I



Mohanachandran K R



Sampath D



Jose V Joseph



Thamby Kurian



Antu Joseph



Jose K Mathew



STATE-OF-THE-ART
DIGITAL CAPABILITIES

State-of-the-art Digital Capabilities

It is all about "Digital @ the fore and human @ the core". Our innovative digital banking services focuses primarily on enhancing customer experience and are designed to provide uninterrupted banking services round the clock.



A first-of-its-kind mobile based 'do it yourself' account opening facility with built-in e-Passbook.



SCAN N PAY.

Scan N Pay, an innovative mobile based Payment app which has the capability to scan the QR code, facilitating payments at merchant outlets & ecommerce websites as well as person-to-person fund transfer.



Simple, easy-to-use, inclusive digital solutions for non-networked rural customer base which works on a basic phone. Facilitates funds transfer and mobile recharge in addition to balance enquiry.

DIRECTORS' REPORT

Your Board of Directors has immense pleasure in presenting this 85th Annual Report of The Federal Bank Limited, along with the audited financial statements for the year ended 31 March 2016.

Financial Results

	Amount (₹ in Crore)	
	31 March 2016	31 March 2015
Financial Parameters for the year ended		
Net Interest Income	2,504.24	2,380.41
Fee and Other Income	786.38	878.31
Net Revenue	3,290.62	3,258.72
Operating Expense	1,866.84	1,630.93
Operating Profit	1,423.78	1,627.79
Net Profit	475.65	1,005.75
Profit brought forward	1,092.37	787.36
Total Profit Available for appropriation	1,568.02	1,793.11
Appropriations:		
Transfer to Revenue Reserves	45.40	109.87
Transfer to Statutory Reserves	118.91	251.66
Transfer to Capital Reserves	6.34	28.76
Transfer to/(from) Investment Reserve Account	-8.21	46.28
Transfer to Special Reserve	32.00	35.00
Proposed Dividend	120.48	188.49
Provision for Dividend Tax	24.53	38.37
Transfer to Share capital pursuant to issue of Bonus shares	171.59	-
Depreciation on Expired assets	-	2.31
Balance Carried over to Balance Sheet	1,056.98	1,092.37
Financial Position (as on)		
Deposits	79,171.71	70,824.99
Advances	58,090.14	51,284.99
Total Business (Deposits + Advances)	137,261.85	122,109.98
Other Borrowings	2,176.57	2,308.24
Investments	22,217.49	20,568.82
Total Assets (Balance Sheet Size)	91,430.03	82,850.48
Equity Capital	343.79	171.33
Ratios		
Return on Total Assets (%)	0.57	1.32
Return on Equity (%)	6.01	13.77
Earnings Per Share (₹)	2.77	5.87
Book value per share (₹)	47.07	45.17
Operating cost to Income (%)	56.73	50.05
Capital Adequacy Ratio (%) Basel (III)	13.93	15.46

Highlights of Performance

Growth in Business

Total business of your Bank reached ₹137261.85 Cr as on 31 March 2016. Total deposits increased by 11.78% to reach ₹79171.71 Cr in FY'16. The total advances of your Bank stood at ₹58090.14 Cr at the end of the year.

Average deposit portfolio of the Bank had grown by 15.04% to reach ₹ 72871.18 Cr and average advance portfolio had grown by 9.95% to reach ₹ 51334.42 Cr.

NRE deposits led the path showing a growth rate of 26.83%, by increasing to an amount of ₹ 30732.47 Cr and Retail deposits followed the suit by growing at 14.88 % to reach ₹ 77543.40 Cr. CASA deposits also displayed a growth of 19.28% to reach, ₹25704.84 Cr.

The Savings deposit of the Bank has touched to ₹ 21422.21 Cr by growing 20.85% over that of the previous fiscal.

The investment portfolio of the Bank has reached ₹ 22217.49 Cr as on 31 March 2016. The average investment as on 31 March 2016 is ₹ 24301.96 Cr.

Net Profit

During the year ended 31 March 2016, your Bank clocked a net profit of ₹ 475.65 Cr. As a result of refinement in asset quality, the Bank could rein in the total provisioning to ₹ 948.13 Cr. An amount of ₹ 244.00 Cr was earmarked for taxes.

Return on Average Equity and Return on Average Total Assets stood at 6.01 % and 0.57 % respectively. Earnings per Share (face value of ₹ 2 each) of the Bank, as on 31 March 2016 was ₹ 2.77. Book value per share increased to ₹ 47.07 during FY 16.

Operating Profit

The Operating Profit of your Bank has reached ₹ 1423.78 Cr for the year ended on 31 March 2016.

The Net Interest Margin of the Bank for the year stood at 3.14 %, despite the interest rate volatility. Net Interest Income of the Bank for the period increased to ₹ 2504.24 Cr making an increase of 5.20%. During the financial year ended 31 March 2016, the total non-interest income of the Bank has reached ₹ 786.38 Cr.

Expenditure

The fiscal year ended 2016 witnessed an increase in the total expenses of the Bank which reached ₹ 7107.29 Cr by an increase of 6.56%. Interest expenses increased to ₹ 5240.44 Cr in FY 16. Operating Expenses of the Bank during the fiscal year grew to ₹ 1866.84 Cr, which was mainly due to increase in salary & allowances.

The cost of deposits of the Bank has come down during the year. The cost of deposits of the Bank is 6.95% as on 31 March 2016. Average Cost of all funds (Deposits + Borrowings + Bonds)

recorded a marginal decrease and reached 7.17 % from 7.44 %. The Interest expenses as percentage to total income stood at 61.43 %. The Cost to Income ratio of the Bank stands at 56.73 %.

In the current fiscal, the CASA to total deposits of the Bank has reached 32.47%. The interest expense for FY 16 was at ₹ 5240.44 Cr.

Income

Total income of the Bank during the fiscal year 2016 recorded 2.81% growth to reach ₹ 8531.07 Cr. The interest income component grew by 4.38 % Y-o-Y while other income has reached ₹ 786.38 Cr.

Income from advances increased by 4.08 % to reach ₹ 5669.31 Cr. At the same time, income from investments registered a steep rise to reach ₹ 1759.63 Cr clocking 6.66 % annual growth.

The yield on advances stood at 11.04% and the yield on Investments at 7.25 %. The Net Interest Margin for the fiscal year is at 3.14% as against 3.27 %, in the previous year. The total other income has reached ₹ 786.38 Cr in the current fiscal.

Spread

During the fiscal year the Bank's spread on advances (gross) decreased to 4.10% and spread on investments (gross) stood at 0.83% . The Spread (net of provisions) on advance decreased to 3.02% from 3.92% of last year.

Loan Asset Quality

The Bank's Gross NPA and Net NPA stood at 2.84 % and 1.64% respectively as at the end of 31 March 2016. The total provisions held against non-performing advances, expressed as a percentage of gross NPAs amounted to 72.05 % (including technically written off accounts) at the end of FY 2015-16.

Provision Coverage

As on 31 March 2016, the Bank held a total provision of ₹ 948.13 Cr. Provision coverage for NPAs as at 31 March 2016 stood at 42 %. As per the RBI directive, Banks should hold minimum provision coverage of 70 % including technically written off accounts. As on 31 March 2016, the provision coverage ratio of the Bank, including written off accounts is 72.05 %.

Capital Adequacy

Historically, your Bank has been strong on capital adequacy. CRAR of the Bank calculated in line with Basel III norms stood at 13.93% which is considerably higher than the 9 % stipulated by RBI. Of this, Tier 1 CRAR is at 13.36 %.

Share Value

Earnings Per Share (face value ₹ 2 /- each) of your Bank has decreased from 5.87 to 2.77 during the year under review. Return

on Equity during the year reached 6.01 % in the fiscal year ended 31 March 2016

Business Overview

Your Bank continued its consistent performance during FY 2015-16 with the total Business of the Bank increasing by 12.41% to ₹ 137261.85 Cr.

There is no change in the nature of business of the Bank for the year under review. Further information on the business overview and outlook and state of the affairs of the Bank is discussed in detail in the Management Discussion & Analysis.

Dividend

Continuing the Bank's policy of striking a fine balance between retained earnings and dividend distribution, the Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70 per equity share on face value of ₹ 2/- each for the year 2015-16 (previous year 110% i.e. ₹ 2.20 per Equity Share) subject to the approval of the members in the ensuing Annual General Meeting. Protecting shareholders' value has always been a guiding philosophy of the Bank.

The amount, the Bank proposes to carry to its reserves

Reserve	Amount (₹ in Crore)
Transfer to Revenue Reserve	45.40
Transfer to Statutory Reserve	118.91
Transfer to Capital Reserve	6.34
Transfer to/(from) Investment Reserve Account	-8.21
Transfer to Special Reserve	32.00

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

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

Deposits

Being a Banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules,2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

Increase of Capital

The Paid Up Capital of the Bank was increased by an amount of ₹ 171,58,90,412 by allotment of 857945206 bonus shares of ₹ 2/-

each and ₹ 86,92,882 by allotment of 43,46,441 ESOS shares of ₹ 2/- each. The Paid up Capital of the Bank as on 31 March 2016 is ₹ 343,78,93,688 consisting of 171,89,46,844 equity shares of ₹ 2/- each.

Bonus Issue

The shareholders at the last Annual General Meeting of the Bank held on 29 June 2015 had approved the issue of bonus shares in the ratio of one equity share of the Bank for every one share held having a face value of ₹ 2/- each. The allotment of bonus shares was made on 10 July 2015 to those shareholders of the Bank as on 09 July 2015 being the record date, fixed for the same. The Bank allotted 85,79,45,206 fully paid up Equity Shares as bonus shares which also includes One Global Depository share (GDS) issued as bonus for every GDS held to the existing holders as on the record date.

Employee Productivity

Business per employee of the Bank during the period stood at ₹12.03 Cr and the profit per employee of the Bank stood at ₹4.19 Lakh during the fiscal.

Employee Stock Option Scheme (ESOS)

The Bank has instituted an Employee Stock Option Scheme, duly approved by the shareholders of the Bank to enable its employees including whole time Directors to participate in the future growth and financial success of the Bank. Under the Scheme 8,28,11,799 options can be granted to the employees. The Employee Stock Option Scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of options to be granted to an employee is determined on the basis of various parameters such as scale, designation, work performance, grades, period of service, annual fixed pay, Bank's performance and such other parameters as may be decided by the Compensation Committee from time to time in its sole discretion and is approved by the Board of Directors.

The Bank's shareholders had approved the scheme for issuance of stock options to employees including whole time Directors as on December 24, 2010.

The option conversion price was set to be the closing price on the day previous to the grant date. The compensation committee granted 3,47,20,200 options during the year 2011-12, 2,44,84,750 options during the year 2012-13, 2,60,94,250 options during the year 2013-14, 1,11,56,450 options during 2014-15 and 10,25,000 options during the year 2015-16. The options granted which are non transferable, with vesting period of 1,2,3 & 4 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on

31 March 2016, 84,65,834 options had been exercised and 7,61,87,146 options were in force.

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

Investor Education and Protection Fund

As per the Companies Act 2013, dividend unclaimed for more than seven years from the date of declaration is to be transferred to Investor Education and Protection Fund. On 21 August 2015 the Bank had transferred ₹ 49,62,236/- to the above Fund, being the unclaimed dividend for the year 2008.

Expansion of Network

Your Bank has 1252 branches and 1516 ATMs as on 31 March 2016. Your Bank was having 1247 branches and 1485 ATMs as on 31 March 2015. The Bank had opened additional branches and ATMs during the year to improve its footprint throughout the country including un-banked centers as per RBI's guidelines. The Bank had opened maximum number of branches in the chosen states of Andhra Pradesh and Kerala.

Corporate Social Responsibility CSR Policy

In Federal Bank, we believe that in order to bring about a sustainable development, communities must be socially, culturally and economically empowered. The legacy passed down by our founder Shri K P Hormis holds this vision which is still followed by every Federal in thoughts and deeds. The Corporate Social Responsibility Policy of the Bank is to include social, economical and environmental consideration as part of the business processes and thereby create a sustainable future for the coming generations. The focus areas on CSR of the Bank are aligned to the Schedule VII of the Companies Act, 2013 which include; promotion of education, environmental sustainability, enhancing vocational skills, eradication of hunger and poverty, health, safety and sanitation, rural development and other activities permitted, all aimed at creating meaningful socio-economic impact in the lives of the underprivileged and the vulnerable sections of the society.

Objectives

- To associate with projects that help to uplift the downtrodden and the needy sections in the society
- To impart marked difference in the lives of elderly people and people who are differently abled.
- To take up projects that imparts education and skill building in youth, women and children with an aim at creating significant difference in the overall socio-economic development.

- To support environment sustainability projects and projects on sanitation and hygiene.
- To passionately involve in such activities that bring about obvious positive change in the society that will nurture and nourish the future generations.

Reach and Coverage of Projects

With the launch of sustainable long term projects during the previous years, plans are set to further deepen the impact of the projects in the society. Further to support the central and state governmental long term plans to Skill India, Support Start ups and thereby aligning our CSR spending with the national objectives. With pan India presence, Bank is extending its CSR activities across all geographies. With the launch of sustainable long term projects during the year, a platform has been set to further deepen the impact of the project in the society as well as to build a social branding through continuous investment in the projects identified.

A few focal projects undertaken during FY 16 are :

Federal Skill Academy

As part of the Corporate Social Responsibility initiatives, Bank started the Federal Skill Academy on Founder's Day to impart quality technical education to merit oriented candidates coming from economically underprivileged background. Placement assistance was also provided and candidates who came out successful in the interviews have been shortlisted for offers at leading organizations like ESSENCO, Bluestar, Bosch, Sanrupti Engineers Pvt Ltd etc. The students during the three month certification course underwent a rigorous training program in soft skills improvement and technical skills along with industry exposure to attain the IAPMO Certification which is recognized worldwide. A total of ₹ 7.58 Crores was spent towards various projects with focus on education and skill building during FY 16.

Assistive Technology Center – NISH (National Institute of Speech and Hearing)

Federal Bank has partnered with National Institute of Speech and Hearing (NISH)-Thiruvananthapuram to set up an Assistive Technology Center at NISH for people having difficulties in speech and hearing. The Centre for Assistive Technology and Innovation (CATI) at NISH strives to meet the Assistive Technology needs of persons with disability, especially the accommodation and accessibility needs of students and clients of NISH. NISH-CATI envisages creating a full-fledged NISH Assistive Technology Program (NATP) comprising need assessment, device demo, lending, training, financing, reutilisation, service, and research, to provide AT solutions for the education, employment, and independent living of persons with disability. This centre will be developed on the lines of such centres in US universities and AT provider facilities.

Assistance to Autistic Youth - Ensuring Self Sufficiency

Federal Bank is providing financial assistance to Shraddha Charitable Trust, Mumbai which is a registered non-profit vocational workshop founded in 1998, that empowers and rehabilitates severely autistic and mentally challenged young adults and enables them to earn a living. Shraddha adopts a pioneering and creative approach where young adults with autism and developmental delay are encouraged and assisted to take small steps towards self-sufficiency. By handcrafting and selling tastefully designed and internationally appreciated eco-friendly products, Shraddha provides a means of livelihood and support for those that are often assumed to lead a dependent life. Through various projects Bank has expended ₹1.69 Crores towards health care and allied activities during FY 16.

Bandhan – Adoption of Schools

Through Bandhan, Bank could adopt and associate with more than 1200 needy schools where in the first phase were supplied with drinking water facility as a CSR initiative. Later many projects were launched to improve sanitation, infrastructure and other facilities to the adopted schools. Last year we had constructed/renovated close to 60 toilets as well as provided clean drinking water to the adopted schools. The project was done in alignment with the Swach Bharat/Vidyalaya mission of the Government. The activity would be continued this year as well to build more toilets/parks/ setting up computer labs/ libraries/provide clean drinking water to the adopted schools those lack primary facilities. ₹ 60 Lakh was expended during the first phase of the Bandhan project for supply of water purifiers while ₹ 76 Lakh was expended during the second phase for various developmental activities in the adopted schools.

Towards Environment Sustainability - Partnering with SEED & Palathulli

To build awareness amongst student fraternity to conserve the natural resources, Federal Bank along with Mathrubhumi launched the SEED Programme. 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 last four years. Environment conservation is one of the priority areas where your Bank has invested its CSR funds and Palathulli is a unique endeavor aimed at improving ground water levels through innovative means. The project in which we have partnered with leading

media house Malayala Manorama aims to address drought related issues through systematically allowing rain water to seep in to the soil to improve water table. The project was implemented through a holistic partnership consisting of different communities in the public, private and education sector. A total of ₹ 55.82 Lakh was expended towards environment conservation and sustainable development activities during the financial year.

Federal Bank Speak for Kerala 2015-16

Bank has launched a state-wide student debating competition in Kerala called Federal Bank – Speak for Kerala, under the auspices of Federal Bank Hormis Memorial Foundation Trust in the year 2014-15. This youth engagement initiative, which lasted for four months, provided platform for the college students in Kerala, right from the block level upwards, to showcase their reasoning talents that take them forward in the path of self development. The winner of the Grand Finale was awarded with the "Federal Bank – Kerala Youth of the Year 2015-16' Trophy, Scholarship worth ₹1 Lakh and cash prize of ₹1 Lakh. The Runner up got Cash Prize of ₹ 1 Lakh. The colleges of both the Winner and Runner Up were awarded with ₹ 50,000 each.

Federal Bank Speak for Karnataka

Bank has launched a state-wide student debating competition in Karnataka this year called Federal Bank – Speak for Karnataka. The inter-college debate competition had turned out to be one of the most prestigious platforms for college students to showcase their oratory skills. The event gave a unique opportunity to college students to prove their mettle and nurture their debating, communication skills and thereby increase their self confidence. This youth engagement initiative, which lasted for four months, provided platform for the college students in Karnataka, right from the block level upwards, to show case their reasoning talents that take them forward in the path of self development. The winner of the Grand Finale was awarded with the "Federal Bank – Karnataka Youth of the Year 2015-16" Trophy, Scholarship worth ₹1,50,000 Lakh and cash prize of ₹ 1,00,000. The Runner up got Cash Prize of ₹1,00,000. The colleges of both winner and runner up had been awarded with ₹ 50,000 each.

Federal Bank Hormis Memorial Foundation Scholarships & Commemorative Lecture

Federal Bank Hormis Memorial Foundation Trust provides scholarships to needy students for pursuing professional courses for the last many years. During the year 2015-16 the trust offered assistance to 100 meritorious students, 20 students each in the categories – Medicine, Engineering, BSc (Agri), BSc. (Nursing) & MBA. An amount of ₹1.37 Crore was expended during the FY 16. The Foundation Trust under the patronage of Federal Bank hosts a popular series of annual lecture by eminent personalities on

contemporary issues of relevance for general enlightenment and edification of the masses. During the year 2015-16, 14th Annual lecture was delivered by Shri. Raghuram Rajan, Hon. Governor, Reserve Bank of India on the topic 'Financial Sector Reforms in India: The Past and the Future'.

CSR Expenditure

The amount to be spent by the Bank towards CSR for FY 2016 as per Section 135 of the Companies Act, 2013, comes to ₹26.18 Crores. Amount spent by the Bank this year towards CSR was ₹12.30 Crores. Through various projects which are already sanctioned, your Bank will be thoughtfully spending the CSR funds earmarked for the purpose. Bank is committed to increase the CSR impact including the balance amount of ₹13.88 Crore for FY 2017, on ascertaining projects which are viable in long run. The ratio adopted was 80:20, wherein 80 % of the CSR funds will be utilized for long term sustainable projects and 20 % of the funds will be utilized to meet location specific requests. The Bank had also embarked on some major projects last year in the field of education, skill development, disability etc. By choosing long term sustainable projects, Bank has taken an approach which brings steady and long lasting implications in the society.

The details of the CSR activities are mentioned in **Annexure IV** to this report.

Risk Management

The Board of Directors oversees the enterprise wide risk management functions of the Bank. A separate Risk Management Committee of the Board is in place for bringing in a top to down focus on risk management. Risk Management is coordinated and administered by the Integrated Risk Management Department. The Department has three dedicated divisions for Credit risk, Market risk and Operational risk management. Treasury activities are separately monitored by the Mid office, which is a part of Integrated Risk Management Department. Business Continuity Plans & Information Security Plans also form part of risk management functions in the Bank. A Transactions Monitoring Cell is functioning to provide 360 degree surveillance coverage of the operations of the Bank. Risk Management policies are approved by Board of Directors, and reviewed from time to time. Executive level risk management committees, such as Credit Risk Management Committee, Asset Liability Management Committee, Operational Risk Management Committee, Business Continuity Management Committee, Information Security Committee, regularly assess the functional efficiency of the Bank in risk management and refine the policies & processes. Responsibility for identification, measurement and controlling of risk in various spheres of activities of the Bank is vested with a Senior Executive at the level of Chief General Manager, who functions as the Chief Risk Officer of the Bank, reporting to the Managing Director & CEO. All material risk

of the Bank emerging in the course of its business are identified, assessed and monitored and in our opinion presently there is no material risk which threatens the current functioning of the Bank.

Internal Control Systems and their adequacy

The Bank has through the years developed and stabilized an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the internal audit function is defined in the Audit Policy of the Bank, duly approved by the Audit Committee of the Board. The Policy has been finalized and reviewed at yearly intervals aligning its fundamental principles with that in Basel III. At the enterprise level, the Inspection and Audit Department, on a continuous basis, assesses and monitors the effectiveness of these control systems and its adequacy to meet the growing complexities. The audit function essentially validates the compliance of Bank's processes and operations with regulatory guidelines, accounting procedures and Bank's own internal rules and instructions.

The Bank has a robust system towards escalating the audit findings to appropriate level in the hierarchy of management and discussions in various committees towards suggesting corrective action and its follow up. The Bank in compliance of the requirements of Section 138 of the Companies Act 2013, has designated the Head of Inspection and Audit Department as Internal Auditor. Audit being an independent function, the Internal Auditor is reporting to the Audit Committee of the Board of Directors. The Bank has various types of audit which inter-alia include Risk Based Internal Audit, Concurrent Audit and Management Audit. The Risk Based Internal Audit provide for Risk Rating of Branches. Serious findings and observations of all types are presented to Inspection Review Committee of Executives and reviewed by the Audit Committee of the Board. The Bank has also started leveraging off-site audit as a viable, forward looking cost effective tool of internal control system.

Vigil Mechanism/Whistle Blower Policy

Bank has a comprehensive "Fraud Risk Management Policy" and "Whistle Blower Policy" which are reviewed and updated from time to time. The Fraud Risk Management policy covers the control systems and monitoring, surveillance and oversight mechanism, for fraud prevention and control, aimed at managing the risk of loss on account of frauds. Vigilance Department of the Bank has the twin roles of investigation of frauds and prevention of frauds. Preventive measures taken for enhancing awareness of fraud risk and for promoting a culture of compliance among the employees include preventive vigilance audits, vigilance workshops, circulation of modus operandi of frauds occurred in banking industry etc. Bank is also promoting customer awareness on frauds especially

cyber frauds through different communication channels, as an effective tool in prevention of frauds. The Whistle Blower Policy of the Bank is available in Bank's website and Bank's intranet site. As per the Whistle Blower Policy, directors and employees of the Bank, customers, stakeholders, non governmental organizations (NGO) and members of general public can lodge complaints/disclosures under the scheme. No personnel have been denied access for giving any information as envisaged in the Whistle Blower Policy.

Website link to Bank's Whistle Blower Policy/ Vigil Mechanism is
<http://www.federalbank.co.in/customer relations/codes,policies &disclosures/whistle blower policy>

Subsidiary and Audited Financial Statements of the Bank's Subsidiaries

As on 31 March 2016, the Bank has one unlisted fully-owned subsidiary named Fedbank Financial Services Limited. Fedbank Financial Services Limited is a diversified Non-Deposit-Taking & Systemically Important (ND-SI) NBFC offering multiple loan products such as Loan against Property (LAP), Structured Finance and Loan against pledge of Gold ornaments. It also distributes loan products of The Federal Bank Limited.

The total business figure of Fedbank Financial Services Limited as on 31 March 2016 is ₹ 611 Cr.

Consolidated Financial Statements (Financial Statements of Subsidiaries and Associates)

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

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

Joint Venture in Life Insurance Business

The Bank's Joint Venture Life Insurance Company, in association

with IDBI Bank Limited and Fortis Insurance International N.V. (now Aegeas), namely IDBI Federal Life Insurance Company Limited(erstwhile IDBI Fortis Life Insurance Company Limited), commenced operations in March 2008. Currently the Bank has a total stake of ₹ 208 Cr. in the equity of the company holding 26% of the equity capital. The total premium collected by IDBI Federal Life Insurance Company Limited during the period ended 31 March 2016 is ₹ 1239.70 Cr.

Corporate Governance

Corporate governance is essentially a set of standards, systems, and procedures aimed at effective, honest, transparent, and responsible management of a company within the applicable statutory and regulatory structures. This Code represents a set of desirable, corporate governance practices to be adopted by the Bank. The Code takes into account the relevant statutory and SEBI/stock exchange listing requirements and Reserve Bank of India (RBI) directives and other guidelines under the Companies Act 2013. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress is its substance and spirit rather than on its form.

Good corporate governance practices help support and strengthen corporate actions aimed at achieving the corporate objective. The Bank's principle corporate objective, like that of any corporate business entity, is to perpetuate its business while protecting and enhancing, over the long term, the value of the investments of its shareholders in the Bank. A copy of the Code of Conduct for the Board of Directors and Management is available on Bank's website.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act,2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015 ("Listing Agreement") and the Code of Corporate Governance adopted by the Bank. The Board comprises of ten Directors as on the date of this report, with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, MSME, finance, small scale industry, agriculture, strategic planning, risk management and information technology.

Mr. C Balagopal was appointed as Additional Independent Director by the Board of the Bank w.e.f 29 June 2015, and is being recommended for appointment as Independent Director in the Eighty Fifth Annual General Meeting (AGM), as per the requirement of Companies Act,2013.

Mr. Ashutosh Khajuria was appointed as Executive Director with

a seat on the Board of the Bank, at the Board meeting held on 29 June 2015, for a period of two years, for which approval from Reserve Bank of India was obtained vide letter DBR. Appt No.9426/08.38.001/2015-16 dated 28 January 2016. His appointment is also being recommended for the Eighty Fifth Annual General Meeting to be appointed as Executive Director and CFO of the Bank.

The detailed profile of all the directors recommended for appointment/ re-appointment in this AGM are mentioned in the Notice of Annual General Meeting for the benefit of shareholders as required under law.

During the year Prof. Abraham Koshy, who was acting as the Part Time Chairman of the Bank ceased to be a director of the Bank w.e.f. 18 May 2015, on completing eight years of service in the Bank as Director of the Bank. The Board places on record his valuable contribution to the overall performance of the Bank.

Mr. Abraham Chacko, Executive Director of the Bank retired as Director from the Board of the Bank w.e.f 01 May 2015 on completion of his term of office. The Board places on record their appreciation for the commendable contribution made by Mr. Abraham Chacko, as Executive Director during his tenure in the Bank.

Excluding the MD & CEO and Executive Director, Mr. Ashutosh Khajuria, all other members of the Board are Non-Executive and Independent Directors. Necessary declarations were obtained from the Independent Directors as required under the RBI Regulations, Listing Agreement and Companies Act. The remuneration and other benefits paid to MD & CEO of the Bank and Executive Director during the year are disclosed in **Annexure I** to this Report and in Corporate Governance Report. The Non Executive Independent Directors apart from Mr. Nilesh S Vikamsey, are paid only sitting fees for attending every meeting of the Board/ Committees of the Board within the limits as prescribed under the Companies Act, 2013. Mr. Nilesh S Vikamsey, Chairman of the Board is paid sitting fee for attending Board / Committee meetings in addition an amount of ₹1.25 lakhs per month (₹ 15,00,000/- per annum) as remuneration, as approved by the Board and RBI. The Bank has framed a Comprehensive Compensation Policy for Non-Executive Directors of the Bank(Other than Part Time Chairman) which is detailed in the heading Policy on Remuneration to Non-Executive Directors/Independent Directors.

Mr. Shyam Srinivasan, Managing Director & Chief Executive Officer of the Bank is liable to retire at this AGM in compliance with Section 152 of Companies Act, 2013, as required under the regulations regarding retirement of directors by rotation. The detailed profile of Mr. Shyam Srinivasan, recommended for re-appointment in this AGM is mentioned in the Notice for the Annual General Meeting

of the Bank.

Composition of Audit Committee

The Audit Committee consists of four Non- Executive, Independent Directors, chaired by Ms. Grace Koshie, a Non-Executive Independent Director. The Committee was re-constituted once in the financial year 2015-16. The members of the Committee are Ms. Grace Koshie, Mr. Nilesh S Vikamsey, Mr Dilip G Sadarangani, and Ms. Shubhalakshmi Panse who are Non-Executive Independent Directors.

The constitution of the Committee is in compliance with the regulatory requirements. The terms of reference of the Audit Committee incorporated in the Bank's Code of Corporate Governance, are in accordance with the listing agreements entered into by the Bank with Stock Exchanges where the Bank's shares are listed, Companies Act, 2013 and RBI guidelines, which are detailed in Corporate Governance section of this report.

Independent Directors

In terms of the definition of Independence of Director as prescribed under the Listing Agreement entered with Stock Exchanges and Section 149(6) of Companies Act, 2013 and based on the confirmation / disclosures received from the Directors, the following Directors are Independent Directors of the Bank as on the date of this report:

1. Mr. Nilesh S Vikamsey
2. Mr. Sudhir M Joshi
3. Mr. K M Chandrasekhar
4. Mr. Dilip G Sadarangani
5. Mr. Harish H Engineer
6. Ms. Grace Elizabeth Koshie
7. Ms. Shubhalakshmi Panse
8. Mr. C Balagopal

During the year a meeting of Independent Directors was conducted on 10 March 2016 to evaluate the performance of Board as a whole, evaluation of Non-Independent Directors and Chairman of the Board and assess the flow of information. The meeting was attended by all the Independent Directors of the Bank.

Woman Director

In terms of the provisions of Section 149 of the Companies Act, 2013 and Clause 17(1)(a) of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (LODR Regulations) a company shall have at least one Woman Director on the Board of the company. Your Bank has Ms. Grace Elizabeth Koshie and Ms. Shubhalakshmi Panse as Directors on the Board of the Bank.

Bank's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

A) Qualifications, Experience and knowledge

1. The Board should bring to their tasks a balanced mix of knowledge, skills, experience, and judgment relevant to the Bank's policies, operations, and needs. Not less than fifty-one percent of the total number of Directors shall be persons having special knowledge, skills, or valuable experience in one or more fields, such as banking, finance, management, economics, law, accountancy, agriculture and rural economics, cooperation, industry, SSI and Information technology. At least two Directors shall be persons having special knowledge or practical experience in agriculture and rural economy, cooperation, or small-scale industry. This criteria is fulfilled by the Board of the Bank. The Bank shall ensure to include in its Board need based representation of skills such as marketing, risk management, strategic planning, treasury operations, credit recovery etc.
2. The directors should be able to devote sufficient time and attention to the discharge of their duties to the Bank.
3. The directors shall preferably be in the range of 35-70 years

B) Disqualification/Conflicts of interest

1. The Bank's Directors shall be subject to disqualifications/prohibitions contained in the Companies Act, 2013 and the Banking Regulation Act, 1949 with respect to directorship of companies in general or banking companies in particular.
2. A Director shall not be a director of any other company, or partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential conflicts of interest as a Director of the Bank. A Director shall promptly inform the Board of any actual or potential conflicts of interest with respect to any matter that may come up for the consideration of the Board or of any Committee of which he is a member, and shall refrain from participating in a discussion on the matter.

C) suggested criteria for determining attributes of a director as required to be specified under Companies Act, 2013 include

1. integrity in personal and professional dealings.
2. wisdom and ability to take appropriate decisions.
3. ability to read and understand financial statements
4. ability to deal with others with a sense of responsibility, firmness, and cooperation.

5. refrain from any action that would lead to loss of his independence.

D) suggested criteria for determining Independence of a director

The criteria of independence of a director are determined based on the conditions specified in Section 149 (6) of the Companies Act, 2013 and SEBI-LODR Regulations, 2015.

The independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence.

The terms and conditions of appointment of Independent Director is disclosed on the website of the Bank and a web link thereto is : <http://www.federalbank.co.in/shareholder-information>

Policy on remuneration to Non-Executive Directors/Independent Directors

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

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

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

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

As per the guidelines given by RBI, Compensation/Remuneration Policy has been designed with the following Core Principles:

Core Principles

1. Effective governance of compensation.
2. Alignment of compensation with prudent risk taking.
3. Effective supervisory oversight and stakeholder engagement.

Change in the Policy

RBI vide letter no. DBR.No.BC.97/29.64.001/2014-15 dated June

01, 2015 had advised all private sector banks to formulate and adopt a comprehensive compensation policy for the non-executive Directors (other than the Part Time Chairman) in compliance with the provisions of the Companies Act, 2013. As such a new Policy named Comprehensive Compensation Policy for Non Executive Directors/ Independent Directors (other than Part Time Chairman) has been framed and approved by the Board and a weblink thereto is provided under the heading "Policy on remuneration to Non-Executive Directors/Independent Directors".

Compensation of Managing Director & CEO, Whole Time Directors and senior Executives (Non IBA)

The compensation paid out to the referred functionaries is divided into two components:

1. The fixed compensation is to be determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span. (Approval from RBI to be taken as per section 35B of the Banking Regulation Act while deciding the fixed and variable compensation part for Managing Director & CEO and Whole Time Directors)
2. The variable compensation for Managing Director & CEO and senior Executives (Non – IBA package) to be fixed based on organizational performance and KPIs set for the official. The organization's performance is charted based on the revenue point index / performance score card which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through score cards for Managing Director & CEO /WTDs. The score card provides a mix of financial and non financial, quantitative and qualitative metrics. KPIs to contain targets on risk adjusted metrics such as RAROC, RARORAC, in addition to target on NPAs.

Compensation paid to Senior Executives and other staff members on IBA package

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III and Senior Executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Banks' Association. The variable compensation paid to functionaries is based on the Performance Linked Incentive Scheme, which has been formulated on the basis of performance parameters set in Performance Management System. The scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package has been revised consequent to the 10th Bipartite Settlement.

Policy on Board Diversity

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

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

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

The Nomination Committee has the responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The benefits of diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of directors to the Board.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. While making Board appointments the requirement as per the Companies Act, 2013 for appointment of atleast one woman director on the Board of the Bank is also considered.

Key Managerial Personnel who were appointed or have resigned during the year

In compliance with Section 203 of the Companies Act, 2013, Mr. Ashutosh Khajuria was appointed as the CFO and Key Managerial Personnel of the Bank w.e.f. 16 September 2015, in the place of Mr. Sampath D, who vacated the office of CFO and Key Managerial Personnel w.e.f. 16 September 2015 and who was entrusted with the charge of Head-Network II. Mr. Abraham Chacko who was the Executive Director and Key Managerial Personnel of the Bank, retired from the service of the Bank w.e.f. 01 May 2015.

Management Discussion and Analysis

The Management Discussion and Analysis Report for the year under review as stipulated under the listing agreement with the

stock exchanges in India is presented in a separate section forming part of this Annual Report.

Loans, Guarantees or Investments in Securities

Pursuant to Section 186 (11) of the Companies Act, 2013, loans made, guarantees given or securities provided or acquisition of securities by a Banking company in the ordinary course of its business are exempted from disclosure in the Annual Report.

Internal Complaints Committees

Bank had constituted Internal Complaints Committees at 9 Zones and Head Office, to prevent and redress the complaints relating to sexual harassment and to organize workshops/ awareness programs to empower women employees while handling cases relating to sexual harassment. The employees who had undergone the certification program in employee counseling, form part of the various Internal Complaints Committees. The functioning of the committees were carried out as per letter and spirit contained in the provisions of "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013". Workshops/

awareness programs regarding women empowerment were conducted at various locations across India. The following is the data with regard to the redressal of complaints by the Internal Complaints Committees:

- a) No. of complaints received for the year FY 2016 : 05
- b) No. of complaints disposed of during FY 2016 : 05
- c) No. of cases pending for more than 90 days : Nil
- d) Nature of action taken by the employer/ District Officer : As per the recommendations of the committee, appropriate action was taken/ punishment imposed on the respondent/ erring employee

Variations in the market capitalisation of the Bank

Variations in the market capitalisation of the Bank, Price Earnings Ratio as at the closing date of the current financial year and previous financial year is mentioned below

	FY15	FY16	Variation	Variation in %
Market Capitalisation(₹ in Crores)	11312.13	7984.5	-3327.63	-29.42
PE Ratio	11.24	16.77	5.53	49.20

Closing share price of Federal Bank Limited as on 31/03/2016 on NSE was ₹ 46.45/- (Face Value ₹ 2/- per share)

	Year	Face Value	Premium	Rate(Face Value ₹ 10)	Bonus 2:1 (FY2003-04). Rate post bonus issue	Stock Split in FY2013-14. Rate(Face Value ₹ 2)	Bonus 1:1 (FY2015-16).Rate post bonus issue	Absolute Increase in price after bonus issue	Increase in %
IPO	1994	10	80	90	30	6	3	43.45	1448.33%
Right Issue	2007	10	240	250	N.A.	50	25	21.45	85.80%

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) and other applicable regulation of the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance and of the directors individually, as well as the evaluation of the working of its various Committees for the year under consideration.

The evaluation process was initiated by putting in place, a structured questionnaire after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning, such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of

specific duties, obligations and governance.

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

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

Criteria for Evaluation

Against set targets, achievements of performance were evaluated considering:

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

Evaluation outcome

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

III) Performance Evaluation of Independent Directors including Chairman

Criteria for evaluation include:

- i) Attendance at the Board and Committee meetings ii) Study of agenda papers in depth prior to meeting and active participation at

the meeting iii) Contributes to discussions on strategy as opposed to focus only on agenda iv) Participate constructively and actively in the Committees of the Board in which they are chairpersons or Members v) Exercises his/her skills and diligence with due and reasonable care and brings an independent judgement to the Board vi) The Director remains abreast of developments affecting the company and external environment in which it operates independent of his being appraised at meetings.

Evaluation Outcome

The evaluation done, brought out the fact that good attendance of Independent Directors was there in the Board and committee meetings. They are knowledgeable, ethical and bring their respective expertise in the deliberations and make valuable contributions. They have adequate understanding of their role and responsibilities as Independent directors.

IV) Performance Evaluation of Board and Committees

Criteria for Evaluation of Board

- i) If Board is of appropriate size and has the appropriate balance and diversity of background, business experience, industry knowledge, skills and expertise in areas vital to the Bank's success, representing sectors laid down by the regulators, given its current and future position ii) New Board members participate in an orientation program to educate them on the organization, their responsibilities, and the organization's activities, the Board encourages a culture that promotes candid communication iii) The Board oversees management's procedures for enforcing the organization's code of conduct, Action Taken Reports on the discussion/directions of the Board are submitted at regular intervals to the Board iv) The Board oversees risk management through inputs from the Risk Management Committee v) The Board considers the quality and appropriateness of financial reporting, including the transparency of disclosures vi) The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Bank vii) The Board oversees the compliance processes viii) The Board views the organization's performance from the competitive perspective-industry and peers performance, industry trends and budget analysis and with reference to areas where significant differences are apparent etc.

Criteria for Evaluation of Committees

- i) The Committee's Terms of Reference and composition is reviewed annually and is found to be constituting of Directors representing sectors laid down by the regulator and continue to be appropriate ii) Committee meetings are organized properly in number, timing and location iii) The Committee allocates the right amount of time for its work etc.

Evaluation Outcome of Board/Committees

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

V) Assessment of flow of information

Criteria for Evaluation

The agenda and related information are circulated in advance of meetings to allow Board members sufficient time to study and understand the information; Information on the annual operating plans and budgets and other updates are provided to the Board; Updates on operating results of the Bank is furnished to the Board periodically etc.

Evaluation Outcome

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

Evaluation of Senior Management Personnel in the Bank

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

The variable compensation to Senior Executives (Non – IBA package) to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the Revenue Point Index / Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay are paid purely based on performance. Key Performance Indicators (KPAs) to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs. An ED level Committee has been constituted for reviewing the linkage of risk based performance with remuneration, for employees above Level 5(AGM). The Committee with the assistance of Risk Department &

HR will study the business and industry environment, analyze and categorize the risks into immediate and long term and streamline the components of the compensation plan like proportion of the total variable compensation to be paid to Senior Employees so as to ensure financial stability of the organization. These committees would also analyze various factors to ascertain whether cost/ income ratio supports the remuneration package provided to Senior Executives and other officials consistent with maintenance of sound capital adequacy ratio.

Meetings

During the year nine Board meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and also as per the Listing Regulations.

Director's Responsibility Statement

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and the Directors have prepared the annual accounts on a going concern basis.

To the best of the knowledge of the Directors and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. that in the preparation of the annual financial statements for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. that such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2016 and of the profit of the Bank for the year ended on that date;
- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;

f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Related Party Transactions

All related party transactions that were entered during the financial year were in the ordinary course of the business of the Bank and were on arm's length basis. There were no materially significant related party transactions entered by the Bank with related parties which may have a potential conflict with the interest of the Bank. All Related Party Transactions were placed before the Audit Committee for approval. Prior omnibus approval for transactions which are of repetitive nature is obtained from the Audit Committee and accordingly the required disclosures are made to the Committee on quarterly basis in terms of the approval of the Committee.

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

Since all related party transactions entered into by the Bank were in the ordinary course of business and were on an arm's length basis, disclosures as per Form AOC-2 is not applicable to the Bank. There were also no material contracts or arrangement or transactions at arm's length basis during the period.

Technology and Digital Updates

This year, your Bank has introduced an innovative Mobile Application, FedBook Selfie, for opening SB account with Federal Bank from Anywhere, Anytime. FedBook Selfie won the Skoch Smart Technology Award 2015.

FedBook Selfie

FedBook Selfie app is an innovative product, first of its kind in the Banking Industry. Using Selfie app customers have the convenience of opening a Savings Bank account, with Federal Bank, on their own, from anywhere, anytime using their mobile device. They can make their first transfer of money to their account, then and there. The transferred amount will reflect in their mobile passbook instantly. The app downloaded to open the Selfie account, after opening the account, turns itself to a digital passbook. Customer will from there onwards see only his digital passbook with all his account details. Selfie App provides positive customer experience and maximizes customer convenience. Real time validations are integrated in the App to ensure KYC compliance and reduced account opening turnaround time.

Federal Bank won the IDRBT Banking Technology Excellence Awards

2014 - 15 for Digital Banking, Analytics and Big Data category.

Federal Bank also received the Banking Frontier's Finnoviti 2015 Award for its Mobile Application 'Scan N Pay' which enables easier p2p inter-bank fund transfer using the IMPS facility.

Benefits of this innovation are:

- Enhanced customer experience in account opening.
- Instant availability of account number in less than 3 minutes.
- Facilitates instantaneous funds of transfer to the newly opened account.
- Instant updating of mobile passbook to reflect the transaction.
- Helps to eliminate failure of account-opening due to incomplete opening form or mismatches in KYC.
- 100% compliance due to automation of KYC checks (PAN, Aadhaar etc.).

Missed Call Banking

Federal Bank introduced Missed Call Banking with the first service as balance enquiry. Recently Bank also introduced mobile recharging through Missed Call. Once the customer registers for the facility, a missed call will recharge any phone including a third party phone based on the registration details.

Mobile Banking

FedMobile is Federal Bank's Mobile Banking application. This convenient and secure app has now been provided with a new User Interface for enhanced customer experience. Features which are available in the new App are Easy Registration process, Online activation of Beneficiary, Search beneficiary option in Fund Transfer, Reset PIN facility, Funds Transfers (Intra Bank, NEFT & IMPS), Mobile Recharge, Data Card or DTH Recharge and School Fee payment. FedMobile App is available across multiple mobile operating systems (OS).

Auditors

Statutory Audit

M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, and M/s. M P Chitale & Co., Chartered Accountants, Mumbai, jointly carried out the statutory central audit of the Bank during the Financial Year 2015-16. Additionally 1278 number of branches were subjected to branch statutory audit by 693 number of branch auditors. The statutory central/branch auditors audited all the branches and other offices of the Bank. Deloitte Haskins & Sells, Chartered Accountants, Chennai and M.P. Chitale & Co, Chartered Accountants Mumbai would be retiring at the conclusion of the forthcoming Annual General Meeting. They have been statutory auditors of the Bank for four consecutive years, which is the maximum term for statutory auditors of banking companies as per

the guidelines issued by Reserve Bank of India.

RBI had vide letter no. DBS.ARS.No.15083/08.09.005/2015-16 dated June 20,2016, approved the appointment of M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, (ICAI FRN- 101248 W) together with M/s M M Nissim & Co, Mumbai, (ICAI FRN- 107122 W), as the Joint Central Statutory Auditors of the Bank for the year 2016-17, for which the shareholders approval has been sought in Eighty Fifth Annual General Meeting of the Bank.

Secretarial Audit

The Board had in its meeting dated 20 October 2015, appointed M/s. SVJS & Associates, Practicing Company Secretaries, to undertake the Secretarial Audit of the Bank during the Financial Year ended 31 March 2016, in compliance with the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report is annexed herewith as "**Annexure V**".

Awards and Accolades

Your Bank has been honoured with the ET Best Corporate Brand 2016 Award. The ET Best Corporate Brand Award is an extension to the survey finding, where they highlight and recognize the efforts of the most admired corporates that are shaping up the Indian marketplace. The Bank received the Best Small Bank Award on the Best Bank Survey conducted jointly by Business World & Price Water House Coopers. The Bank also won the Bankers Clubs, Kerala Award for the Best Bank at the National Level among the private sector banks. Federal Bank won the Banking Frontiers Inspiring Work place Award in the category Best HR and Talent Practice among Private Sector Banks for the second consecutive time as recognition for continuous refinements in HR practices/process. Federal Bank received the prestigious 6th Annual Greentech HR Award for Technology, as recognition for HR excellence through various technological platforms like FAME, Fed E HRM, HR Direct & Fed Campus. Federal Reach, the in-house magazine received the prestigious "In-house Communication Excellence Award". The Bank also got the IDRBT Award for Digital Banking, Analytics and Big Data in mid-sized Banks Segment. The IDRBT Award is recognition for the series of digital initiatives, undertaken by the Bank this year that include FedBook Selfie, the first-of-its-kind mobile App for account opening and Scan N Pay, the innovative mobile based Payment app which has the capability to scan the QR code, facilitating payments at merchant outlets & ecommerce, websites as well as person-to-person fund transfer. The Bank also received the Banking Frontier's Finnoviti 2016 Award and Skoch Smart Technology Award 2015 for Fedbook Selfie. Your bank won Skoch Order of Merit Award for the categories Capacity Building & Financial Literacy and Access to Banking and Financial Services

and Banking Frontier's Finnoviti 2015 Award for "Scan N Pay". Federal Bank grabbed two prestigious awards titled MasterCard Innovation Awards 2016 in connection with MasterCard Payments Strategy Workshop - Award for Paper-less and Do it Yourself Green initiative – SOFT PIN under debit card program and for the Easy Payments portal under acquiring business initiative. Your Bank also won the NSDL Star Performer Awards 2015. Mr. Thampy Kurian, GM & HR Head was awarded with the 50 Most Influential HR Professionals in Asia citation from World HRD Congress. Mr. Biju K, Chief Information Security Officer of the Bank, has been awarded Winner – Top 100 CISOs by the organisation, Infosec Maestros.

Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo

Considering the nature of activities of the Bank, the provisions of Section 134 (3) (m) of the Companies Act, 2013 relating to conservation of energy and technology absorption do not apply to the Bank. The Bank is, however, constantly pursuing its goal of technological upgradation in a cost-effective manner for delivering quality customer service. Through its export-financing operations, the Bank supports and encourages the country's export efforts.

Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT 9 is annexed here with as "**Annexure III**".

Particulars of Employees

As required by the provisions of Section 197 read with Rule, 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of the employees who were in receipt of remuneration not less than sixty lakh rupees per annum or was in receipt of not less than five lakh rupees per month if employed for part of the year, for FY 2015-16 are set out in the Annexure to the Director's Report as **Annexure I**.

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

Stock Exchange Information

The Bank's Equity Shares are listed on:

1. BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and
2. National Stock Exchange Ltd. "Exchange Plaza", Bandra - Kurla Complex Bandra East, Mumbai - 400 051.

3. The GDRs issued by the Bank are listed on the London Stock Exchange.

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

Acknowledgement

The Board of Directors places on record its sincere thanks to the Government of India, Reserve Bank of India, various State Governments and regulatory authorities in India and overseas for their valuable guidance, support and cooperation. The Directors

wish to express their gratitude to Investment Banks, rating agencies and Stock Exchanges for their wholehearted support.

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

For and on behalf of the Board of Directors

Aluva

Mr.Nilesh Vikamsey

Date: 21 June 2016

Chairman of the Board

Annexures

Annexure I

Name, Qualification and Age (in years)	Designation	Remuneration (in ₹)		Experience (in years)	Date of commencement of employment	Last employment
		Gross@	Net#			
Mr. Shyam Srinivasan, §§ B.E., P.G.D.M (IIM, Kolkata), 54 years	Managing Director & CEO	11150776	6841916	30 years	23rd September 2010	Head(Consumer Banking-India), Standard Chartered Bank
Mr. Ashutosh Khajuria, B.Sc (Physics), LLB, M.A. (Economics), CAIIB, DTIRM, 55 years	Executive Director & Chief Financial Officer	10229474	2151414	37 years	28th January 2016.¶	CGM & Head of Treasury, IDBI Bank Limited
Mr. Ganesh Sankaran B.E. Electronics (Honours), MBA-Finance, 46 years	Executive Director	5279171	2880048	21 years	16th September 2015	Co-Head, Corporate Banking, HDFC Bank Limited

Net of Taxes paid

@ in addition to the above Mr. Shyam Srinivasan holds 71500 shares and Mr. Ashutosh Khajuria holds 42000 shares of the Bank as on 31 March 2016.

¶ -Mr. Ashutosh Khajuria joined the Bank on 16th June 2011. Before becoming the Executive Director and CFO of the Bank, he was the Head of Network II and President Treasury. He was appointed as the Chief Financial Officer of the Bank w.e.f 16 September 2015. He took charge as Executive Director and CFO of the Bank w.e.f 28 January 2016, with the approval of Board and RBI.

§§ Although revised remuneration was approved by RBI from 23 September 2015, Mr. Shyam Srinivasan, MD & CEO has not availed the revised remuneration so far.

ESOS Details

Annexure II

Sl. no.	Particulars	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 02,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On Nov 05,2012	ESOP 2010 Granted On Sept 12,2013	ESOP 2010 Granted On Sept 12,2014	ESOP 2010 Granted On Sept 18,2015	ESOP 2010 Granted On Nov 16,2015
1	No. of options Granted	33120200	1000000	600000	24484750	26094250	11156450	625000	400000
2	No. of options issued	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3	Pricing Formula	The exercise price considered is the closing market price as on the day preceding the date of the grant, at the stock exchange which has had the maximum trading volume of the Bank's share.							
4	No. of options vested & Exercisable	22855010	1000,000	600000	14670822	9542679	4058665	-	-
5	No. of Options exercised	5507440	0	0	1213088	1716431	28875	-	-
6	No. of shares arising as a result of exercise of Options	5507440	0	0	1213088	1716431	28875	-	-
7	Options lapsed	4757750	0	0	3325830	3786490	957600	-	-
8	Variation in terms of Options	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9	Money realized by exercise of options	231698000	Nil	Nil	57500371	49141420	1790250	Nil	Nil
10	Total Number of Options in force	22855010	1000000	600,000	19945832	20591329	10169975	625000	400000
11	Employee wise details of Options granted to								
	a) Senior Managerial Personnel								
	MD & CEO	5131000	-	-	1282750	1282750	1282750	-	-
	ED I	101250	-	-	150000	-	-	-	-
	ED II	-	1000000	-	650000	650000	-	-	-
	ED III	-	-	-	-	-	-	625000	-
	COO	-	-	-	-	-	-	-	400000
	b) Any other employee who receives a grant in any one year of Options amounting to 5% or more of the options granted during the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	c) Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
12	Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	₹ 2.75 per share							

Sl. no.	Particulars	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 02,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On Nov 05,2012	ESOP 2010 Granted On Sept 12,2013	ESOP 2010 Granted On Sept 12,2014	ESOP 2010 Granted On Sept 18,2015	ESOP 2010 Granted On Nov 16,2015
13	Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS								
		Had the Bank adopted the fair value method (based on Black-Scholes pricing method) for pricing and accounting options, Net profit after tax would have been lower by ₹ 1983.19 lacs for FY 2015-16.							
					Basic EPS – ₹ 2.65 per share				
						Diluted EPS – ₹ 2.63 per share			
14	Weighted average exercise prices of options								
	i. whose exercise price equal to market price					₹ 42.60			
	ii. Exercise price is greater than Market price					Nil			
	iii. Exercise price is greater than Market price					Nil			
	Weighted average fair value of options								
	i. whose exercise price equal to market price					₹ 13.00			
	ii. Exercise price is greater than Market price					Nil			
	iii. Exercise price is greater than Market price					Nil			
15	The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:								
	i. Risk Free interest rate	7.50%	8.25%	8.25%	8.00%	8.50%	8.50%	7.50%	7.50%
	ii. Expected life	3 years to 4.5 years	3 years to 4 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years
	iii. Expected volatility	20%	20%	20%	20%	50%	50%	50%	50%
	iv. Expected Dividends	1.50%	1.50%	1.50%	1.50%	2.00%	2.00%	2.00%	2.00%
	v. The price of the underlying share in market at the time of grant of option (in ₹)	42.07	44.97	45.47	47.40	28.63	62.00	60.35	53.70

Annexure III

Extract of Annual Return as on the financial year ended 31.03.2016

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

FORM NO. MGT - 9

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

II. Principal Business Activities of the Company

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

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

III. Particulars of Subsidiary and Associate Companies –

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

IV. Shareholding Pattern

(Equity Share Capital Break up as percentage of Total Equity)

(i) Category-wise Shareholding

	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A	PROMOTERS									
(1)	Indian									
a	Individual/HUF									
b	Central Government									
C	State Governments									
d	Bodies Corporate									
e	Banks / FIs									
f	Any other (Specify)									
Sub Total A(1)										
(2)	Foreign									
a	NRI - Individuals									
b	Other - Individuals									
c	Bodies Corporate									
e	Banks / FIs									
e	Any other (Specify)									
Sub Total A(2)										
	Total shareholding of Promoter (A)= (A)(1) +(A)(2)									
B	Public Shareholding									
(1)	Institutions									
a	Mutual Funds (includes UTI)	213065970	47890	213113860	24.88	438090968	95780	438186748	25.49	0.61
b	Financial Institutions / Banks (incl foreign Banks)	54569567	64750	54634317	6.38	44537428	129500	44666928	2.60	-3.78
c	Central Government	5	0	5	0.00	10	0	10	0.00	0.00
d	State Governments									
e	Venture capital Funds									
f	Insurance Companies	16000000	0	16000000	1.87	31460000	0	31460000	1.83	-004
g	FIIs/FPIs	302961967	165125	303127092	35.38	658832499	330250	659162749	38.35	2.96
h	Foreign Venture Capital Investors									
i	Any other (Specify) - Alternate Investment Fund	0	0	0	0	1325000	0	1325000	0.08	0.08
Sub Total B(1)		586597509	277765	586875274	68.51	1174245905	555530	1174801435	68.34	-0.16
(2)	Non-Institutions									
a	Bodies Corporate (including NBFCs)	55016244	375885	55392129	6.47	100613337	740770	101354107	5.90	-0.57
b	Individuals (Resident/NRI/Foreign National)									



	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
(i)	Individual Shareholders holding Nominal Share Capital upto ₹1 Lakh	78974075	19304925	98279000	11.47	163811422	34278622	198090044	11.52	0.05
(ii)	Individual Shareholders holding Nominal Share Capital in excess of ₹1 Lakh	70501701	643020	71144721	8.30	160732947	3424440	164157387	9.55	1.24
c	Any other -									
	Clearing Members	1057686	0	1057686	0.12	5354998	0	5354998	0.31	0.19
	-Trusts	3795317	33900	3829217	0.45	8085851	67800	8153651	0.47	0.03
	-Corporate Body - Foreign Bodies	22703920	0	22703920	2.65	38666612	0	38666612	2.25	-0.40
	Limited Liability partnership	703662	0	703662	0.08	312642	0	312642	0.02	-0.06
	Overseas Corporate Bodies	0	3000	3000	0.00	0	6000	6000	0.00	0.00
	Sub Total B(2)	232752605	20360730	253113335	29.55	477577809	38517632	516095441	30.02	0.48
	Total Public Shareholding (B) = (B) (1)+(B)(2)	819350114	20638495	839988609	28.05	1651823714	39073162	1690896876	98.37	0.31
C	Shares held by Custodians for GDRs and ADRs	16666588	0	16666588	1.95	28049968	0	28049968	1.63	-0.31
	Grand Total (A) + (B) + (C)	836016702	20638495	856655197	100.00	1679873682	39073162	1718946844	100.00	

* Re-grouping has been done as required under the relevant regulations

(ii) Shareholding of Promoters

SI No.	Share-holders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged/encumbered to total shares	
		NIL						

(iii) Change in Promoters Shareholding

SI No.	Shareholding at the beginning of the year	Cumulative Shareholding during the year
	No. of shares	% of total shares of the company
At the beginning of the year		
Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer/ bonus/ sweat equity etc):		NIL
At the End of the year		

(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (1 April 2015)		Cumulative Shareholding during the year (31March 2016)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	WARHOL LIMITED	42361519	4.94	84723038	4.93
2.	AMANSA HOLDINGS PRIVATE LIMITED	25056956	2.92	73816854	4.29
3.	YUSUFFALI MUSALIAM VEETTIL ABDUL KADER.	31576820	3.69	63153640	3.67
4	FRANKLIN TEMPLETON INVESTMENT FUNDS	31374443	3.66	62748886	3.65
5	EAST BRIDGE CAPITAL MASTER FUND LIMITED §§	44569240	2.59	1889212	0.22
6	INTERNATIONAL FINANCE CORPORATION	22703920	2.65	37926414	2.21
7	LIFE INSURANCE CORPORATION OF INDIA	18967380	2.21	37934760	2.21
8	BANK MUSCAT S A O G A/C BANKMUSCAT INDIA FUND	16719605	1.95	33421210	1.94
9	GENERAL INSURANCE CORPORATION OF INDIA	15300000	1.79	30000000	1.75
10	DEUTSCHE BANK TRUST COMPANY AMERICAS	14604765	1.70	28049968	1.63
11	MFS INTERNATIONAL NEW DISCOVERY FUND##	14223575	1.66	19401680	1.13

Note:

1. The shares of the Bank are substantially held in dematerialized form, and are traded on a daily basis and hence the date wise increase/decrease in shareholding is not indicated. The top ten shareholders as on 31March 2016 is considered.
2. §§The mentioned shareholder has come in the top ten during the Financial Year 2016.
3. ## The mentioned shareholder was in top ten category in previous year and does not come under top ten in the current year

V. Shareholding of Directors and Key Managerial Personnel

Sl No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. Shyam Srinivasan				
	Shareholding at the beginning of the year	0	0	0	0
	Increase(purchase of ESOS shares on 03.09.2015)*	50,000	0.003	50,000	0.003
	Increase(purchase of ESOS shares on 09.11.2015)*	21,500	0.001	71,500	0.004
	Shareholding at the end of the year	71500	0.004	71500	0.004
2.	Mr. Ashutosh Khajuria				
	Shareholding at the beginning of the year	1000	0.00	1000	0.00
	Increase(allotment of ESOS shares on 15.05.2015)	20,000	0.001	21,000	0.001
	Increase(allotment of Bonus shares on 10.07.2015)	21,000	0.001	42,000	0.002
	Shareholding at the end of the year	42,000	0.002	42000	0.002

Note:

1. Shareholding of Directors as on 31March 2016 is only mentioned in the table above.
2. Prof.Abraham Koshy who retired as Director from the Board of the Bank w.e.f 18 May 2015 was holding 5000 shares of the Bank as on the date of retirement. Mr. Abraham Chacko who retired from the Board of the Bank w.e.f 01 May 2015 was holding 5000 shares of the Bank as on the date of retirement.
3. *- as per the value approved by the Nomination Committee of the Board and paid by MD &CEO.

VI. Indebtedness

Indebtedness of the Company including interest outstanding / accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	318.12	1,990.11	2308.23
ii) Interest due but not paid			
iii) Interest accrued but not due	0.06	28.66	28.72
Total (i+ ii+ iii)	318.18	2018.77	2336.95
Change in Indebtedness during the financial year			
• Addition	65188.36	36,482.20	101671.23
• Reduction	64694.41	37,239.88	101934.35
Net Change	493.95	-757.68	-263.12
Indebtedness at the end of the financial year			
i) Principal Amount	812.07	1,232.43	2044.50
ii) Interest due but not paid			
iii) Interest accrued but not due	0.13	16.28	16.41
Total (i+ii+iii)	812.20	1248.71	2060.91

VII. Remuneration of Directors and Key Managerial Personnel

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

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount
		Shyam Srinivasan (MD &CEO) \$\$	Ashutosh Khajuria % (ED&CFO)
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9004960	7759171
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	2145816	2470303
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2.	Stock Option (granted during the year)	NIL	NIL
3.	Sweat Equity	NIL	NIL
4.	Commission As % of profit Others, specify...	NIL	NIL
5.	Others, please specify		
Total (A)		11150776	10229474
Ceiling as per the Act		NA	NA

Note: 1. In addition to the above the erstwhile Executive Director, Mr. Abraham Chacko who retired from the Board of the Bank w.e.f 01 May 2015 was paid remuneration of ₹1246665. All the remuneration paid to MD &CEO and the Executive Directors were made as per the approval received from RBI as per Section 35B of the Banking Regulation Act,1949.

2. \$\$- Although the revised remuneration was approved by RBI from 23 September 2015, Mr. Shyam Srinivasan has not availed the revised remuneration so far.
3. %- Mr. Ashutosh Khajuria became the CFO of the Bank w.e.f 16 September 2015 and he became an Executive Director and CFO on the Board of the Bank w.e.f 28 January 2016.

B. Remuneration to other directors:

Sl. No	Particulars of Remu- neration	Name of Directors								Total Amount
		CA. Nilesh Vikamsey	Mr. Sudhir Joshi	Mr. KM Chandrasekhar	Mr. Dilip Sadarangani	Mr. Harish Engineer	Ms. Grace Koshie	Ms. Shubhalakshmi Panse	Mr. C Balagopal	
1.	Independent Directors									
	• Fee for attending board and committee meetings	1700000	2100000	1560000	1440000	1400000	1650000	1390000	1015000	12255000
	• Commission									
	• Others, please specify									
	Total (1)	1700000	2100000	1560000	1440000	1400000	1650000	1390000	1015000	12255000
	Sweat Equity									
2.	Other Non – Executive Directors									
	• Fee for attending board committee meetings									
	• Commission									
	• Others , please specify									
	Total (2)									
	Total (B) = (1+2)	1700000	2100000	1560000	1440000	1400000	1650000	1390000	1015000	12255000
	Total Managerial Remunera-tion									
	Overall Ceiling as per the Act									

Note: In addition to the above Prof.Abraham Koshy, past Chairman of the Bank who retired from the Board of Bank w.e.f 18 May 2015, was paid remuneration of ₹ 9,23,548 for FY 2015-16.

C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD

Sl. No	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount
		Mr. Sampath D CFO ^s	Mr. Girish Kumar Ganapathy (ADGM Cum Company Secretary)	
1.	a) Gross salary Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1315203.5	2376050.20	3691253.70
b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	148019	265472.60	413491.60
c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2.	Stock Option (granted during the year)	-	-	-
3.	Sweat Equity		-	-
4.	Commission As % of profit Others, specify	-	-	-
5.	Others, please specify		-	-
	Total	1463222.5	2641522.80	4104745.30

\$ vacated the office as Chief Financial Officer of the Bank w.e.f 16 September 2015 and hence the salary paid upto September 2015 is only considered in this table.

VIII. Penalties / Punishment/ Compounding of Offences: Nil

Annexure IV

1. The Composition of the CSR Committee

CSR Committee of the Board

Every company having net worth of rupees five hundred crore or more, or turnover of Rupees One Thousand Crore or more or a net profit of Rupees Five Crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board, consisting of three or more directors, out of which at least one director shall be an independent director. CSR Committee to the Board consists of three independent directors, MD & CEO and Executive Director of the Bank. The Committee consists of:

- Mr. Harish H Engineer
- Mr. K M Chandrasekhar
- Mr. C Balagopal
- Mr. Shyam Srinivasan
- Mr. Ashutosh Khajuria

2. A brief outline of the company's CSR policy, including overview of projects or programs undertaken and a reference to the web-link to the CSR Policy and Projects or Programs.

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

Your Bank is an organisation that believes in socially responsible growth. For Federal Bank, reaching out to people who need assistance is part of the values passed down by the Founder Shri K P Hormis. With a strong CSR policy, Federal Bank tries to make its mark in the socially driven projects across the country, especially in the areas of Promotion of Education, Employment Enhancing Vocational Training, Social Development & Skill Building, Healthcare, Gender Equality and Empowering Women, Environmental Sustainability, Promotion of Sports, Contributions to Central/State run developmental programs, Protection of National Heritage, Art and Culture, Rural Development Projects and activities as permitted under Companies Act, 2013. Overview of some of the programs undertaken during FY 2016 is mentioned in the Directors Report.

3. Average net profit of the Company for the last three financial years

Year	Net Profit (Before Tax)
2013	₹1193.77 Crores
2014	₹ 1211.99 Crores
2015	₹ 1521.04 Crores

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

Average Net Profit calculated for three preceding financial years is ₹ 1308.93 Crores. Out of this 2% of Average Net Profit for three preceding financial years comes to ₹ 26.18 Crores.

5. Details of CSR spent during the financial year

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl.No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs (1) Direct expenditure on projects or programs (2) Overheads(3)	Cumulative expenditure up to the reporting period	Amount Spent direct or through implementing agency
1	Focus Education & Skill Building	Promoting Education, Special Education, Vocational Skills, Sports, Arts	Pan India	83363098	75863098	75863098	Direct
2	Focus Health Care & Safety	Healthcare, Preventive Healthcare, Road Safety	Pan India	19406629	16906629	16906629	Direct
3	Environment Sustainability/ Swachh Bharat	Environment Conservation, Sanitation	Pan India	8082223	5582223	5582223	Direct
4	Focus Rural Development	Rural Development, Social Development	Pan India	10000797	7500797	7500797	Direct
5	Focus Welfare & Poverty Alleviation	Pan India	4804965	3304965	3304965	3304965	Direct
6	Scholarships through Federal Bank Hormis Memorial Foundation	Promoting Education	Kerala	13797689	13797689	13797689	Federal Bank Hormis Memorial Foundation
7.	Office & Miscellaneous				72008	72008	
Total				139455401	123027409	123027409	

Corporate Social Responsibility is an area that can help, build value system among employees and make them feel part of social change. With this objective, the Bank had decided to involve staff members as part of our employee social responsibility initiatives. As part of this, welfare projects were successfully completed with the active participation of employees pan India on Founder's Day. Many other projects were successfully completed with the active participation of employees across the country like setting up of a Plastic Exchange Counter at Pamba in Sabarimala to collect the plastic covers and used bottles from them and handing over to them Eco Friendly bags specially designed for their use, free of cost. Another was the assistance to victims of Chennai Floods where Federals plunged into action to help those in distress and could collect 250 cartons of relief material (food, clothes, medicines etc) which was distributed to the needy through our Chennai team members. Bank had also organised blood donation camp and medical camp for the victims of Chennai floods. A toy collection

drive was organized at Corporate Office – Aluva and the collected toys were distributed to the students of SOS Village – Aluva. Hundreds of other programs are done with the involvement of employees through the 1250 branches spread out at the various geographies of the country. In an effort to collaborate with the Kerala Start up Mission, Bank has formed a separate strategic initiatives and optimization team to lead the start up initiatives of the Bank under CSR. As a first step, we have launched start up branches called "Launchpad" to provide advisory and other start up services to budding entrepreneurs. To meet the location specific requests emanating from the field, 20 % of the total CSR budget would be earmarked. Several major projects that can have long term impact were selected during the year; some of the major initiatives rolled out during the year were Speak for Kerala Season 2 and Speak for Karnataka that touched more than 30000 students in Kerala and Karnataka and gave a platform for many students to develop their communication skills and confidence

levels. Bank started the Federal Skill Academy at Ernakulam, aimed at upskilling hundreds of youth in alignment with the Skill India Mission of the Government. Through the Bandhan program we could provide safe drinking water to thousands of schools and also construct toilets as part of Swacch Bharat mission. In line with our commitment to conserve environment and natural resources we did a plastic free campaign in the ecologically sensitive Sabarimala and also partnered with Mathrubhumi for the SEED project. Bank in association with Sai trust constructed three houses for the Endosulphhan victims of Kasargode. Apart from this we also supported several organizations across India who are engaged in Philanthropic/social activities. Our objective remains to associate with projects that help to uplift the downtrodden and the needy sections in the society and to passionately involve in such activities that bring about obvious positive change in the society that will nurture and nourish the future generations and aim at creating significant difference in the overall socio-economic development and environment sustainability. Having spent 0.47% (amount spent ₹12.30 Crore) this year towards CSR as per section 135 of

the Companies Act 2013, your Bank is committed to increase its CSR impact including the balance amount of ₹13.88 Crores for FY 2016, in the corpus fund CSR expenditure account which will be spent in the coming years by selecting projects that have long term sustainability. Bank has already sanctioned various CSR projects which are devised to give sustained support. Our objective through corporate social initiatives is to bring out marked difference in the upliftment of the society and the world we live in. Your Bank is passionately involved in such activities that create obvious positive change in the society and will nurture and nourish the future generations.

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Bank

Sd/-	Sd/-
Mr. Shyam Srinivasan (Managing Director & Chief Executive Officer)	Mr. Harish Engineer (Chairman CSR Committee)

Annexure V

FORM NO. MR-3 SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31.03.2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
The Federal Bank Ltd.

Federal Towers, P.B. No. 103
Alwaye-683101

We, SVJS & Associates, Company Secretaries, have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. The Federal Bank Ltd. [CIN: L65191KL1931PLC000368] (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of M/s.The Federal Bank Ltd.'s books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit. We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31.03.2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s.The Federal Bank Ltd. ("the Company") for the financial year ended on 31.03.2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (to the extent applicable).
- c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
- d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
- e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- f) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (to the extent applicable);
- g) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- (vi) As informed to us, the following other laws are specifically applicable to the Company.
- 1. The Banking Regulation Act, 1949 and Banking Regulation (Companies) Rules, 1949.
- 2. Reserve Bank of India Act, 1934.
- 3. The Banking Ombudsman Scheme, 2006.
- 4. The Bankers' Books Evidence Act, 1891.
- 5. The Banking Companies (Period of Preservation of Records) Rules, 1985.
- 6. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and The Security Interest (Enforcement) Rules, 2002.
- 7. The Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.
- 8. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013.

9. The Industrial Disputes (Banking and Insurance Companies) Act, 1949.
10. The Information Technology Act, 2000.
11. The Deposit Insurance and Credit Guarantee Corporation Act, 1961 and The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961.
12. The Recovery of Debts Due to Banks and Financial Institutions Act, 1993.
13. Credit Information Companies (Regulation) Act, 2005

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions of the Board were unanimous and the same was captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instances of:

- i. Public/Right/Preferential issue of shares / debentures/sweat equity;

- ii. Redemption / buy-back of securities;
- iii. Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013;
- iv. Merger / amalgamation / reconstruction etc.;
- v. Foreign technical collaborations.

For SVJS & Associates

Company Secretaries

CS.Sivakumar P.

Managing Partner

CP No:2210,

FCS:3050

Kochi

14.06.2016

ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

The Members,

The Federal Bank Ltd.

Federal Towers, P.B. No.103

Alwaye-683101

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of the Secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March 2016 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SVJS & Associates

Company Secretaries

sd/-

CS.Sivakumar P.

Managing Partner

CP No:2210, FCS:3050

Kochi

14.06.2016

Annexure VI

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

Sr. No	Requirements	Disclosure
1.	the Ratio of Remuneration of each Director to the Median Remuneration of Employees for the Financial Year@	MD & CEO (Mr. Shyam Srinivasan) - 15.52 ED & CFO (Mr. Ashutosh Khajuria%) - 14.28
2.	the percentage increase* in remuneration of each director (MD/ED), Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	MD (Mr. Shyam Srinivasan) - Nil# ED & CFO (Mr. Ashutosh Khajuria)% - 35.43 Mr. Sampath D, Head- Network II* - 27.62 Company Secretary – 8.70
3.	the percentage increase* in the median remuneration of employees in the financial year	The median remuneration of employees in the financial year was increased by 18.35%.
4.	the number of permanent employees on the rolls of company	11735 employees
5.	the explanation on the relationship between average increase in remuneration and company performance	<p>The Bank's performance management and compensation are structured to support the achievement of the Bank's business objectives. The strategic priorities are cascaded through annualized objectives to the employees. Based on the Bank's performance, individual performance, market benchmarks on compensation and attrition trends, compensation strategy including increment benchmarks are proposed by the Nomination, Remuneration, Ethics and Compensation Committee of the Directors of the Bank for adoption for senior management and for other employees as per the structured pay scale.</p> <p>The Bank follows prudent remuneration practices under the guidance of the Board and Nomination, Remuneration, Ethics and Compensation Committee. The performance of the Bank has bearing on the quantum of variable pay/ex-gratia declared for employees across levels.</p> <p>Average Remuneration of Employees increased around 15% and was mainly due to Tenth Bipartite Settlement, whereas there was decrease in Profit After Tax compared to previous year.</p>
6.	comparison of the remuneration of the Key Managerial Personnel(KMPs) against the performance of the Bank	For the Financial Year 2015-16 KMPs were paid approx.0.628 % of the Net Profit of the Bank.

7.	average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average percentage increase made in the salary of total employees other than the Key Managerial Personnel for the financial year was around 15%, while the average increase in the remuneration of Key Managerial Personnel was around 31.51%.(^ ^) Remuneration increase happened during the year was mainly due to Tenth Bipartite Settlement, in the salaries of Bank employees as a whole. It was also dependent upon the individual performance level and also market benchmarks.
8.	comparison of the each remuneration of the Key Managerial Personnel against the performance of the Bank	Comparison of remuneration of the Key Managerial Personnel against the Net Profit of the Bank are: MD & CEO - 0.23 ED & CFO Ashutosh Khajuria - 0.21 Company Secretary - 0.06
9.	the key parameters for any variable component of remuneration availed by the directors	The variable compensation for Managing Director & CEO and Senior Executives (Non – IBA package) to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the Revenue Point Index / Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay will be paid purely based on performance and is measured through Score Cards for Managing Director & CEO / WTDs. The Score Card provides a mix of financial and Non Financial, Quantitative and Qualitative Metrics. KPAs to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs.
10.	the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	NIL
11.	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed.

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

% Mr. Ashutosh Khajuria became the CFO of the Bank w.e.f 16th September 2015 and he became an Executive Director and CFO on the Board of the Bank w.e.f 28th January 2016. Previous year Mr. Ashutosh Khajuria was the Head of Network II and President –Treasury.

& Mr. Sampath D was the Chief Financial Officer of the Bank till 15th September 2015

Although the revised remuneration was approved by RBI from September 23, 2015, Mr. Shyam Srinivasan has not availed the revised remuneration during FY 2015-16.

^ ^ - Average percentile is considered taking into account the change in position of CFO during the year as noted above.

* Includes perquisite value on exercising ESOS options.

Annexure VII

Performance and financial position of subsidiaries and associates of the Bank as on 31 March 2016

(₹ in Crore)

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount
Parent:				
The Federal Bank Limited	100.34%	8,091.22	97.79%	475.65
Subsidiary:				
Fedbank Financial Services Limited	0.22%	17.93	2.52%	12.25
Associate:				
IDBI Federal Life Insurance Company Limited	(0.56%)	(45.03)	(0.31%)	(1.48)
Total	100%	8,064.12	100%	486.42

For and on behalf of the Board of Directors

Aluva

Mr.Nilesh Vikamsey

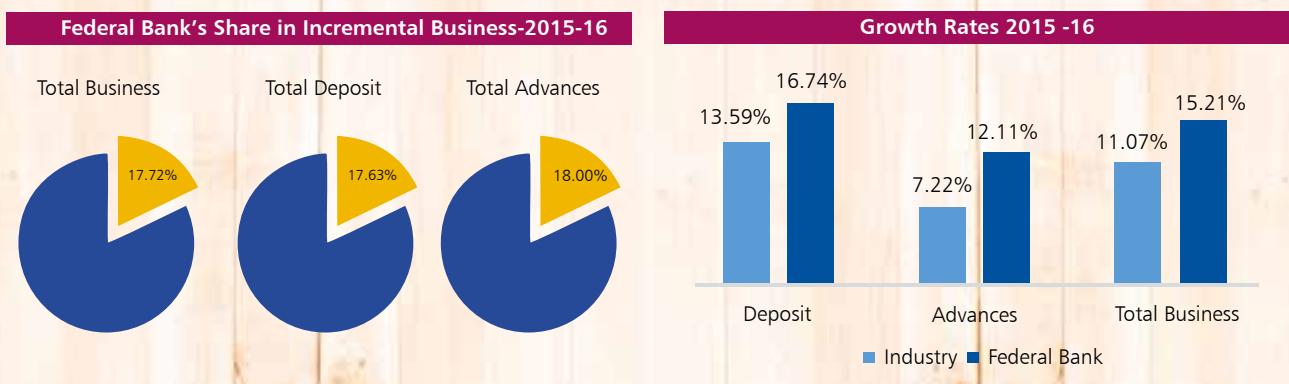
Date: 21 June 2016

Chairman of the Board



Home Market Dominance

Federal Bank continues to enjoy its home advantage to the hilt. Dominating Home Market is a strategic priority for the bank. The franchise continues to gain share consistently in the high teens range.



*Industry Data Source : RBI Website



Creating opportunity for youth to discover their innate skills.



Sole Banker to the
Cochin International
Airport



Tie ups with KSEB
and KWA for pay-
ment of Bills



Federal Bank had joined hands with Startup Village to launch India's first focused FinTech Accelerator Programme 'Launchpad'. Our dedicated start up service outlets provide a breeding ground for future entrepreneurs.

MANAGEMENT DISCUSSION & ANALYSIS

Global Economic Scenario:

The world economy is still struggling to regain momentum amidst dropping commodity prices, feeble aggregate demand, and increasing financial market volatility in major economies. Growth continues to be subdued in advanced economies and also there is considerable divergence of performance across emerging markets and developing economies, the overall growth remains below potential.

Recently OECD in its assessment of macro-economic situation observed that global trade growth remains very subdued. Many emerging market economies (EMEs) have lost momentum, with sharp downturns in some, especially commodity producers. The recovery in the advanced economies remains modest, with growth held back by slow wage advances and subdued investment. Low commodity prices and accommodative monetary policies continue to offer support in many economies, although interrupted by periods of tightened and volatile financial conditions. All this culminates in growth rates much weaker than anticipated in the past and well below pre-crisis norms. Moreover, such a prolonged period of slow growth has not helped the longer-run supply-side potential of economies, via the scarring effect of extended unemployment, foregone investment and the adverse impact of weak trade growth on productivity.

The Global economy grew by 2.4 percent in 2015 as per World Bank estimate versus the projected growth of 2.8 percent as per June 2015 World Bank report. The World Bank as per its June 2016 report is revising its 2016 global growth forecast down to 2.4 percent from the 2.9 percent pace projected in January 2016. The move is due to sluggish growth in advanced economies, stubbornly low commodity prices, weak global trade, and diminishing capital flows. Commodity-exporting emerging market and developing economies have struggled to adapt to lower prices for oil and other key commodities. Growth in these economies is projected to advance at a meager 0.4 percent pace this year, whereas growth in commodity importers has been more resilient. Projections are subject to substantial downside risks, including additional growth disappointments in advanced economies or key emerging markets and rising policy and geopolitical uncertainties.

Indian Scenario:

India's growth story has largely remained positive on the backing of domestic absorption. The country has registered a robust and steady pace of economic growth in 2015-16 with a GDP growth

of 7.6 per cent, making the country one of the fastest growing major economy in the world. The growth numbers for the last fiscal came on the back of a strong 7.9 per cent growth in the last quarter of the fiscal and reinforces India's position as the world's fastest-growing large economy.

Other macroeconomic parameters like inflation, fiscal deficit and current account balance have exhibited distinct signs of improvement during the period. Wholesale price inflation has been in negative territory for more than a year and has turned positive in April 2016 and showing some upmove. The consumer prices inflation has declined to nearly half of what it was a few years ago. But, the exports have been affected due to weak growth in advanced and emerging economies and imports have also declined mainly due to reduced prices of crude oil, trade and current account deficits continue to be moderate.

Growth in agriculture has slackened because of the two successive years of less than-normal monsoon rains. In 2015, India received a monsoon rainfall which was only 86% of the long term average rainfall. The forecast for the 2016 monsoon is optimistic and is estimated at 106% of long period average realising which the economy can get a major boost. However there are no signs of revival for saving and investment rates yet. Like most other currencies in the world, the rupee has depreciated vis-à-vis the US dollar even though with less magnitude.

Going forward, growth in 2016-17 may not pick up dramatically from the levels achieved in 2015-16 as the possibility of slow global economic growth and financial sector uncertainties still loom large. With the prevalent overall macroeconomic scenario, and assuming a normal level of rains in 2016-17, we can expect the Indian economy to register growth in excess of 7 per cent for the third year in succession.

Indian Banking Industry:

It has not been great year for the banking industry on account of various factors such as economic scenario, stressed asset quality, poor credit growth etc. The industry performance remained subdued as it experienced a slowdown in balance sheet growth. The concerns over asset quality are led by sharp increase in gross non-performing assets (NPAs). Poor earnings growth by companies, slow pace of investments, risk aversion of banks due to rising bad loans, and availability of alternative funding sources for corporates pulled down credit growth during the year.

The industry have responded to the above situation by initiating measures to ensure prompt recovery procedures and clean the portfolios with write-offs and provisions. The Reserve Bank of India has also facilitated rectification through a number of well-thought-out initiatives. The focus is on restricting incremental non-performing assets through early detection, monitoring, corrective action plans, shared information and disclosures which can help the Industry to keep future incidence at comfortable levels. RBI has issued guidelines on a 'Scheme for Sustainable Structuring of Stressed Assets' (S4A) to further strengthen the Bank's ability to deal with stressed assets. The S4A envisages determination of the sustainable debt level for a stressed borrower, and bifurcation of the outstanding debt into sustainable debt and equity/quasi-equity instruments which are expected to provide upside to the lenders when the borrower turns around.

As the global markets become more competitive and volatile, commercial success will depend on the ability to operate and scale up in an uncertain environment with effective risk management. Technology and analytics will become the cornerstones of improved risk management in the country.

The year 2016 will be critical for the Indian banking industry as innovative products and strategies have to roll out successfully to drive digitization ahead. The industry is likely to witness the roll out of innovative banking models like Payments Banks and Small Finance Banks.

Review of Bank's Business Performance:

Despite a challenging environment, your Bank recorded strong performance during FY 2015-16

The total Business of the Bank increased by 12.41% to ₹ 137261.85 Cr for the year ended 31st March 2016.

The Bank's CASA has shown sustained growth and the retail deposit forms the 97.94% of the total deposit of the Bank. The Bank's SME segment has grown by 17.45% during the year. The Bank's focus on building granularity continues to be on track with corporate advances now forming 33.43 % of total advances. The Net Worth of the Bank increased to ₹ 8091.22 Cr as on 31.3.2016. The Capital Adequacy Ratio (CRAR) of the Bank, computed as per Basel III guidelines, stands at a very comfortable level of 13.93 % as on 31.3.2016.

The Bank has posted a net profit of ₹ 475.65 Cr for the year ended March 31, 2016. Total income for the year grew by 2.81% to ₹ 8531.07 Cr and Other Income stood at ₹ 786.38 Cr. Net Interest Margin (NIM) of the Bank stood at 3.14%.

The total deposits of the Bank increased by 11.78 % to ₹ 79171.71 Cr and advances of the Bank stood at ₹ 58090.14 Cr. CASA of your Bank increased by 19.28% from ₹ 21549.57 Cr to ₹ 25704.84 Cr.

The NRI business of the Bank witnessed robust overall growth of 25.69% to reach ₹ 32597.09 Cr on 31.03.2016. In advance front, SME has grown from ₹ 12917.84 Cr to ₹ 15172.07 Cr showing a growth of 17.45%. Return on Average Assets stood at 0.57% and return on Equity of the Bank is 6.01% now.

Gross NPA stood at 1667.77 Cr and Net NPA stood at 950.01Cr as on 31.03.2016. Gross NPA as percentage to Gross Advances was 2.84% and Net NPAs as a percentage to Net Advance was 1.64%. PCR (Provision Coverage Ratio) including written off assets stood at 72.05%.

The allotment of bonus shares in the ratio of one equity share of the Bank for every one share held having a face value of ₹2/- each was made on 10th July 2015 to those shareholders of the Bank as on 09th July 2015 being the record date. The Bank allotted 85,79,45,206 fully paid up Equity Shares as bonus shares which also includes One Global Depository share (GDS) issued as bonus for every GDS held to the existing holders as on the record date.

The Bank continued to expand its footprint and has 1252 branches and 1516 ATMs as on 31.03.2016. The Bank also has its Representative office at Abudhabi, UAE and an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City)

Agri Business:

Your Bank continued to give special emphasis on lending to Agriculture and allied activities and committed to bring prosperity to the farming community in the country. During the year total agricultural advances of the Bank increased to ₹10704.13 Cr including RIDF investments as on 31.03.2016, constituting 19.41% of ANBC against the required level of 18%. In line with the agriculture policies of the Government, Bank is giving added thrust in sectors like warehouse receipt financing, plantation sector, animal husbandry, hitech farming, Agri Marketing Infrastructure while continuing lending under Kisan Credit Card and Interest Subvention schemes. State specific agriculture lending policies were formulated for Punjab, Rajasthan and Madhya Pradesh based on the field level studies.

In the coming Financial Year, your Bank is re-aligning the strategies to focus more on Agri Business in emerging and existing markets on the strength of new Agri Relationship Model. Bank has in place a dedicated team of Agri Relationship Managers in selected locations and development officers in potential clusters pan India. We are committed to contribute towards rural development through special emphasis on lending to small & marginal farmers.

Priority Sector lending

Renewed focus in lending to MSMEs and Agri Business helped your Bank to fulfill its priority sector lending requirement. During the year, your Bank pursued various strategies to increase the

flow of credit to agriculture, MSME, weaker section etc. Priority sector credit increased from ₹ 20870.27 crores as at 31.03.2015 to 22171.28 crores as at 31.03.2016 which stands at 40.20% of ANBC against the required level of 40%. Advances to weaker section stands at ₹ 7291.16 Cr as on 31.03.2016 constituting 13.22% of ANBC against the mandatory target of 10%.

Corporate & Institutional Banking Business:

Corporate & Institutional Banking Business provides comprehensive banking solutions to large corporates, mid corporates, emerging local clients, large companies and financial institutions. Your Bank offers an array of banking products and services covering working capital, term finance, trade finance, CMS, specialized corporate finance products, structured financial services, foreign exchange, syndication services and electronic banking products. Over the years Federal Bank has made significant strides into these client segments. The business model was restructured by strengthening and institutionalising relationship banking during the year.

During the FY 2015-16, this business grew strongly by about 32% to reach ₹ 21946 Cr. We were able to add prestigious new clients to the portfolio using innovative product offerings with quick turnaround times. Our focus in Wholesale remained on the well-rated companies bringing higher rigor to our client selection process and more robustness to our credit underwriting processes.

Credit Health Management:

The whole Life Cycle Health Management of the entire credit portfolios of the Bank is taken care of through the varied credit monitoring exercises. The preservation of asset quality is ensured by identifying warning signals at the earliest possible instance. Identifying early warning signals and sector & group specific issues, gathering and analysing information from external and internal sources, disseminating such information to all stakeholders and initiating corrective actions form the crux of the actions. The activities are aimed at the upkeep of the credit quality through properly defined systems, procedures and practices. The stressed accounts are identified early and prescription and implementation of corrective action plans are brought in wherever required. This end to end monitoring of all Loans & Advances disbursed across the Bank ensures credit discipline.

Your Bank actively participates in Consortium Meetings, Joint Lenders Forum (JLF), Corporate Debt Restructuring (CDR) meetings and other Industry level gatherings. Collection and dissemination of information to Credit Information Bureaus are properly utilized for administration of credit at all levels. Bank is in the process of implementing a system based Loan Management System (LMS) for real time management of the credit portfolio and for making the entire exercises more system oriented.

Digital Centre of Excellence:

Our constant endeavour is to enhance customer experience, improve efficiencies by adopting leaner and cost effective operations and drive revenue by increasing the depth as well as the spread of customer engagement, delivering consistent experience to the here and now digital age customer across the platforms.

Innovations will help in digitising internal and external processes. All digital programs of your bank are designed to orbit around the core theme SIMPLE.

Your bank have been working with promising start ups helping them fine tune their ideas, developing it into commercially viable propositions, and buying the end products that are innovative. 'Launchpad' our dedicated start up service outlets provide a breeding ground for future entrepreneurs on the one side and a great opportunity for us to keep abreast of the change winds.

Digital program helped your bank to improve operational efficiency and it is a major outcome that we expect. At one side it's reducing the cost and the other side its increasing the revenue.

When Digital offers help to customers to conduct their banking transactions simpler faster and friendlier, there is need for meeting the customer needs on qualitative personalised financial service. Keeping this in mind, bank is committed to continue to give services to our esteemed customers with the warmth of human touch. Our digital programs are naturally hovering around the theme - Digital at the fore, human at the core.

While moving fast on the digital programs, your bank is giving adequate attention on security aspects and our digital platforms are fully complied with all technical and regulatory security measures. This enables our customers to use our digital channels confidently. Thus our digital offers are a blend of authority to the client and control with the Bank.

Your Bank has introduced Missed Call Banking Services for Funds Transfer, Mobile recharge, Mini Statement and Balance Inquiry. Bank is proactive on the customer requirements and introduced the missed call banking service during the Chennai Flood to help customers to recharge their mobiles with a simple missed call. The mobile banking solution, FedMobile, is enriched with features with addition of billers including Electricity, Telecom, Gas, Insurance, Mutual Funds etc. The add-ons made in FedMobile includes limit enhancements, Scheduled payments, Inbox facility, refer a friend, customer feedback & ratings which made the mobile banking solution one among the best in the industry. Bank has also introduced Card to Card Funds transfer through ATM, online platform to get Car loans and Biometric Authentication for Account opening which are continuously improving the experience of our customers. 20% additional customers have started using

our internet banking platform. The usage of FedMobile increased 13 times during the last financial year. 39% of our new customers are currently using the digital channels and we aim to improve this to 65% by the end of this year. Our interventions with start ups in the form of startup studios, sandbox etc will be continued and leveraged in the innovation mission.

Unified Payment Interface (UPI) was launched by National Payments Corporation of India with Reserve Bank of India's vision of migrating towards a 'less-cash' and more digital society. UPI will enable application in mobiles for instant online payment like utility bills, school fees, over-the-counter payments and online shopping. The Unified Payment Interface allows payments to be initiated by the payer, or even by the payee. NPCI has approved our Bank for UPI-PSP App and we will join the first batch of Banks that are offering this service. Our Bank is approved by RBI for Bharat Bill Payment System (BBPS). We are also joining Electronic Toll Collection (ETC) Program of NPCI and NHAI.

Financial Inclusion:

Financial Literacy-At Federal Bank, we believe that business exists in the society and any business requires social sanction for its survival and growth and organizations should have a social commitment. Our Financial Literacy scheme has the following variants devised for the different category of people in the society:

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

Financial Literacy Campaigns: Your Bank is implementing Financial Inclusion as per various models, of which, providing financial literacy is the first and foremost one. Financial literacy programmes intend to provide basic banking knowledge to people across various corners of the life. The financial literacy classes are organized and conducted by the branches in the rural / semi-urban area. The Bank has currently 181 rural branches that conduct financial literacy campaigns to the general public and school children for providing basic banking knowledge to them. In the financial year, our officials have conducted 176 classes in Schools, particularly those in Semi-Urban and rural areas covering around 6400 individuals and students are made aware of various financial services through power point presentation, printed comics, role plays, interactions, bank visit, quiz etc.

Federal Ashwas Financial Literacy Centres (FAFLCs): Federal Ashwas is our initiative to provide free, unbiased, fair and coordinated financial education through financial literacy classes and credit counselling. With wide extensive support, Federal Ashwas Financial Literacy Centres seek to help the public understand finance and banking needs better and arrive at informed decisions, so that they become completely equipped to face any financially challenging moments/ crisis in their lives. We also seek to guide them on the dangers of incurring excessive debt and borrowing from the

informal sources of credit. Ashwas Centres has turned out to be effective financial literacy and credit counselling centres in rural and semi urban areas. Federal Bank has currently 22 Federal Ashwas Financial Literacy Centres pan India with 19 centres functioning in the state of Kerala and the one each in Tamil Nadu, Maharashtra & Karnataka. We have very erudite and vibrant counsellors at FAFLCs who utilize every opportunity to educate and counsel the needy at the time of their financial crisis. The Financial Literacy campaigns are targeted imparting knowledge to the following groups

1. School Children
2. Self Help Groups
3. Farmers' Clubs
4. Recreational Clubs
5. Residents' Associations
6. Grama Panchayaths
7. NGOs

Around 1450 literacy camps were undertaken by these centres during the financial year 2015-16 which has benefitted more than 78,000 people.

Your Bank in collaboration with leading NBFC – MFI, Janalakshmi Financial Services Pvt. Ltd. (JFS) has launched the general purpose reloadable Federal Janajeevan prepaid cards. The initiative to tie up with JFS for tapping the potential of urban financially excluded markets is the first of its kind. JFS is appointed as the Business Correspondent of Federal Bank. JFS has issued these co-branded prepaid cards to its micro finance customers in 25 cities in states of Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand. The loan amount sanctioned to the JFS customers is loaded into the Federal Janajeevan prepaid cards of the individual customers. The key features of Federal Janajeevan card is access to essential banking services – account balance inquiry and cash withdrawal, usage at all ATMs and merchant locations accepting Visa Card. These cards are PIN protected with a validity of 2 years, maximum load value of ₹ 50,000/- and maximum withdrawal amount per day is ₹ 10,000/-. We have issued more than 8 Lakhs cards with a total card load amount of nearly ₹ 2300 Crores.

Your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the general public (mainly to weaker section & low income household groups), with an objective to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. The main attraction of the scheme is zero-balance bank account with RuPay debit card, in addition to accidental insurance cover of ₹ 1 lakh and life insurance cover of ₹ 30,000/-. Till date the bank has opened more than 4.29 Lakhs accounts with an outstanding balance of around ₹ 139 Crores.

Bank has also launched Overdraft facility to the PMJDY account holders (maximum of ₹ 5,000/-) to meet their exigencies without

insisting on security, purpose or end use of the credit.

Your Bank is actively participating in the Social Security Schemes (Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana) launched by the Government of India on 09th May, 2015. The PMSBY and PMJJBY schemes provide low cost insurance benefits to the general public for the death or disability due to accident and for death due to any reason respectively. Atal Pension Yojana (APY) is the government backed pension scheme provided to unorganised sector. Bank could help 80 families of our deceased customers who joined the low cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹ 1.60 Crores.

Alternate Delivery Channels: Your Bank is actively propagating alternative delivery channels for customer convenience. During Fy 15- 16, Federal Bank has deployed 75 Cash Deposit machines across the country. Your bank has launched co-branded credit card with SBI cards.

Foreign Exchange Business:

The Bank have two 'A' category branches and seventy eight (78) 'B' category branches/offices for handling foreign exchange business as on 31st March 2016 Entire Foreign Exchange / Trade Finance Transactions are centralised to extend timely and efficient service to forex clients and improve effectiveness of the designated branches. SWIFT operations are also centralized to make it more faster and reliable communication with major banks all over the world.

In the Trade Finance segment, export credit facilities are provided both in rupee and in foreign currency for pre-shipment and post-shipment activities of the exporters. Credit facilities are mainly extended for export of cashew, sea foods, garments, minerals, coir, spices, other food products, leather, rubber, pharmaceutical products, gems and jewellery among others.

Credit facilities, such as Letter of Credit, SBLC, Guarantees etc., extended to import goods mainly comprises among others, chemicals, timber, raw cashew nuts, paper and electronic items, machinery etc. Your Bank also arranges Buyer's Credit from overseas banks for import customers at competitive rates. With the opening of IBU Branch in GIFT City (Gujarat International Financial Tec City) your bank is also extending buyer's credit to importers.

The Bank conducted regular one-on-one meetings with exporters/importers at Zonal levels to assess the financial position of the units, support additional credit requirements and to strengthen the relationship and also acquiring new relationships. Updates on daily forex market movements are sent to clients on a regular basis. The Bank has been giving much thrust to the development of forex business and is continuously endeavoring to improve the operating

skills of the personnel through meetings, interactions and training programmes. Your Bank is also in forefront in conducting FEDAI training programmes for banking fraternity in Kerala. This enabled the designated branches to improve their operating efficiency substantially. The Bank periodically updates and codifies the RBI/FEDAI instructions applicable for forex business, in the form of comprehensive guidelines/ circulars for the benefit of its operating staff.

The Bank continues to be a member of the Technical committees of FEDAI on Trade and Remittances and Forex Market/Policy. Your Bank has a Foreign Exchange Cell attached to Treasury Department at Mumbai catering to all the requirements of the branches. The Bank has published a Citizen Charter for forex facilities and publishes the exchange rate of various currencies on a daily basis in the banks website for the benefit of the public.

International Financial Service Centre Banking Unit (IBU) at GIFT CITY, Gujarat – Our First International Banking Arm

Your Bank opened its first International Financial Services Centre (IFSC) Banking Unit (IBU) on 09.11.2015 in Gujarat International Finance Tec-city (GIFT City), Gandhinagar, Gujarat, which is the second IBU set up by a bank in India. IFSC in GIFT City is conceptualized and designed on par with other global financial centers in Hong Kong, Dubai and Singapore. GIFT City unit enables the Bank to get access to cheaper foreign currency finance and enhance its trade finance and treasury activities. With the opening of IBU, Bank is now able to extend Buyers Credit to its Customers who import goods into India as well as to such customers of other Banks, to provide credit facilities to Wholly Owned Subsidiaries (WOS)/Joint Ventures (JV) of Indian companies registered abroad, to extend credit facilities to overseas entities abroad including those owned by non-resident Indians, to extend External Commercial Borrowings to resident corporates, to undertake treasury activities like overseas money market operations, investments in overseas securities and transactions in derivatives and structured products, accepting deposits from overseas entities. Presence of IBU gives more visibility to the Bank and it enables to establish banking relationship with international clients across the globe.

Human Resources:

Your Bank is committed towards providing positive work environment which is conducive, flexible and enriched. Every effort is taken to foster progressive approaches which instill much significance towards collaborative and professional work relationships, while upholding the importance of individual contributions. The mission of HR in your Bank is to ensure 360 degree support to every employee by taking care of his professional as well as personal development, physical and mental wellbeing and improved quality of life, thereby achieving business and

individual goals.

Vision of HR

The vision of HR is to attract, recruit, train, manage, retain, promote and motivate right personnel who are able to carry the corporate goals with clarity and conviction. HR foresees the need to acquire, develop and locate the personnel in order to fulfill the corporate requirements and meet the institutional objectives.

HR Configuration

The realization that HR has a greater role to play in business growth has lead to formulation of strategies in alignment with the business. The strategic decision making is assigned to various top level committees rather than restricting to individuals. The total Human Capital of the Bank is 11760 after induction of 1295 new entrants in various positions during the financial year under consideration. The average age of the employees of your Bank is 37 years. The current male female ratio of the Bank is 61:39.

Employee Engagement

Your Bank believes that an engaged employee is passionate and productive of his work and ensures that there are newer initiatives and engagement programs to keep the motivation on. Engagement activities rolled out include MILAN – a mega get together that witnessed the coming together of the entire Federal Family at their respective regions with stage set for entertainments, games, music, dance and recognition programs like Federal Mangalyaan, Talent Time and other exciting events. Every employee feel to be proud of part of Federal Bank where each one strive to deliver the best – to the best of their ability, to the best of their skills – to shape up an organisation which is the best place to work in.

FAME, engaging employees the digital way

FAME, is a first of its kind employee mobile application jointly designed & developed by HR & IT Team of the Bank to embrace the digital change. FAME, the next generation people initiative for internal and employee communication is looked upon as a real differentiator in the Digital World where digitalization is the paradigm tool for driving efficiency and cost effectiveness. Through this Application, employees have full access to real-time information like Employee Profile, Branch Profile, Business Dashboard, Learning Platform, HRMS, Announcements/Messages, HR Helpdesk, Appreciation Forum, Birthdays, Photo/Video Gallery, Corporate Discount Platform, Feedback/Surveys, & many more.

Employee and Industrial Relations

With amicable and cordial industrial relations climate, Bank could concentrate on its business developmental efforts with co-ordinated and collective involvement of all sections of employees. There has been effective discipline management with more thrust

to compliance. The Employees' Grievance Redressal Forum is restructured and an external expert having exposure in grievance redressal and HR functions has joined as a member of the Grievance Redressal Forum.

Communication

Your Bank ensures that each and every employee is apprised about every update and happening in the organization along with the business positions and goals to be achieved. Regular communication channels including intranet, email news letters, other communications, blogs, social media including Facebook, Whatsapp, etc are used to keep the communication dynamic and trendy.

The top executives of the Bank lead by MD & CEO reach each and every employee through a Big Call which is scheduled particularly in every quarter and whenever felt necessary. This platform gave an open avenue for any employee to directly interact with top management and bring to their notice any ideas or concerns they feel like communicating.

Business Linkage

Human resource strategy of the bank is developed to support the business and human resource management planning is recognized as a fundamental part of the business planning process. The HR has designed the man power planning function by initiating negotiations with business verticals on the requirement of adequate man power as per the business strategy and the business target from a function based on factual figures of work load in each branch/office.

HR is an integral part of all the business review meetings conducted at Zones, Network and Corporate level. HR plays the role of strategic and supportive player in all the business plans and strategies during business reviews.

Administration & Welfare

The proactive role of the HR in foreseeing the necessities of business and employees mark your institution special as an employee friendly one. Through educating and promoting the use of technological products and channels, the essence of digital growth is ensured among the employees. To ensure the quality of the workforce, regular trainings & periodic assessments are being done in the organisation. Online Quizzes on various banking topics are conducted on a frequent basis involving all the cross sections of the employees, including the executives. To meet consistent growth with Quality, Bank adopted the TQM or Total Quality Management concept. All employees are guided by a Code of Ethics Policy that outlines the dos and don'ts of conducting business.

The bank also charted and implemented various engagement programs which cements together families and communities of different profiles within the institution. Some of the major engagement activities like team sports events, were aimed at strengthening relationships between team members so that they can find the comfort of working in a homely environment with a sense of belonging. A program christened, We Rise and Fly High, exclusively for women empowerment was conducted in different branches throughout the Bank during the year. Merit Evening is conducted to honour the children of the employees of our bank who were able to score exemplary achievements in academics. Sparsh, the workshop for children of employees helps in providing them ample opportunities to develop the ability to function as a team, live life better, improve communication and leadership skills. Making many sighs into smiles, FedCradle, the crèche facility for the little kids of employees who is working in and around Aluva came as a real relief to many. The smiles transformed to the pride of Federals with its up gradation from the primary role of a babysitting to play school. This endeavour has successfully completed two years.

To build proprietorship in Individuals, every employee is made a partner through ESOP or employee stock option scheme which is spread to all levels. Every employee is given a feel that they are the owners of the Bank and running the organization in a good stead is the responsibility of each and every individual.

Diya – lending a helping hand

Your Bank has implemented a unique Welfare Scheme that could create a marked difference in meeting any unexpected liabilities in case of an unexpected demise of an employee. Christened Diya, this is an initiative to cater to the immediate financial needs of the family grieved by the unfortunate loss of our colleagues. In the event of an untimely demise of a colleague; a nominal contribution from every serving employee along with a contribution from the Bank will be pooled and handed over to the bereaved family immediately by the Bank.

Talent Management

Your Bank has structured an integrated Talent Management Systems to align strategic human resources with the organizational goals and to attract and retain the best talent in the organization. Bank has a well defined career advancement and succession planning policy based on the competency/role matching, identified in the role directory. Human resources planning and deployment frameworks have been decentralized to Zones to support the needs of the Regions and branches. Workforce planning, recruitment, and On-boarding activities are aligned with long term goals and objectives of the Bank.

Performance Management System

Your Bank has introduced a comprehensive, realistic method of performance management system in a thoughtful and coherent manner with active engagement of employees. The process includes setting clear and specific expectations, goals, periodic assessment, providing ongoing feedback to focus on elements of overall performance of individuals as well as Business objectives. Performance Management is considered a continuous process and all new inductees and new appraisers are oriented on the nuances of the system during their training sessions.

Performance assessment for FY16 was conducted in the organization through People Review & Management Committees for all confirmed officers from Scale II onwards. Performance Review Management Committees are constituted to have a focused, fact based and comprehensive assessment of performance by a panel of senior executives. Areas of strength and improvement are contemplated.

Learning & Development activities 2015-16

Training philosophy of the Bank is based on 70:20:10 learning model where 70% of learning happens on the job, 20% happens through research or /learning programs. With the intention to refine the existing practices in Training and Development, Training Need Analysis Conclave was conducted in the Bank, and from the key deliverables of conclave, coupled with thoughts/insights provided by Academic Council and top team of the Bank, a Master Learning Plan (MLP) had been documented. Federal Manipal School of Banking (FMSB) is an exclusive partnership between Federal Bank and Manipal Global Education services to develop Bankers of tomorrow. Through this arrangement, we groom potential candidates by providing high end Banking training so as to develop first day, first hour productivity in Federal Bank. Federal NIIT University Centre of Banking is an exclusive partnership between Federal Bank and NIIT University to develop, groom and transform young talents into professional Bankers, having an exceptional flair for relationship banking and sales. The candidates would undergo various modes of experiential and activity based learning to develop themselves into future leaders, to augment the relationship banking and sales portfolios of the Bank.

Leadership Development programs

Leadership development programs were designed for different levels of employees to develop a leadership pipeline in the organization. This helped in generating desired attributes which are integrated to various people processes. The programs were extended to officers in leadership positions across the organization ranging from business heads to branch heads.

Talent pool creation

To bring in specialization in various banking activities and to have a ready to deploy pool of experts, talent pool creation was focused in areas like credit, foreign exchange, treasury, and risk and branch management. This was done through external and internal certification programs and also class room programs like Samrudhi, which included both class room and self-learning component run over a period of 4 months where self-learning was done through various E Learning modules.

Certification Programs-Internal & External

To develop the capability of people and thereby enhancing organization capability, a process of continuous learning was identified as the right way of imparting knowledge. With this in mind, bank embarked upon various certification programs roping in external expertise for Foreign Exchange. Officials from selected branches and departments were chosen for an online certification on foreign exchange conducted by one of the leading financial E-Learning company. These officials are groomed as foreign exchange experts to take forward the Bank's long term business focus in this area. The main highlight of the program is the bi-weekly video conferencing by subject experts which helps the participants to understand the nuances of foreign exchange and to come out successfully in the certification process.

In addition, we have launched an Internal Certification Program (ICP) developed by internal experts for credit and general banking with specified levels mandated for specific category of employees and is linked to their PMS and career progression. With this program we expect to bring in more expertise in respective areas in all levels of employees across the organization.

E-Learning

We have used advanced E Learning tools for promoting self-learning inside the organization. The bank has built its learning strategy to facilitate learning process across all levels through weekly online quizzes, internal assessment tests, internal/external classroom trainings, internal certification programs and personalized e-learning modules. Online assessment tests were conducted before and after the training program to measure the effectiveness, new joiners were introduced into a monthly assessment test covering major aspects of banking, helped in linking them to the learning culture of the bank in the initial level of their career itself. Thus we could create 2,21,498 man hours of learning, roughly works out to an average 2 days of class room learning to all employees of the bank.

Training Activity Highlights 2015-16

- 6232 employees were trained during FY2015/16 IN 348 Programmes.

- 257 employees were given external trainings including foreign trainings at USA, Germany, Indonesia etc.
- FKDC conducted a prestigious international training programme for employees from OMAN exchange.
- Full day Behavioural sessions were conducted for officers in Samrudhi-1, Samrudhi-2 and I MEX FTPO which covered team building skills, leadership quality and being good HR line manager.
- Two day behavioural programmes were conducted for sub staff at regional centres which would help them in developing the right attitude, self-confidence, customer service and caring for the organisation.
- One week intensive credit programmes were conducted at the basic level for above 280 officers which would give them the necessary skills to handle branch level credit.

International Banking Business:

During FY 16, NRI business of Your Bank witnessed robust overall growth of 25.69%. Total NRI deposits of the bank stood at ₹ 32597.09 Cr on 31st March 2016. The NR CASA grew by 27%. NRI client base of the Bank touched One Million. The Abu Dhabi Representative Office and the officers in GCC countries continue to be the main force in bringing new NRI clients to our fold. 63% of Bank's NRI customers are in the age group of 21-40, indicating a healthy addition of young NRIs to the franchise.

The year 2015-16 witnessed decent growth in the inward personal remittances handled by your Bank. ₹ 55500 Crore, representing 12.5% of the total personal remittances received by the country was routed through your Bank. The Bank started 5 new Rupee remittance tie ups in FY16, of which 3 were from GCC and 2 were from outside GCC. All Rupee remittance arrangements from Non GCC countries have online remittance option.

During FY 16, the Bank received approval of Central Bank of the UAE to open Bank's second Representative Office outside India at Dubai, which is expected to be opened in the first half of this fiscal.

In November 2014, Bank had opened Federal Experience Centre, a world class lounge for HNI customers just outside Cochin International Airport. During FY 16, the lounge was used by 3126 NRIs, mostly NRIs.

Bank started offering FCNR deposits and Inward & Outward remittance facilities in New Zealand Dollar during FY16.

Integrated Treasury Operations:

Your Bank's Integrated Treasury Operations, involve maintenance of Statutory Reserve requirements, Balance Sheet Management, trading in Money Market instruments, Bonds and Debentures,

Equity and Foreign Exchange. The Bank has established dedicated and full-fledged dealing desks for various segments like Foreign Exchange, Interbank and Merchant Trading, Currency Futures, Interest Rate Futures, Money Market, Government Securities, Bonds and Debentures, Certificates of Deposit, Commercial Paper, Interest Rate Swaps and Equity in the Bank's dealing room in Mumbai.

For marketing treasury / Forex products, a dedicated team has been formed with focus on increasing the fee income. Your Bank has taken a slew of initiatives to enhance treasury operational capabilities viz. providing Web based G-sec (Government Securities) trading platform to CSGL (Constituent Subsidiary General Ledger) clients, revamping the Research & Analytics desk and imparting new skills through specialised training programmes.

Bank has engaged specialized agencies to assist Treasury to redesign and enhance the Treasury analytical capabilities and impart specialised skills to its employees. Your Bank's Treasury is preparing to launch full fledged currency options desk in the current financial year and move into warehousing of risks in the options book, as to be able to serve clients looking for derivative solutions to hedge their exposures.

Information & Technology:

Your Bank has introduced an innovative Mobile Application, FedBook Selfie, this year for opening SB account with Federal Bank from Anywhere, Anytime.

FedBook Selfie:

FedBook Selfie app is an innovative product, first of its kind in the Banking Industry. Using Selfie application customers have the convenience of opening a Savings Bank account, with Federal Bank, on their own, from anywhere, anytime using their mobile device. They can make their first transfer to their account, then and there. The transferred amount will reflect in their mobile passbook instantly. The app downloaded to open the Selfie account, after opening the account, turns itself to a digital passbook. Customer will from there onwards see only his digital passbook with all his account details. Selfie App provides positive customer experience and maximizes customer convenience. Real time validations are integrated in the App to ensure KYC compliance and reduced account opening turnaround time.

Benefits of this innovation are:

- Enhanced customer experience in account opening.
- Instant availability of account number in less than 3 minutes.
- Facilitates instantaneous funds of transfer to the newly opened account.
- Instant updating of mobile passbook to reflect the transaction.

- Helps to eliminate failure of account-opening due to incomplete opening form or mismatches in KYC.
- 100% compliance due to automation of KYC checks (PAN, Aadhaar etc.).

Missed Call Banking

Federal Bank introduced Missed Call Banking with the first service as balance enquiry. Recently bank also introduced mobile recharging through Missed Call. Once the customer registers for the facility, a missed call will recharge any phone including a third party phone based on the registration details.

Mobile Banking

FedMobile is Federal Bank's Mobile Banking application. This Convenient and Secure app has now been provided with a new User Interface for enhanced customer experience. Features which are available in the new App are Easy Registration process, Online activation of Beneficiary, Search beneficiary option in Fund Transfer, Reset PIN facility, Funds Transfers (Intra Bank, NEFT & IMPS), Mobile Recharge, Data Card or DTH Recharge and School Fee payment. FedMobile App is available across multiple mobile operating systems (OS).

Inspection and Audit:

The year under review witnessed qualitative intervention of the Audit function towards maintaining and improving effectiveness of the various operational functions and processes in your Bank. The intervention indeed was made effective through adoption of a well defined policy, manual and periodical communications on aspects covered under audit. During the year the Audit Policy covering all types Audit were reviewed and were approved by the Audit Committee of the Board and by the Board of Directors. All entities including the wholly owned Subsidiary of the Bank and all outsourced activities fall within the ambit of audit.

The Bank in compliance of the requirements of Section 138 of the Companies Act 2013 has designated the Head of Inspection and Audit Department as Internal Auditor.

The policy, procedures and processes on Audit in force in the Bank greatly meet and are aligned to the Basel III expectations and guidelines on Bank Audits. The internal audit function of your Bank is progressively focused on achieving Bank's vision and mission through optimized use of Governance, Risk and Compliance. The execution of audit at various operating units was in tandem with the Audit Plan approved by the Audit Committee of the Board. Details of the Audit Plan and Achievement against the plan are enlisted below.

Sl No.	Type of Inspection/ Audit	Annual plan for FY ending 31 Mar 2016	Yearly achievement as on 31 Mar 2016
1	Risk Based Internal Audit of Branches	868	# 853
2	Management Audit of Departments / Offices	72	85
3	Management Audit and Surprise Verification of Currency Chests	24	28
4	FOREX Audits – A & B category Branches	80	81
5	FOREX Audits – C category Branches & Operations Dept.	-	5
6	Revenue Audit Off-site	1193	1196
7	Gold Loan Audit	1837	1927
8	Credit Audit	(Based on disbursal of Credit limits of ₹ 5 crore and above)	751
9	IS Audit of Branches/ Offices/ Departments	321	323
10	HR Department – Investments	4	4
11	Concurrent Audit	Covered in 261 Branches, Treasury Department, Operations Department, International Banking Department, DP Division, Asset Recovery Department, National Credit Hub, Regional Credit Hubs at Thrissur, Malappuram, Kottayam, Trivandrum, Mumbai and New Delhi and the Auto Loan Hub Aluva	
12	Legal Audit	(Based on disbursal of Credit limits of Rs. 5 crore and above)	627
13	Outsourced agencies – As per list provided by HR	As per the list provided by HR Department	70
14	Special Forex Audit of B Category Branches – As per RBI Letter dated 28.11.2015 (79 branches)	0	79
15	Internal Audit of Trading Members / Clearing Members of MCX and NSE	1	1
16	Special Audit in branches on KYC compliance of Co-operative Societies	0	309
17	Special Audit conducted as instructed by Staff Accountability Committee	0	13
18	Review of Charter and functioning of Executive Level Committees	0	14

The targeted number of audit in the remaining Branches were on-going and has been completed in April 2016

Over the years, the scope and coverage of internal Audit has moved on to a level wherein it is used as a tool towards evaluation of the adequacy and effectiveness of the risk management systems and internal control systems in the Bank. The process of internal audit embodies assurances to the stakeholders on the prompt corrective actions on the commission of lapses incidental to the operational procedures and processes. The Risk Based Internal Audit architecture of your Bank, in place increasingly meets these objectives. Through RBIA, a composite Risk Rating of each and every Branch of the Bank is arrived at towards ascertaining frequency of Audit and Risk Monitoring. The composite Risk Rating is the aggregate of the risk rating under Business Risk and Control Risk. The frequency of Audit was based on the Composite Risk ratings which are categorized into Low, Medium, High, Very High and Extremely High. The frequency of audit ranges from six months to 18 months.

Management Audit

Management Audit in the Bank focuses on assessing the compliance and effectiveness of the processes, procedures, exercise of delegation of Authority etc in Head Office Departments, Zonal Offices, National and Regional Credit Hubs, Asset Recovery Branches, Credit Monitoring Cells, Currency Chest etc. During the year under review, Management Audit were conducted at 85 Offices and at all Currency Chests of the Bank.

Concurrent Audit

Concurrent Audit, carried out with the primary objective of real-time substantive checking has been in place in 261 Branches and 13 Offices of the Bank during the year under review covering 62 per cent of the total business of the Bank comprising 57 per cent of Deposits and 68 per cent of Advances of the Bank. The position is against the Regulatory requirement of coverage of 50 per cent of Deposits and 50 per cent of Advances under the scope of Concurrent Audit. Apart from Branches, Concurrent Audit is carried out at National and Regional Credit Hubs, Treasury Department, IBD, Depository Division, Asset Recovery Department and Operations Department.

IS Audit

In an increasingly complex Banking environment, your Bank has endeavored to put in a robust system of Information Systems Audit meeting highest level of security standards towards protecting the interest of customers. IS Audit is conducted by CISA certified Officers from within the Bank apart from 199 Chartered Accountants with CISA / DISA qualification. All critical IT infrastructures in the Bank are subjected to IS Audit by Information Security Professionals from reputed external Audit Firms. Critical Information System Assets are subjected to Vulnerability Assessment and Penetration Testing (VAPT) every quarter.

Off-site Audit

Bank has developed off-site audit as an effective monitoring tool towards achieving higher level of compliance. Off-site audit covers a variety of scenarios with focus on identifying omission and or commission of lapses / aberrations on servicing of loan / advance accounts, revenue leakage, security updation in loan accounts, temporary overdrafts etc. Bank has evolved a system of generating reports at periodic intervals on critical areas of operations and analyzing such reports for prompt corrective action. Of late, off site audit is increasingly developing as the most viable channel of audit holding tremendous promises for the future. Recognizing this opportunity, your Bank has also embarked on plans to leverage the scope and possibilities of off-site audit as the vital tool of audit of the Bank.

Digitization of Audit Function

The Inspection and Audit function of your Bank is carried out in an automated on-line system developed in-house by the Bank. The system provides for *inter-alia* on-line reporting of comments and observations, risk rating of Branches, monitoring and follow –up towards rectification.

Legal Compliance:

The rising global competition and the advancements in internet and mobile technology have led to the introduction of innovative technology products and delivery channels, which have increased the legal risks faced by the Banks. Legal Department of your Bank formulates processes and controls that can effectively manage and mitigate the legal risks emanating from day to day business transactions of the Bank. The Bank has a well laid down system to ensure defect free documentation so as to minimize the menace of legal risk associated with the operational risk.

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

The fortnightly publication of "Legal Decisions Affecting Banks" circulated by the department based on verdicts rendered by Supreme Court/various High Courts/Tribunals and Educational Series christened as "Legal Spectrum" are very informative and well accepted. Legal Department, a repository of statutes, brings to the notice of offices/branches relevant amendments/modifications made to statutes from time to time. The Department also publishes

"Legal Tweets", which explains a particular legal position in a nut-shell. The Department has been extending faculty assistance to Federal Knowledge and Development Centre on legal topics. With a view of imparting awareness on latest developments/amendments in law and to strengthen the knowledge base of the legal officers of the Bank, the department is conducting Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics.

Marketing:

Your Bank has always been at the forefront of technological innovation and adaption. The financial year saw the Bank go the digital way in its marketing forays. More was done on the digital and online space than in the conventional media. The campaigns that the Bank ran on Facebook and Twitter were remarkably successful. A campaign on the Fedselfie (A Do-It-Yourself Account Opening App which was introduced to the Banking World by Federal Bank) was promoted through conventional channels as well as through digital media. Facebook, Twitter and Youtube were used extensively to showcase the Bank's products and services as well as technological and digital capabilities.

In the state of Tamil Nadu, a road show was rolled out which helped the Brand entrench itself better in that State, which is one of the focus states of the Bank. The Public Relations efforts of the Bank ensured that all its product launches, customer-facing activities and brand building efforts were reported in all the important newspapers of the country in English and various regional languages too.

Managing Customer touch points:

Your Bank is always keen on Customer Convenience and Delight. Your Bank, with the purpose of enhancing Customer experience in branches, provided fine interiors that are on par with all good banks in the country and standardized furnishing with spacious elegant customer lobbies & centralized air-conditioning. The security aspect has been given utmost importance with modern equipments like Close Circuit TV, sensors, and infra-red cameras. Your Bank has started online real time remote security and surveillance of ATM and branches. The Bank is progressively equipping its branches with Fake Note Detectors, Note Sorting machines and Currency Authenticating machines in compliance with Regulatory guidelines. Your bank has opened currency chests at Attingal (Thiruvananthapuram) and Kalletumkara (Thrissur). The Currency chest at Kalletumkara (Thrissur) is the first Mega Currency chest in Private sector banks in the state of Kerala.

Risk Management:

The Risk Management philosophy of the Bank is to take risk by choice rather than by chance. Some of the major risks Bank takes on in its normal operations are credit risk, market risk, operational

risk including information security related risks, liquidity risk, interest rate risk among others. Board of Directors oversees and approves the risk policies and strategies to establish an integrated risk management framework and control system in the Bank. Risk Management Committee (RMC) of the Board oversees management of various risks implicit in business, systems and processes. Executive level committees ensure effective implementation of risk policies of Credit, Market and Operational risks respectively. Risk management framework is subjected to review and upgradation on an ongoing basis, in tune with Regulatory guidelines and best practices in the industry. Integrated Risk Management Department controlled by a Chief General Manager cum Chief Risk Officer coordinates various risk management functions of your bank.

Credit Risk Management

Macro level factors such as slowdown in economic growth, imbalances in the economy, stress of certain sectors etc are few causative factors of credit risk for a bank. Bank has a centralized credit risk management division independent of its business functions to manage its credit risk. Appropriate credit approval processes, risk mitigation, post-disbursement monitoring and timely remedial actions are part of credit risk management. Loan Policy of the Bank contains operational guidelines documenting the lending philosophy of the Bank, articulating management of diversified credit portfolio, and various aspects of credit dispensation and credit administration. Segment wise and borrower category wise exposure limits fixed by the Bank takes care of the issue of risk concentration. A research team functions within the risk department for analysing various sectors and industries and to capture the up-to-date market information.

Bank uses various retail score cards for ensuring right customer selection. Credit Bureau scores are an important criteria for retail underwriting. Bank is also continuously reviewing and validating its credit rating models for its appropriateness and predictability. Bank has implemented sector specific rating models sourced from CRISIL duly complying with the IRB requirements. Migration studies and default rate analysis based on the credit risk rating provide input for policy decisions on credit flow, pricing and monitoring of credit portfolios. Credit risk management in the Bank, through its various policies, risk assessing tools and risk mitigating measures ensures robust credit growth with superior asset quality.

Market Risk Management

Bank has a well developed framework, comprising Board approved policies and established practices, for management of market risk. Various tools like stress testing, duration, modified duration, VaR, etc are used to measure and control interest rate risk, liquidity risk and other market related risks. Bank has established an independent onsite Mid Office at the floor of the Treasury Department as part of

Market Risk Division, which reports directly to the Head of the Risk Department and functions as the risk control unit for its Treasury activities. The Mid-Office scrutinizes the treasury deals and transactions from the point of view of market risk management. Detailed policies are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking book, trading book and off balance sheet exposures.

Asset Liability Management of the Bank in respect of all its assets and liabilities is carried out on a daily basis to eliminate the possibility of any risk eventuality in this area. Base Rate and interest spreads are fixed after careful analysis of market rates and trends, costs and risk premiums. As at 31st March 2016, Bank was in full readiness to migrate to MCLR based pricing of fresh loans and renewals with effect from 01st April 2016.

Operational Risk Management

Bank has a comprehensive framework comprising of policies, processes and systems for management and measurement of operational risks. Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, structure and risk profile. 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 and checks and controls are implemented to mitigate the risks. Bank has also put in place a fraud prevention framework, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and AML.

Compliance with Basel framework

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

Capital Adequacy Ratio of the Bank as on 31/03/2016 under Basel III norms stands at 13.93%. Bank's common equity capital level of 13.36% offers good cushion for further expansion and growth in asset portfolio and compliance with the requirements of Basel III norms. Capital adequacy ratio at consolidated Bank level stands at 14.27%.

RBI guidelines on Basel III demands building of capital and liquidity buffers in phases and seeks to enhance the minimum

core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Bank has complied with the guidelines for regulatory capital under Basel III norms and is fully prepared for moving on to complete Basel III compliance as per the implementation schedule prescribed by RBI. Bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel III norms. The LCR ratio of the Bank as on 31.03.2016 stood at 130.65%

Capital Management Framework

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

Business Continuity Management Programme

Bank has put in place a comprehensive bank-wide Business Continuity Management System (BCMS) to ensure continuity of critical operations of the Bank covering all identified disasters. In terms of the Business Continuity Management Policy approved by the Board, Business Continuity Plan (BCP) Committees have been formed in Head Office, Zonal Offices and Branches. A Central Crisis Management Team (CCMT) is created to take responsibility and act swiftly in case of any breakdown/ failure of critical systems, occurrence of natural disasters/ accidents or any other events affecting business continuity situation. The Bank's Business continuity program is developed considering the criticality of the systems used. Periodic drills and tests are conducted to cover all aspects of the business continuity programme.

Information Security

Bank has established a robust information security framework for securing its IT infrastructure and systems. The Bank has an information systems security team functioning at the Head Office, which is responsible for formulation and periodic review of information systems security policies and practices as well as promoting information security awareness among staff and customers of the Bank. Bank has received ISO 27001 accreditation for its critical IT areas including Data Centre, DR Site, ATM Switch

etc. Bank implemented an in-house security operation centre (SOC) at its DC and DR locations. The security information and event management (SIEM) solution provides a holistic view of the Bank's information technology (IT) security.

Regulatory Compliance:

Compliance Department in your Bank is ensuring the best practice of compliance across various levels of the Bank. The Compliance Policy of the Bank has been formulated to make compliance function adequately enabled, strengthened and independent. The policy helps to ensure the effective monitoring and co-ordination of the compliance functions in the Bank. The Policy is reviewed periodically and suitable changes are made to fall in line with the guidelines issued by the Regulators from time to time. The Compliance Manual which contains the compliance functions of each and every unit in the Bank serves as a guidance material for branches/offices. It is comprehensively updated to stay contemporary. Your bank has well laid-down procedure and online mechanism to monitor the compliance functions. Compliance Monitoring Officers have been nominated in all branches/offices to monitor the compliance functions and to develop a robust compliance culture in the bank. Bank is focusing on employee education through circulars, frequent contact session, online quizzes etc, to sensitize them of the need for a strong compliance culture and also striving to develop a robust/dynamic compliance culture in the Bank. For all matters related to compliance, the department is functioning as focal point for regulators like RBI, SEBI, IRDA, etc.

Retail Business

Resident Savings deposits of your Bank has registered a growth of 16 % Y-o-Y to reach a figure of ₹ 11224 Cr. The total Resident Retail liability book reached a figure of ₹ 41502 Cr being 52% share of total deposits. Acquisition of Corporate Salary accounts from our existing SME and Corporate clients have been one of the focus areas and this is showing results in terms of large number of Salary accounts getting opened during the fiscal.

The Retail loan book of the Bank reached ₹ 17331 Cr forming 29.48% of the total advances of the Bank. The total Retail Advances excluding Gold Loan have grown 17.61% year-on-year. Despite the volatility in the gold market, the bank has been able to manage the portfolio without any loss being incurred. Housing loans increased to ₹ 7876.10 Cr, registering a growth of 14.95%. During the year, Bank introduced Fed-E-Credit, the Bank's first such offering on a digital platform. The Bank is also giving greater focus to Pre-Approved loans where by customers with satisfactory track record are extended loans for personal purposes without the need for too much of documents. The Bank has introduced Group Personal Loans targeting employees of institutions/ companies with good

credentials. The bank has also introduced, Fed Premia, a Premium personal loan product targeted at High Income Salaried and Self Employed Professionals.

Bank has also given focus on offering need based investment and insurance solutions to customers. Sale of Life Insurance, General Insurance and Health products has shown a growing trend during the year. Through offer of Investment products like Mutual Funds, the bank has been able to grow its AUM by 22 % to reach ₹ 150 Crores. Offering of online investment products of Geojit and IIFL has also got the necessary focus with a good number of customers being acquired under this portfolio. Bank received 2nd position for the maximum number of Demat Accounts opened under Bank Category at the NSDL Star Performer Awards 2015. Your Bank has participated in all the three Sovereign Gold Bond tranches launched by Government of India through RBI during the financial year. Our customers invested in Sovereign Gold Bonds aggregating into quantity of 38.67 kgs worth ₹ 10.40 Crs.

SME Business

Your Bank could achieve a growth of 17.45% during the foregoing year despite the adverse economic conditions and lull in various predominant sectors, in comparison to the muted performance by competitor banks.

Tie-up with the world's 4th largest vehicle manufacturer, M/S Hyundai Motors India limited, for financing their dealers pan India, was a prestigious achievement which confirmed your Bank's acceptability among major corporate houses. Entry into a dealer funding relationship with three wheeler manufacturer M/s. Atul Auto Ltd, based in Ahmedabad established Bank's reach in Gujarat. Tie-up arrangements with all major automobile companies like M&M, TATA, Ashok Leyland have made your Bank a favourite financier among the dealer community.

Launch of Federal Easy Business Loan scheme, loaded with operational & assessment flexibility improved Bank's reach among Micro & Small business community who do not maintain proper accounting of their business activities and ensured needy & timely finance to this sector.

Easy & speedy procedure in discounting Contractors bills under BDS scheme run by GoK has made your Bank the most preferred among the contractors of Kerala and has established it as the undisputed market leader in this portfolio.

SME Credit Plus, a pre-approved standby line of credit for existing reputed Working Capital borrowers, which enabled them to meet their contingency needs on time was a milestone in the working capital lending of the bank. The product has made your Bank more endearing to the borrowers.

Digitrans – acronym of 'digital solutions for the transport sector', was launched with the intention of extending the fruits of digital

revolution for the-benefit of the common man and to increase Bank's reach among the masses. The first product under the scheme was a cashless ticketing solution for the private bus operators in the state of Kerala, through use of prepaid cards. The product launched in Kochi/ Kozhikode in association with M/s Technovia Info Solutions Pvt Ltd, has made your bank a pioneer in the field. Active participation in the project - 'SavariGiriGiri' launched by District collector, Kozhikode, intended to address the transport woes of the student community in the district, through smart cards also reaffirmed the social commitment of the Bank. An exclusive scheme for financing Commercial vehicles was introduced to augment the vehicle finance portfolio by ensuring speedy credit delivery, with special focus on educational institution buses.

As a further step towards the digital cause, your bank has Introduced Campus Wallet in association with M/s Chillar Payment Solution for schools, which enables students to make payments within campus using their ID cards and make payments in our educational institutions totally digital.

Service Quality

Increased competition, highly educated customers, and increase in standard of living forced Banks to review their customer service strategy. With all banks providing uniform products and services, quality is one aspect that is going to be the decisive factor for the Bank as well as the customer.

Your Bank initiated a Quality movement from 2012 with the following objectives:

- Ensure standardization of look, feel & customer experience
- Raise the averages at all branches pan-bank with regards to customer experience
- Ensure uniformity and predictability across the Bank's touch points.
- Create system, processes and procedures capable inherently of continuous improvement
- Standardization of customer communication

A process team has been deployed to create an in-house capability to improve all customer critical processes on the go. The team is also equipped with sound measures to evaluate various customer touch points with respect to quality and improve them dynamically.

Customer Grievance

a	No. of complaints pending at the beginning of the year	62
b	No. of complaints received during the year	3549
c	No. of complaints redressed during the year	3569
d	No. of complaints pending at the end of the year.	42

Awards passed by the Banking Ombudsman:

a	No. of unimplemented awards at the beginning of the year	1**
b	No. of Awards passed by the Banking Ombudsman during the year	1
c	No. of Awards implemented during the year	1
d	No. of unimplemented Awards at the end of the year.	1**

** One Ombudsman Award pending from 2012, Appeal rejected by AA(Appellate Authority). Suit filed with High Court and stay has been obtained.

42 complaints outstanding were received during the last two weeks of the FY. Out of the complaints, 37% are process related (FedNet, other channel facilities, account opening), 15% loan related, 16% deposit related, 17% ATM related, 11% service charges related and 4% relates to various other areas. Of the total complaints registered during the FY, 6% relates to Banking Ombudsman.

Strategic Planning:

From Planning and Budgeting to Monitoring of Business Performance and Cost Management, from Management Information systems to Business Analytics, the key enablers for business development are handled by Corporate Planning department of your bank. The Bank is currently having a good geographical reach with 1252 branches and 1516 ATMs spread across the length and breadth of the country. With the presence in key centres, your bank continues to build its business with granularity.

Analytics and MIS wings, aim to leverage the partially exploited potential residing in our huge information base, derive dependable insights from this data, and thereby contribute to the business growth of your bank. The team provides many reports to various stake holders for business development, monitoring and risk management. Online Systems are in place for branches, enabling them for deepening Relationship and cross selling. Next best products for each of the individual customer is predicted through analytical models and provided to the branches centrally.

Knowledge sharing has become an essential part of the organizations success. The ultimate goal of Knowledge sharing is to distribute the right content to the right people at right time. To accomplish this goal, your Bank has a weekly magazine on internal changes and updates on the processes and procedures christened as Federal Digest. This knowledge initiative, which was launched few years back has become an important medium for knowledge transfer.

With the performance score card, field level functionaries progress were monitored more scientifically and systematically. Apart from this, your bank has used Revenue Point Index System to track the

performance of individual units based on performance in terms of revenue.

Strategic Cost Management Cell in your bank looking at various avenues to optimize cost on an ongoing basis. Various initiatives intending to increase people productivity and minimizing other operating cost are in place so as to obtain efficiency in operations. To list a few initiatives like ATM outsourcing and co-branding has helped your Bank to reduce the running cost on ATMs by 60%, various digital drives like green pin, channel migrations etc will have its role in cost optimizations in the coming days.

Stressed Asset Management:

While sustained pressure on asset quality due to continued economic slowdown affected the Indian banking industry significantly, your Bank managed to maintain GNPA at ₹ 1667.77 Cr at the end of FY 2015-16. Gross NPA as a percentage of gross advances ratio of the Bank stood at 2.84% and Net NPA as a percentage of net advances ratio of the Bank stood at 1.64%. The provision coverage ratio (including technical write offs) stood at a healthy 72.05%.

Despite having some major slippages during FY 2015-16 mainly due to delinquencies in corporate accounts, your Bank managed its NPA portfolio through prompt steps for resolution by considering and exercising options such as actions under SARFAESI Act, compromise settlements, LokAdalats, Sale of NPAs to ARCs etc.

Provision Coverage Ratio

As on 31 March 2016, the Bank held a total provision of ₹ 700.50 Cr. As per the RBI directive, banks should hold minimum provision coverage of 70% including technically written off accounts. As on 31 March 2016, the provision coverage ratio of the Bank, including technically written off accounts is 72.05%.

Transaction Monitoring & Fraud Prevention

Your Bank is having a fully equipped Transaction Monitoring & Fraud Prevention Department with state of the art monitoring tools. The transactions in Core Banking, various online Channels and those related to Money Laundering are monitored by the Transaction Monitoring team. We have started 24x7 monitoring from this fiscal to take immediate remedial action on suspicious transactions happening in late hours. Department is also conducting sample verification of KYC documents to ensure that branches are complying with the KYC instructions.

Corporate Social Responsibility:

Your Bank is an organisation that believes in socially responsible growth. For Federal Bank, reaching out to people who need assistance is part of the values passed down by the Founder

Shri K P Hormis. With a strong CSR policy, Federal Bank tries to make its mark in the socially driven projects across the country, especially in the areas of Promotion of Education, Employment Enhancing Vocational Training, Social Development & Skill Building, Healthcare, Gender Equality and Empowering Women, Environmental Sustainability, Promotion of Sports, Contributions to Central/State run developmental programs, Protection of National Heritage, Art and Culture, Rural Development Projects and activities as permitted under Companies Act, 2013. Overview of some of the programs undertaken during FY 2016.

Federal Skill Academy

As part of the Corporate Social Responsibility initiatives, Bank started the Federal Skill Academy on Founder's Day to impart quality technical education to merit oriented candidates coming from economically underprivileged background. Placement assistance was also provided and candidates who came out successful in the interviews have been shortlisted for offers at leading organizations like ESSENCO, Bluestar, Bosch, Sanrupti Engineers Pvt Ltd etc. The students during the three month certification course underwent a rigorous training program in soft skills improvement and technical skills along with industry exposure to attain the IAPMO Certification which is recognized worldwide

Assistive Technology Center – NISH (National Institute of Speech and Hearing)

Federal Bank had partnered with National Institute of Speech and Hearing (NISH)-Thiruvananthapuram to set up an Assistive Technology Center at NISH for people having difficulties in speech and hearing. The Centre for Assistive Technology and Innovation (CATI) at NISH strives to meet the Assistive Technology needs of persons with disability, especially the accommodation and accessibility needs of students and clients of NISH. NISH-CATI envisages creating a full-fledged NISH Assistive Technology Program (NATP) comprising need assessment, device demo, lending, training, financing, reutilisation, service, and research, to provide AT solutions for the education, employment, and independent living of persons with disability. This centre will be developed on the lines of such centres in US universities and AT provider facilities.

- Bandhan – Adoption of Schools: Through Bandhan, Bank could adopt and associate with more than 1200 needy schools where in the first phase were supplied with drinking water facility as a CSR initiative. Later many projects were launched to improve sanitation, infrastructure and other facilities to the adopted schools. Last year we had constructed/renovated close to 60 toilets as well as provided clean drinking water to the adopted schools. The project was done in alignment with the Swacch Bharat/Vidyalaya mission of the Government. The activity would be continued this year as well to build more toilets/

parks/ setting up computer labs/ libraries/provide clean drinking water to the adopted schools those lack primary facilities.

- SEED – Student Empowerment for Environment Development: To build awareness amongst student fraternity to conserve the earth's natural resources, Federal Bank along with Mathrubhumi launched the SEED Programme. 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 last four years.

- Palathulli - Rain water Harvesting

Environment conservation is one of the priority areas where your Bank has invested its CSR funds and Palathulli is a unique endeavor aimed at improving ground water levels through innovative means. The project in which we have partnered with leading media house Malayala Manorama aims to address drought related issues through systematically allowing rain water to seep in to the soil to improve water table. The project was implemented through a holistic partnership consisting of different communities in the public, private and education sector. As awareness building is one of the core activities that ensure success of any program, we used our wide Branch network (595) in Kerala to promote the importance of Palathulli program in educational institutions, local bodies, local Offices.

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

- Federal Bank Speak for Kerala & Speak for Karnataka: Bank has launched a state-wide student debating competition in Kerala and under the auspices of Federal Bank Hormis Memorial Foundation Trust in the year 2014-15. This youth engagement initiative, which lasted for four months attended by more than 40000 students, provided platform for the college students in Kerala and Karnataka, right from the block level upwards, to showcase their reasoning talents that take them forward in the path of self development. The event gave a unique opportunity to college students to prove their mettle and nurture their



debating, communication skills and thereby increase their self confidence. The winner of the Grand Finale was awarded with the "Federal Bank – Kerala Youth of the Year 2015-16' Trophy and Federal Bank – Karnataka Youth of the Year 2015-16' Trophy, respectively, apart from Scholarships.

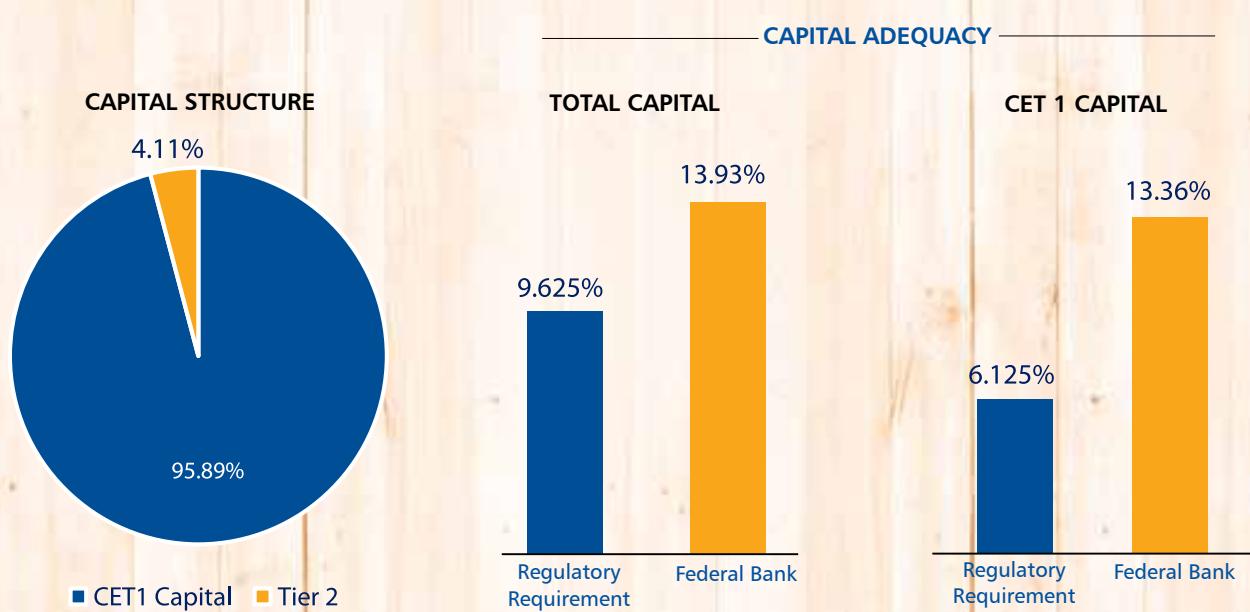
Federal Bank Hormis Memorial Foundation

Federal Bank Hormis Memorial Foundation Trust provides scholarships to needy students for pursuing professional courses for the last many years. During the year 2015-16 year the trust offered assistance to 100 meritorious students, 20 students each in the categories – Medicine, Engineering, BSc (Agri), BSc. (Nursing) & MBA. The Foundation Trust under the patronage of Federal Bank hosts a popular series of annual lectures by eminent personalities on contemporary issues of relevance for general enlightenment and edification of the masses. The Hormis Memorial Lecture Series was instituted for the purpose of creating a window for society to learn about the developments in various fields (primarily Finance and Banking) right from the luminaries who were thought leaders in such fields. During the year 2015-16, 14th Annual lecture was delivered by Shri. Raghuram Rajan, Hon. Governor, Reserve Bank of India on the topic 'Financial Sector Reforms in India: The Past and the Future'.



Robust Capital Structure

As on 31.03.2016, Federal Bank has a CET1 Capital adequacy of 13.36% against the total CET1 minimum requirement of 6.125%, which shows the strength of the bank to meet any unforeseen events and support the business growth. The Bank has sufficient headroom to raise various forms of Basel III compliant capital instruments and is well capitalized with Capital Adequacy Ratio of 13.93% (including Tier I capital of 13.36% and Tier II capital of 0.57%) which is well above the current regulatory requirement.



CORPORATE GOVERNANCE*

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

Corporate Objective of the Bank

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

The Code of Corporate Governance was last amended in the Board Meeting held on 10 March 2016, incorporating the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Agreement"). A copy of the Code is available on request for the members of the Bank, and relevant portions are available on the website of the Bank.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, Listing Agreement, and the Code of Corporate Governance adopted by the Bank. The Board comprises of 10 Directors as on 31 March 2016 with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, management, risk management, accountancy, economics, MSME, finance, SSI, agriculture, treasury, investments, governance, compliance, strategic planning and information technology.

Prof. Abraham Koshy ceased to be the Chairman & Director of the Board of the Bank w.e.f 18 May 2015 after completing his tenure of eight years on the Board of the Bank. Mr. Abraham Chacko, erstwhile Executive Director, ceased to be a member of the Board of the Bank w.e.f. 01 May 2015, after completing his tenure. The Board places its appreciation for the valuable contributions made

by them for the overall development of the Bank.

Mr. C Balagopal was appointed as an Additional Independent Director with effect from 29 June 2015.

Mr. Ashutosh Khajuria was appointed as Executive Director on the Board of the Bank, with RBI approval, with effect from 28 January 2016.

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

Mr. Shyam Srinivasan, MD &CEO of the Bank was re-elected as the Director of the Bank at the 84th Annual General Meeting held on 29 June 2015.

No relationship exists between the Directors of the Bank.

Mr. Shyam Srinivasan, MD &CEO of the Bank is liable to retire at this AGM as per the Companies Act, 2013. Mr. C Balagopal was appointed as Additional Directors of the Bank, and has been recommended for appointment as Independent Director in the 85th Annual General Meeting.

Nine Board Meetings were held during the Financial Year ended 31 March 2016. The dates of the Board Meetings were 29 April 2015, 16 May 2015, 28 & 29 June 2015, 18 July 2015, 5 September 2015, 20 October 2015, 18 & 19 December 2015, 12 January 2016, and 10 & 11 March 2016.

Attendance Details of the Board meetings of the Directors as on 31 March 2016 is given below.

Name of Director	No of Board Meetings attended/ held during the year 2015-16.	Attendance at Last AGM held on 29 June 2015
Mr. Nilesh S Vikamsey	9/9	Present
Mr. Sudhir M Joshi	9/9	Present
Mr. K M Chandrasekhar	9/9	Present
Mr. Dilip G Sadarangani	9/9	Present
Mr. Harish H Engineer	8/9	Present
Ms. Grace Elizabeth Koshie	9/9	Present
Ms. Shubhalakshmi Panse	8/9	Present
Mr. Shyam Srinivasan	9/9	Present
Mr. Abraham Chacko \$	1/9	Present
Mr. C Balagopal ^	7/9	N.A
Mr. Ashutosh Khajuria#	1/9	N.A
Prof. Abraham Koshy*	2/9	N.A

*Prof. Abraham Koshy ceased to be a Director w.e.f. 18 May 2015

\$Mr. Abraham Chacko ceased to be a Director w.e.f. 01 May 2015

#Mr. Ashutosh Khajuria appointed as Executive Director on the Board of the Bank with RBI Approval on 28 January 2016,

^ Mr. C Balagopal appointed as Additional Independent Director on the Board of the Bank w.e.f 29 June 2015

* (Forming part of the Directors' Report for the year ended 31 March 2016)

Note:

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

Name of the Director	Name of the Company (Directorship in other Indian Public Limited Companies)	Name of Committees in other Indian Public Limited Companies*	Chairman/ Member in other Indian Public Limited Companies
CA. Nilesh S Vikamsey	IIFL Holdings Limited	Audit Committee	Chairman
	SBI Life Insurance Company Ltd	Audit Committee	Chairman
		Policy Holder Protection Committee	Member
	IIFL Wealth Management Ltd	Audit Committee	Chairman
	Navneet Education Ltd	Audit Committee	Member
	IIFL Facilities Services Limited	Audit Committee	Member
Ms. Shubhalakshmi Panse	Thomas Cook (India) Ltd.	Audit Committee	Chairman
	IL&FS Financial Services Ltd	Audit Committee	Member
	L&T IDPL	Audit Committee	Member
	Chola MS General Insurance Ltd	Audit Committee	Member
Mr. Sudhir M Joshi	KSK Energy Ventures Ltd	Audit Committee	Member
	Cyber Tech Systems & Software Ltd.	Audit Committee	Chairman
		Grievance Committee	Chairman
	Clearing Corporation of India Ltd	Audit Committee	Member
		Grievance Committees	Member
Ms. Grace Elizabeth Koshie	Firstsource Solutions Ltd	Audit Committee	Member
Mr. Dilip G Sadarangani	Fedbank Financial Services Ltd	Audit Committee	Member
Mr. Harish H Engineer	Barclays Investments and Loans (India) Ltd	Subsidiary Audit Committee	Member
	Infrastructure Leasing and Financial Services Ltd	Audit Committee	Member
	HDFC Property Ventures Ltd.	Audit Committee	Chairman
	Peerless Funds management Company Ltd.	Audit Committee	Member
	Birla Sunlife Pension Management Ltd.	Audit Committee	Member
Mr. Shyam Srinivasan	IDBI Federal Life Insurance Company Limited	Audit Committee	Member
		Policy Holder Protection Committee	Member
	Fed bank Financial Services Ltd	Audit Committee	Member
Mr. K M Chandrasekhar	Nil	Nil	Nil
Mr. C Balagopal	Nil	Nil	Nil

*As per Section 26 (1) of the Listing Agreement chairmanships/ memberships of the Audit and Investor's Grievance, Share Transfer and Stakeholder Relationship Committee of relevant Public Limited Companies are given above.

Board Procedure

All the matters included in the Agenda for discussion in the Board/Committees of Board are backed by comprehensive background information to enable the Board/Committee to take informed decisions. Agenda papers are generally circulated in advance prior to the meeting of the Board/Committee. Also the Board/Committee agenda contains the Action Taken Report of the directions taken at previous meetings. The members of the Board exercise due diligence in performance of their functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment. The Board of Directors of the Bank also periodically review the compliance report of applicable laws to the Bank and steps are being taken by the Bank to rectify any instances of non-compliances. The Board of the Bank also ensures that proper plans are put in place for orderly succession of appointment to the Board and to senior management of the Bank.

The Board consists of not less than 51% of Board of Directors as Non-Executive Directors with two Women Directors. The Board consists of at least one third of Directors as Independent Directors and the Chairman of the Board is a Non-Executive Independent Director.

Remuneration to Directors

Mr. Shyam Srinivasan, MD & CEO, was paid ₹ 11,150,776 (gross) and Mr. Ashutosh Khajuria (Executive Director) who joined the Board as Executive Director from 28 January 2016, was paid ₹ 10,229,474 (gross), as remuneration for the year in accordance with the terms and conditions approved by Reserve Bank of India. Mr. Abraham Chacko erstwhile Executive Director, who retired w.e.f 01 May 2015 was paid ₹ 12,46,665.00 (gross), as remuneration for the year FY 2016.

During the year the remuneration of Mr. Shyam Srinivasan was revised to ₹ 1,20,00,000/- plus perquisites with effect from 23 September 2015 with the approval of RBI. Although revised remuneration was approved by RBI from 23 September 2015, Mr. Shyam Srinivasan, MD & CEO has not availed the revised remuneration so far. Mr. Shyam Srinivasan, MD & CEO was paid a variable pay ₹ 20,00,000/- for FY 2014-15 with the approval of RBI. Mr. Abraham Chacko erstwhile Executive Director, who retired w.e.f 01 May 2015 was paid a variable pay of ₹ 7,00,000/- for FY 2014-15, with the approval of RBI.

a) No pecuniary relationship / transaction exists for Independent Directors/Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings/ monthly remuneration during the year as per law. The Independent

Directors of the Bank also had no pecuniary relationship with the Bank, its subsidiary or associate company or their promoters or directors during the two immediately preceding financial years.

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

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

Sl. No	Name of Directors	Sitting fee paid to In- dependent Directors for FY 2015-16
1.	Mr.Nilesh S Vikamsey#	₹ 17,00,000
2.	Mr. Sudhir M Joshi	₹ 21,00,000
3.	Mr. K. M. Chandrasekhar	₹ 15,60,000
4.	Mr. Dilip G Sadarangani	₹ 14,40,000
5.	Mr. Harish H Engineer	₹ 14,00,000
6.	Ms. Grace Koskie	₹ 16,50,000
7.	Ms. Shubhalakshmi Panse	₹ 13,90,000
8.	Mr. C Balagopal	₹ 10,15,000
9.	Prof. Abraham Koshy*	₹ 9,23,548
Total		₹ 1,31,78,548

*Mr. Nilesh S Vikamsey, Chairman of the Board was paid sitting fees for attending Board /Committee meetings in addition to an amount of ₹1.25 lakhs per month as remuneration, as approved by the Board and RBI with effect from 02 March 2016.

*Prof. Abraham Koshy, former Chairman of the Board was paid sitting fees for attending Board /Committee meetings in addition to an amount of ₹1.25 lakhs per month as honorarium, as approved by the Board, RBI and shareholders.

RBI vide letter no. DBR.No.BC.97/29.64.001/2014-15 dated 01 June 2015 had advised all private sector banks to formulate and adopt a comprehensive compensation policy for the non-executive Directors (other than the Part Time Chairman) in compliance with the provisions of the Companies Act, 2013. A new Policy named Comprehensive Compensation Policy for Non Executive Directors/ Independent Directors (other than Part Time Chairman) has been framed and approved by the Board and is available at the weblink mentioned below.

<http://www.federalbank.co.in/shareholder-information>

The details of remuneration paid to Mr. Shyam Srinivasan, MD & CEO and Mr. Ashutosh Khajuria, Executive Director during the FY 2015-16 are as under:

	Mr. Shyam Srinivasan* MD & CEO ^{ss} (₹)	Mr. Ashutosh Khajuria* ED & CFO (₹)
Basic Pay	6999960	6312504
House Rent Allowance	Furnished accommodation provided	Furnished accommodation provided
Servant Wages	60000	NA
Drivers Wages	NA	201000
Subscription to periodicals	NA	NA
Medical Expenses		
Premium on Mediclaim Policy		
Leave Encashment	Nil	541667
Leave Travel Concession	Nil	250000
Bonus/Ex-gratia/Others	2005000	655000
Other perquisites	2085816	2269303
Total	11150776	10229474

* Paid with the approval of RBI

Note: 1. % - pertains to MD was paid a variable pay /performance linked incentive of ₹ 20,00,000/- to MD with RBI approval for FY 2014-15.

2. No stock options were granted to MD &CEO, Executive Director (Mr. Ashutosh Khajuria after becoming Executive Director) during FY 2016.

3. ^{ss} Although revised remuneration was approved by RBI from 23 September 2015, Mr. Shyam Srinivasan, MD & CEO has not availed the revised remuneration so far.

4. Mr. Abraham Chacko was paid ₹ 7,00,000/- has variable pay with RBI approval for FY 2014-15.

5. In addition to above provident fund of ₹ 699996 was paid to Mr. Shyam Srinivasan, MD & CEO and ₹ 631250 was paid to Mr. Ashutosh Khajuria during FY 2016.

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

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

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

All the Independent Directors of the Bank satisfy the criteria of Independence as contained in the Banking Regulation Act, 1949, RBI Regulations, Companies Act, 2013 and as per the Listing Agreement. The present tenure of Independent Directors of the

Bank is subject to Regulation 10A of the Banking Regulation Act, 1949 and also subject to the tenure fixed for appointment of all the Independent Directors of the Bank by the shareholders / Board.

During the Financial Year 2015-16 only one director, Mr. C Balagopal was appointed as the Additional Independent Director of the Bank.

Separate meeting of Independent Directors and Familiarization Programme

A separate meeting of the Independent Directors of the Bank was held on 10 March 2016 to review the performance of the management during the year. In the meeting of Independent Directors, evaluation / review of the performance of non-independent directors of the Bank, the Board/ Committees of Board and the review of the performance of the Chairperson of the Bank were also considered. The meeting also assessed the quality, quantity and timeliness of flow of information between the Bank's management and the Board, that is necessary for the Board to effectively and reasonably perform their duties. All the Independent Directors were present at the meeting.

The Bank familiarizes the Independent Directors with their roles, rights and responsibilities in the Bank at the time of appointment and also on a continual basis. The Bank also familiarizes the Independent Directors with the nature of the industry in which the Bank operates, business models and other important matters relating to Bank's business. The details of the familiarization programme/training given to Directors of the bank for FY 2015-16 are disclosed in the Bank's website: <http://www.federalbank.co.in/documents/10180//5471355//Familiarisation+Program+for+Independent+Directors/213ebc6b-7a8e-4f36-9ba3-1d913a62d3c2>

The roles, rights and responsibilities of Independent Directors are disclosed in the Bank's website and a weblink thereto is: <http://www.federalbank.co.in/documents/10180/45777//Corporate+Governance.pdf/e5b848c8-8bc4-480e-a7dd-33db81258edb>

Directors' shareholding including shareholding of non-executive directors of the bank

Name of the Director	No. of Shares held as on 31-03-2016
Mr. Shyam Srinivasan, MD & CEO	71,500
Mr. Ashutosh Khajuria, ED	42,000

None of the Non-Executive / Independent Directors hold shares of the Bank as on 31.03.2016

Audit Committee

The Audit Committee consists of four non-executive, Independent Directors, chaired by Ms. Grace Elizabeth Koshie, a Non-Executive Independent Director. The members of the Committee are Mr. Nilesh S Vikamsey, Mr Dilip G Sadarangani, and Ms. Shubhalakshmi Panse who are Non-Executive Independent Directors. The Committee was re-constituted once in the financial year 2015-16.

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

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

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

1. Review the company's financial and risk-management policies, and, where necessary, recommend changes for the Board's approval;
2. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems
3. Review periodically the adequacy of internal control systems (including the asset-liability management and risk-assessment and management systems) with the management and external and internal auditors, assure itself that the systems are being effectively observed and monitored, and, where necessary, approve changes or recommend changes for the Board's approval;
4. Review the adequacy of the internal audit function, including the structure of the internal audit department, staffing, and the suitability and seniority of the official heading it, reporting structure coverage, and the frequency of internal audit, and, where necessary, approve changes;
5. Discussion with internal auditors of any significant findings and follow up there on.
6. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board
7. Review and have oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible, and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be;
8. Recommend to the full Board for shareholders' approval, the appointment, reappointment, removal, or replacement and terms of appointment of auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit.
9. Approve the terms of engagement of the services of the external/statutory auditors for rendering any other professional services to the Bank and the fee therefore;
10. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, and ensure coordination where more than one audit firm is employed.
11. Reviewing and examine with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - i) any changes in accounting policies and practices
 - ii) major accounting entries involving estimates based on the exercise of judgment by management
 - iii) significant adjustments made in the financial statements arising out of audit findings;
 - iv) compliance with the applicable accounting standards;
 - v) compliance with listing and other legal requirements relating to financial statements, and RBI guidelines and directives, concerning financial policies and statements;
 - vi) to review the company's statement on internal control systems prior to endorsement by the Board
 - vii) the going-concern assumption;
 - viii) disclosure of any related-party transactions, i.e., transactions of the Bank with the Directors, senior executives, their relatives, or associated concerns, that may potentially conflict with the Bank's interests at large; and
 - ix) modified opinion(s) in the draft audit report;
 - x) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
12. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
13. Review with the external auditors, without the presence of the executive directors and Bank officials, and summarize their conclusion (in writing) at a full Board in the presence of the external auditors and without the presence of the management

(Executive Directors, Bank Officials etc.)

- i) The auditors' report on the annual, half-yearly, and quarterly financial statements;
- ii) Their assessment of the internal control and reporting systems and procedures, the quality of the accounting principles applied and significant judgments affecting the statements, and the Bank's compliance with statutory and regulatory requirements, and
- iii) The auditors' long-form audit report and management letter and the management's response, and
- iv) Any concerns of the auditors with respect to the said systems and procedures, the financial statements, any aspect of compliance, or any other matter arising from or related to the audit;
- 14. Discuss with the management the auditors' report and assessment, their qualifications and concerns, if any, and the management's response to the auditors' management letter and long-form audit report;
- 15. Review with the management, and if necessary with the external auditors, any inspection or other report of RBI on the Bank or other communication from RBI on the audit, internal controls, financial reporting, or other aspects of the Bank falling within the remit of the Committee, and the management's response thereto;
- 16. To review and oversight the functioning of the Whistle Blower mechanism.
- 17. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- 18. Approval or any subsequent modification of transactions of the Bank with related parties;
- 19. Valuation of undertakings or assets of the Bank, wherever it is necessary;
- 20. Evaluation of internal financial controls and risk management systems.
- 21. Monitoring the end use of funds raised through public offers and related matters.
- 22. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- 23. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- 24. Scrutiny of inter-corporate loans and investments, if any;
- 25. To consider and approve/grant omnibus approval for certain Related Party Transactions;
- 26. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.
- 27. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- 28. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- 29. Review arrangements by which staff of the bank may confidentially raise concerns about possible improprieties in matters of financial reporting.
- 30. The Audit Committee of the Board shall:
 - i) ensure that senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner;
 - ii) address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors, and
 - iii) ensure that deficiencies identified by supervisory authorities related to the internal audit function are remedied within an appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.

Powers of Audit Committee:

The Audit Committee shall have the authority –

- a) to call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board.
- b) to discuss any related issues with the internal and statutory auditors and the management of the company.
- c) to investigate into any matter in relation to the items referred to it by the Board.

- d) to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice.
- e) to have full access to information contained in the records of the Bank

Review of information by Audit Committee as per LODR, Regulations, 2015

The Audit Committee shall mandatorily review the following information:

- i. Management discussion and analysis of financial condition and results of operations;
- ii. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- iii. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- iv. Internal audit reports relating to internal control weaknesses; and
- v. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
- vi. Statement of deviations:

- a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of issue of securities of any nature. (if any)
- b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of issue of securities of any nature. (if any)

Other matters

1. In carrying out its functions as aforesaid, the Committee shall have full access to information contained in the Bank's records and may seek information from any employee of the Bank, or, if considered necessary, obtain outside legal or other professional advice, or discuss with outsiders having the relevant expertise, and thereafter place the same to the Board.
2. The chairperson of the committee shall be present at Annual general meeting to answer shareholder queries.
3. The Company Secretary shall act as the secretary to the Audit committee.
4. The minutes of the Committee meetings and decisions taken by the Committee shall be promptly submitted to the Board.

The Audit Committee met 5 (five) times during the year on 29 April 2015, 17 July 2015, 19 October 2015, 27 November 2015 and 11 January 2016.

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. Nilesh S Vikamsey	5/5
Mr. Dilip G Sadarangani	5/5
Ms. Grace Elizabeth Koshie	5/5
Ms. Shubhalakshmi Panse	5/5

Nomination, Remuneration, Ethics and Compensation Committee

The Committee is chaired by Mr. Sudhir M Joshi, (Independent Director) and consists of Mr Nilesh S Vikamsey and Mr K M Chandrasekhar as members. The Committee was re-constituted twice in the financial year 2015-16. All the members of the Committee are Non Executive Independent Directors. Mr. K M Chandrasekhar was nominated as a member w.e.f. 21 May 2015, consequent to the retirement of Prof. Abraham Koshy. The Committee was re constituted as on 28 June 2015, appointing Mr. Sudhir M Joshi as Chairman of the Committee .

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

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

1. recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors;
2. reviewing, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or the MD & CEO or other Directors, shareholders or others;
3. recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board.
4. carrying out evaluation of every director's performance.
5. deciding on the matter of whether to extend or continue the term of appointment of the independent director, on the

basis of the report of performance evaluation of independent directors.

6. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and independence of a director;
7. devising a policy on diversity of board of directors;
8. recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;

The Committee shall ensure the following while formulating the policy on the aforesaid matters:

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the Bank successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals.
9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and key managerial personnel including performance/achievement bonus, perquisites, retiral fees.
10. Considering grant of Stock Options to employees.
11. Reviewing the composition of the existing Committees of the Board.
12. Formulation of criteria for performance evaluation of Independent Directors and the Board;
13. Validation of 'fit and proper' status of all Directors on the Board of the Bank in terms of the Guidelines issued by the RBI or other regulatory authorities;
14. Developing and recommending to the Board the Corporate Governance guidelines applicable to the Bank for incorporating best practices from time to time;

The Bank is having a compensation policy formulated in accordance with the RBI guidelines and Companies Act, 2013 and approved by the Board. The performance evaluation criteria for Independent Directors is detailed in Directors' Report.

The Committee met 8(Eight) times during the year on 29 April 2015, 21 May 2015, 10 June 2015, 28 June 2015, 18 July 2015, 18

September 2015, 12 January 2016 and 10 March 2016.
Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. Nilesh S Vikamsey	8/8
Prof. Abraham Koshy*	1/8
Mr. Sudhir M Joshi	8/8
Mr. K M Chandrasekhar	7/8

*Prof. Abraham Koshy retired as Director from the Board w.e.f. 18 May 2015.

Investor Grievance, Share Transfer and Stakeholders Relationship Committee

The Committee chaired by Mr. C Balagopal an Independent Director, consists of Mr. Harish Engineer, (Independent Director) Mr. Shyam Srinivasan, MD & CEO of the Bank & Mr. Ashutosh Khajuria, Executive Director as members. The Committee was re constituted twice in the financial year 2015-16 as on 18 July 2015 and 10 March 2016.

Mr. Girish Kumar. G, Company Secretary, functions as the Compliance Officer. The constitution of the Committee is in compliance with the regulatory requirements.

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

1. Review, where necessary, complaints received from shareholders or others regarding transfer of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints;
2. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
3. Approve or reject applications for transfer/transmission of shares referred to the Committee by the Bank's Registrar and Share Transfer Agent in terms of such criteria as may be determined by the Committee and conveyed to the Agent.
4. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Bank, issue of duplicate share certificates;
5. To oversee the performance of the Registrar and Transfer Agent of the Bank
6. Recommends measures for overall improvement in the quality of investor services;

The Committee met 8 (Eight) times during the year and reviewed and redressed the complaints received from shareholders. The

Committee met on 29 April 2015, 30 May 2015, 10 July 2015, 29 August 2015, 12 October 2015, 11 December 2015, 22 January 2016 & 01 March 2016.

The Bank attended to the complaints promptly and to the satisfaction of the shareholders. All the share-transfer applications received up to 31 March 2016 have been processed.

Complaint pending for redressal at the beginning of the year	Total complaints received during the year	Number of complaints redressed	Number of complaints pending for redressal
NIL	49	49	NIL

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. K M Chandrasekhar *	3/8
Mr. Nilesh S Vikamsey §	3/8
Mr. C Balagopal *	5/8
Mr. Harish Engineer *	5/8
Mr. Shyam Srinivasan	8/8
Mr. Ashutosh Khajuria *	0/8
Mr. Abraham Chacko *	1/8

*Mr. K M Chandrasekhar ceased to be a member w.e.f. 18 July 2015.

§ Mr. Nilesh S Vikamsey ceased to be a member w.e.f. 18 July 2015.

*Mr. Abraham Chacko ceased to be a member w.e.f 01 May 2015

*Mr. C Balagopal joined as a member w.e.f 18 July 2015.

*Mr. Harish Engineer joined as a member w.e.f 18 July 2015.

*Mr. Ashutosh Khajuria joined as a member w.e.f 10 March 2016 and there was no meeting FY after 10 March 2016.

Credit Committee & Investment and Raising Capital Committee

The Committee is chaired by Mr. Harish Engineer (Independent Director) and consists of Mr. Sudhir M Joshi, Mr. C Balagopal, (Independent Directors), and Mr. Shyam Srinivasan, MD & CEO of the Bank as members. The Committee was re constituted once in the financial year 2015-16.

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

1. Consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients within such authority as delegated to it by the Board from time to time;
2. Monitor the credit and investment exposures of the Bank, review the adequacy of the credit and investment risk management processes and policies, internal control systems

and compliance of statutory, regulatory and other applicable norms;

3. Periodically review Non Performing Assets of large value (₹ 5 crore and above) and also a pool of NPAs in various categories (substandard, doubtful and loss);
4. Periodically review the large corporate loans and advances appearing in SMA lists;
5. Take note of the details of credit facilities sanctioned by the ED and MD level committees and call for more particulars/ comments/clarifications, if found necessary;
6. Take note of the details of compromise settlements approved by the ED and MD level committees and call for more particulars/ comments/clarifications, if necessary.

The Credit Committee & Investment and Raising Capital Committee met 10 (Ten) times during the year and the dates of meetings were on 14 May 2015, 23 May 2015, 24 June 2015, 06 August 2015, 25 August 2015, 18 September 2015, 12 October 2015, 08 December 2015, 11 January 2016 and 08 March 2016.

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. Sudhir M Joshi	10/10
Mr. Harish H Engineer	10/10
Mr. Shyam Srinivasan	9/10
Mr. C Balagopal*	07/10

* Mr. C Balagopal joined the Committee w. e .f. 18 July 2015.

Risk Management Committee

The Committee is chaired by Mr. Sudhir M Joshi (Independent Director) and consists of Mr Nilesh S Vikamsey, Mrs. Grace Koshie, Mr. K M Chandrasekhar (Independent Directors) and Mr. Shyam Srinivasan, Managing Director & CEO as members. The Committee was re constituted once in the financial year 2015-16.

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

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

1. Devise policy and strategy for integrated risk management for the material risks the Bank is exposed to, in the course of its business. Evolve long term and medium term strategies to ensure business growth while maintaining the risk levels within the approved safe limits;
2. Effectively co-ordinate with the Executive level Committees - the Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO) and Operation Risk Management Committee (ORMC) to ensure effective risk

- management in the organization;
3. Set policies and guidelines for credit risk measurement, management and reporting;
 4. Ensure that the credit risk management processes satisfy the Bank's policy and regulatory prescriptions and is capable of containing the credit risk within the set limits;
 5. Set risk parameters and prudential limits for credit exposure;
 6. Ensure that adequate training is made available to the staff in Credit Risk Management;
 7. Ensure that market risk management processes (including people, systems, operations, limits and controls) satisfy bank's policy and regulatory guidelines;
 8. Review and approve market risk limits, counter party exposures, including triggers or stop-losses for traded and accrual portfolios;
 9. Ensure robustness of financial models, and the effectiveness of all systems used to calculate market risk;
 10. Set policies and guidelines for operational risk measurement, management and reporting;
 11. Ensure that adequate training is made available to the staff handling Operational Risk Management functions;
 12. Consider the effectiveness of overall risk management framework in meeting sound corporate governance principles and best industry practices;
 13. Monitoring and reviewing risk mitigation plans on significant risks, which requires policy or procedure level changes for effective implementation.

The Risk Management Committee met 6 (Six) times during the year and the dates of the meetings were 23 April 2015, 11 June 2015, 26 August 2015, 09 December 2015, 20 January 2016 and 10 March 2016.

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Ms. Grace Elizabeth Koshie	6/6
Prof. Abraham Koshy *	1/6
Mr. Sudhir M Joshi	6/6
Mr. K M Chandrasekhar	6/6
Mr. Shyam Srinivasan	6/6
Mr. Abraham Chacko #	1/6
Mr Nilesh S Vikamsey @	3/6

Mr. Abraham Chacko ceased to be a member w. e. f 01 May 2015

* Prof. Abraham Koshy retired from the Board of the Bank w.e.f. 18 May 2015

@ Mr. Nilesh S Vikamsey joined the Committee w. e. f. 18 July 2015 on reconstitution of Committee.

Customer Service & Marketing Strategy Committee

The Committee is chaired by Mr C Balagopal (Independent Director) and consists of Mr. K. M. Chandrasekhar, Mr. Harish H Engineer, (Independent Directors), Mr. Shyam Srinivasan, MD & CEO of the Bank and Mr. Ashutosh Khajuria, Executive Director as members. The Committee was re constituted twice in the financial year 2015-16. The constitution of the Committee is in compliance with the regulatory requirements.

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

In respect of Customer Service, the key roles & responsibilities of the Committee are provided below:

1. Approving the various policies that relate to customer service ; examples thereof include and are not limited to :
 - Comprehensive Deposit Policy
 - Treatment of death of a depositor for operations in the account
 - Grievance Handling process
 - Collection of cheques
2. Reviewing metrics and indicators that provide information on the state of customer service in the Bank; providing direction to the management of the Bank on actions to be taken to improve the metrics;
3. Reviewing the actions taken/ being taken by the Bank to standardize the delivery of customer experience across all branches;
4. Reviewing results of the surveys conducted that provide quantitative and qualitative information on the state of customer experience;
5. Providing inputs on the products introduced by the Bank with a view to ensure suitability and appropriateness;
6. Monitoring the implementation of the Banking Ombudsman Scheme with particular reference to:
 - Reviewing all the awards against the Bank with a focus on identifying issues of systemic deficiencies and the Bank's plan to address these deficiencies;
 - Reviewing all awards that remain unimplemented after 3 months from the date of the award with the reasons thereof; to report to the Board such delays in implementation without valid reasons and for initiating remedial action;
7. Review, on an overall basis, the customer service aspects in the

Bank on the basis of the detailed memorandum submitted in this regard and report to the Board of Directors thereafter; this is done once every six months and based on the review, the Committee will direct the Bank to initiate prompt corrective action wherever service quality / skills gaps have been noticed;

8. Monitoring the activities of the Standing Committee on Customer Service (executive level committee) on a quarterly basis;

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

1. Reviewing the Bank's marketing strategy, providing direction on areas of focus;
2. Providing direction on the communication strategy and media focus;
3. Reviewing the Bank's progress in implementing the marketing strategy;

The Committee met 3 (Three) times during the year and the dates of the meetings were 18 July 2015, 09 December 2015 and 20 January 2016.

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. C Balagopal	3/3
Mr. K M Chandrasekhar	3/3
Mr. Harish H Engineer	3/3
Mr. Shyam Srinivasan	3/3
Mr. Ashutosh Khajuria #	0/3

#Mr. Ashutosh Khajuria joined the Committee on 10 March 2016 and there were no meeting of the committee after that date.

Committee to Review Large Value Frauds (₹1 Crore & Above)

The Committee is chaired by Mr. Shyam Srinivasan, MD & CEO of the Bank and consists of Mr. Nilesh S Vikamsey, Mr. Dilip G Sadarangani, Ms. Grace Elizabeth Koshie, Ms. Shubhalakshmi Panse (Independent Directors) and Mr. Ashutosh Khajuria, Executive Director as members. As required under the RBI regulations, all fraud cases of ₹ 1 Crore and above are considered by the Committee and as directed by the Audit Committee, all fraud cases of ₹ 1 Lakh and above are reported to this Committee. The Committee was re-constituted once in the financial year 2015-16. Mr Ashutosh Khajuria was nominated as a member of the committee w.e.f. 10 March 2016. The constitution of the Committee is in compliance with the regulatory requirements.

Terms of Reference/ Roles and Responsibilities of the Committee

are:

The major functions of the Committee would be to monitor and review all frauds of ₹ 100 Lakh and above so as to:

- i. Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same;
- ii. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI;
- iii. Monitor progress of CBI/Police investigation and recovery position;
- iv. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time;
- v. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;
- vi. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

All the frauds involving an amount of ₹ 100 lakh and above should be monitored and reviewed by the Committee of the Board. The periodicity of the meetings of the Committee may be decided according to the number of cases involved. In addition, the Committee should meet and review as and when a fraud involving an amount of ₹ 100 lakh and above comes to light.

The Committee met 2 (two) times during the year and the dates of meetings were 06 August 2015 and 19 October 2015.

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. Shyam Srinivasan	2/2
Mr. Nilesh S Vikamsey	2/2
Mr. Dilip G Sadarangani	2/2
Ms. Grace Elizabeth Koshie	2/2
Ms. Shubhalakshmi Panse	2/2
Mr. Ashutosh Khajuria #	0/2

#Mr. Ashutosh Khajuria joined the Committee only on 10 March 2016 and there was no meeting after that date.

Committee for Human Resources Policy

The Committee is chaired by Mr. K M Chandrasekhar (Independent Director) and consists of Mr Nilesh S Vikamsey, Ms. Shubhalakshmi Panse (Independent Directors) and Mr. Shyam Srinivasan, MD & CEO of the Bank as members. The Committee was re constituted once in the financial year 2015-16.

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

1. To review HR Strategy aligning with business strategy of the Bank;
2. To review the existing HR policy of the Bank;
3. To review productivity levels of employees benchmarking with peers in the industry;
4. To review recruitment policy of the Bank;
5. To review compensation policy of the Bank;
6. To review outsourcing Policy of the Bank;
7. To review Talent Development & Training Initiatives;
8. To review Skill gaps and Talent pool creation.

The Committee met four(4) during the year and the dates of the meetings were 11 June 2015, 06 August 2015, 19 October 2015 and 20 January 2016.

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. K M Chandrasekhar	4/4
Mr. Nilesh S Vikamsey@	2/4
Ms. Shubhalakshmi Panse	3/4
Mr. Shyam Srinivasan	4/4
Ms. Grace Elizabeth Koshie #	1/4

@ Mr. Nilesh S Vikamsey was nominated to the Committee on 18 July 2015.

#Ms. Grace Elizabeth Koshie ceased to be a member of the Committee w.e.f 18 July 2015.

Information Technology & Operations Committee

The Committee is chaired by Mr. Dilip G Sadarangani (Independent Director) and consists of Ms. Shubhalakshmi Panse, Ms. Grace Elizabeth Koshie (Independent Directors) and Mr. Shyam Srinivasan, MD & CEO of the Bank as its members. The Committee was re-constituted once during the financial year 2015-16. The constitution of the Committee is in compliance with the regulatory requirements.

Terms of Reference/ Roles and Responsibilities of the Committee are

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

1. Approving IT strategy and policy documents and reviewing the same from time to time;
2. Ensuring that the management has put an effective strategic planning process in place;

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

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

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

The Committee met 4 (four) times during the year. The dates of meetings were 10 July 2015, 23 November 2015, 07 January 2016 and 25 February 2016.

Attendance Details are given below.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. Dilip G Sadarangani	4/4
Mr. Sudhir M Joshi@	1/4
Ms. Shubhalakshmi Panse	3/4
Mr. Shyam Srinivasan	4/4
Ms. Grace Elizabeth Koshie#	3/4

@ Mr. Sudhir M Joshi ceased to be a member of the Committee w.e.f 18 July 2015 on reconstitution of Committee.

#Ms. Grace Elizabeth Koshie was nominated as a member to the Committee w.e.f 18 July 2015.

Corporate Social Responsibility Committee

The Committee is chaired by Mr. Harish Engineer (Independent Director) and consists of Mr. C Balagopal, Mr. K M Chandrasekhar (Independent Directors) and Mr. Shyam Srinivasan, MD & CEO of the Bank as its members. The Committee was reconstituted twice during the financial year 2015-16. Mr C Balagopal was nominated as a member of the committee w.e.f. 18 July 2015 and Mr Ashutosh Khajuria was nominated as a member of the committee w.e.f. 10 March 2016.

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

The CSR Committee shall formulate and recommend to the Board Corporate Social Responsibility Policy which shall indicate the activity or activities to be undertaken by the Bank as specified in schedule VII of the Companies Act, 2013 such as promotion of education, eradicating hunger and poverty, social business projects and contribution to Prime minister's National Relief Fund or any other fund set up by central government for socio-economic development etc. and shall also recommend the amount of expenditure to be incurred on the CSR activities and monitor CSR Policy of the Bank.

- a) The Board shall ensure that the Bank spends in every financial year atleast 2% of the average net profits of the Bank made during the three immediately preceding financial years in pursuance of its CSR policy;
- b) Where the Bank fails to spend such amount, the Board shall in its report specify the reasons for not spending the amount. The approach is to 'comply or explain';
- c) The Bank shall give preference to local areas where it operates, for spending amount earmarked for Corporate Social Responsibility (CSR) activities.

The Committee met 3 (three) times during the year and the dates of meetings were 18 July 2015, 19 October 2015 and 20 January 2016.

Name of the members	No. of meetings attended/ held during 2015-16
Mr. Harish Engineer	3/3
Mr. C Balagopal	3/3
Mr. K M Chandrasekhar	3/3
Mr. Shyam Srinivasan	3/3
Mr. Ashutosh Khajuria#	0/3

#Mr. Ashutosh Khajuria joined the Committee only on 10 March 2016 and there was no meeting after that date.

Performance Review Committee

The Board at its meeting held on 14 June, 2014 had decided to form a sub Committee of the Board, termed as Performance Review Committee. The Committee is chaired by Ms. Shubhalakshmi Panse (Independent Director) and consists of Mr. Sudhir M Joshi, Mr. Dilip G Sadarangani (Independent Directors), Mr. Shyam Srinivasan, MD & CEO and Mr. Ashutosh Khajuria, Executive Director as members, for periodical review of the performance of the Bank. The Committee was reconstituted once in the financial year inducting Mr. Ashutosh Khajuria, Executive Director as member w.e.f 10 March 2016.

The Committee met 4 (four) during the year and the dates of the meetings were 13 April 2015, 11 June 2015, 04 September 2015 and 07 January 2016.

Name of the members	No. of meetings attended/ held during 2015-16
Ms. Shubhalakshmi Panse	4/4
Mr. Sudhir M Joshi	4/4
Mr. Dilip G Sadarangani	4/4
Mr. Shyam Srinivasan	4/4
Mr. Ashutosh Khajuria#	0/4

#Mr. Ashutosh Khajuria joined the Committee on 10 March 2016 and there were no meeting after that date.

Adherence of Code of Corporate Governance and Code of Conduct for all Board Members and Management of The Bank:

The Board of Directors of the Bank has adopted the Code of Corporate Governance and Code of Conduct for the Directors of the Bank and for Management. All the Board members and the senior management of the Bank have affirmed compliance to the Bank's Code of Corporate Governance and Code of Conduct.

Bank's Code of Corporate Governance and Code of Conduct for Directors and Management is posted on the website of the Bank and the web link thereto is <http://www.federalbank.co.in/our-commitments>

Subsidiary Companies

The Bank has one subsidiary company, Fedbank Financial Services Limited. Two Directors of the Bank, Mr. Shyam Srinivasan and Mr. Dilip G Sadarangani are Nominee Directors of the Bank in the Bank's subsidiary Company. The Bank has no material subsidiaries as per the conditions laid down in the Listing Agreement.

Whistle Blower Policy/Vigil Mechanism:

The Bank has established a Whistle Blower Policy/ Vigil Mechanism

to report concerns about unethical behaviour, actual or suspected fraud and others. As per the Whistle Blower Policy, Directors and employees of the Bank, customers, stakeholders, non-governmental organizations (NGO) and members of general public can lodge complaints/disclosures under the scheme. The Bank affirms that no employee has been denied access to the Audit Committee of the Board under the Whistle Blower Policy adopted by the Bank. Preventive measures for enhancing awareness of fraud risk and for promoting a culture of compliance among the employees preventive vigilance audits, vigilance workshops, circulation of modus operandi of frauds occurred in banking industry etc are done.

Information relating to last three General Body Meetings is furnished below:

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
82nd Annual General Meeting	Saturday, 20 July 2013 at 10 A M	Mahatma Gandhi Municipal Town Hall, Aluva	No Special Resolution
83rd Annual General Meeting	Thursday, 17 July 2014 at 10 A M	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for a) Approval for extension of vesting period for the Grant 2011, from four years to four and half years(modified from 08th April 2015 to 08th October 2015) b) Increase of the Borrowing power of the Bank to ₹ 3000 Crore over and above the Paid up Capital and free reserves of the Bank pursuant to section 180 (1) (c) of the Companies Act,2013
84th Annual General Meeting	Monday, 29 June,2015 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for Approval for issue of Bonus Shares to the Shareholders of the Bank.

No special resolution was passed during the financial year through postal ballot. No special resolution is proposed through postal ballot as on date for FY 2016-17 and as and when required it will be looked at separately.

DISCLOSURES

Related Party Transactions

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

There were no material transactions between the Bank and its Directors or management. The Bank complied with the directives

issued by the Stock Exchanges on which the Bank's shares are listed, SEBI, and other regulatory authorities.

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

The Bank does not have any material subsidiary since the Networth

of the subsidiary is less than 20% of the consolidated Networth of the Bank. The Corporate Governance requirements with respect to subsidiary of Listed Entity have been complied.

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

Internal Controls

The Bank has a system of internal control which examines both the financial effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory /regulatory compliances.

Insider Trading Code:

The Bank has formulated a code for prevention of Insider Trading named Federal Bank Code Of Conduct For Regulating, Monitoring & Reporting Trading By Insiders And Code Of Practices And Procedures For Fair Disclosure, pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 to prevent the practices of Insider Trading.

Mr. Girish Kumar Ganapathy, Company Secretary has been designated as Compliance Officer for this purpose. Senior Management of the Bank has affirmed compliance with the Code of Conduct.

The Bank has duly complied with all the mandatory listing agreement requirements specified in Regulation 27 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Agreement").

Adoption of Non-mandatory requirements

The Bank has also complied with the adoption of non-mandatory requirement on separate posts of Chairman and CEO. The Bank presently appoints separate persons to the post of Chairman and Managing Director/CEO.

Ethical Standards Employed By The Bank:

The Bank has formulated service manual for its employees. This manual contains comprehensive regulations on ethical standards to be mandatorily observed by all the employees of the Bank.

Code of Ethics and Business Conduct provides the guidelines on our standards of business conduct and applies to all employees of the Bank. The main objectives of the Code of Ethics of the Bank are Focussing on our customers' needs first, Build more productive, professional work relationships, Promote mutual feeling of respect, Exhibit Integrity and Responsibility in our actions, and to promote culture of compliance. The Bank is obliged to comply with all general laws, local rules and regulations relevant to our activity and is committed to provide a sustainable and attractive long term financial return for those who invest in the Bank's business. The Bank shall be committed to enhance share holder

value and shall comply with all regulations and laws that govern shareholders' right.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date And Likely Impact On Equity:

The Bank has 28049968 GDRs (equivalent to equity shares) outstanding, which constituted 1.63 % of the Bank's total equity capital as at 31 March 2016. No convertible debenture is outstanding.

The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 :

Item	Compliance status (Yes/No/NA)
Details of business	Yes
Terms and conditions of appointment of independent directors	Yes
Composition of various committees of board of directors	Yes
Code of conduct of board of directors and senior management personnel	Yes
Details of establishment of vigil mechanism/ Whistle Blower policy	Yes
Criteria of making payments to non-executive directors	Yes
Policy on dealing with related party transactions	Yes
Policy for determining 'material' subsidiaries	NA
Details of familiarization programmes imparted to independent directors	Yes
Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances	Yes
email address for grievance redressal and other relevant details	Yes
Financial results	Yes
Shareholding pattern	Yes
Details of agreements entered into with the media companies and/or their associates	NA
New name and the old name of the listed entity	NA

II Annual Affirmations

Particulars		Compliance status (Yes/No/NA)
Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility'	16(1)(b) & 25(6)	Yes
Board composition	17(1)	Yes
Meeting of Board of directors	17(2)	Yes
Review of Compliance Reports	17(3)	Yes
Plans for orderly succession for appointments	17(4)	Yes
Code of Conduct	17(5)	Yes
Fees/compensation	17(6)	Yes
Minimum Information	17(7)	Yes
Compliance Certificate	17(8)	Yes
Risk Assessment & Management	17(9)	Yes
Performance Evaluation of Independent Directors	17(10)	Yes
Composition of Audit Committee	18(1)	Yes
Meeting of Audit Committee	18(2)	Yes
Composition of nomination & remuneration committee	19(1) & (2)	Yes
Composition of Stakeholder Relationship Committee	20(1) & (2)	Yes
Composition and role of risk management committee	21(1),(2),(3),(4)	Yes
Vigil Mechanism	22	Yes
Policy for related party Transaction	23(1),(5),(6),(7) & (8)	Yes
Prior or Omnibus approval of Audit Committee for all related party transactions	23(2), (3)	Yes
Approval for material related party transactions	23(4)	NA
Composition of Board of Directors of unlisted material Subsidiary	24(1)	NA
Other Corporate Governance requirements with respect to subsidiary of listed entity	24(2),(3),(4),(5) & (6)	Yes
Maximum Directorship & Tenure	25(1) & (2)	Yes
Meeting of independent directors	25(3) & (4)	Yes
Familiarization of independent directors	25(7)	Yes
Memberships in Committees	26(1)	Yes
Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	26(3)	Yes
Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes
Policy with respect to Obligations of directors and senior management	26(2) & 26(5)	Yes

The required disclosures under SEBI(LODR)Regualtions, 2015 as

noted above is detailed under various portions of Directors Reprot and Corporate Governance Report and compliance has been ensured.

CEO/CFO Certification:

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

We the undersigned, in our respective capacities as Managing Director & Chief Executive Officer and Chief Financial Officer of Federal Bank Limited, to the best of our knowledge and belief certify that:

We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:

- (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of their knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violative of the listed entity's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit committee
 - (1) significant changes in internal control over financial reporting during the year;
 - (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

Means of Communication:

The quarterly, unaudited and annual audited financial results were published in nationally circulated newspapers in English, such as, Business Line and Business Standard, and in the regionally circulated Malayalam daily Deepika. The results were also displayed on the Bank's website - www.federalbank.co.in. The website also

contains details of official news releases, presentations made to institutional investors/to the analysts.

General information for shareholders:

ANNUAL GENERAL MEETING

Date	: 11.08.2016
Time	: 10 AM
Venue	: Mahatma Gandhi Municipal Town Hall, Aluva
Financial year	: 01 April 2015 to 31 March 2016
Period of book closure	: 02. 08. 2016 to 11. 08. 2016
Dividend payment date	: 18. 08. 2016

FINANCIAL CALENDAR

Approval of quarterly results for the period ending:

- 30 June 2015 : 18 July 2015
- 30 September 2015 : 20 October 2015
- 31 December 2015 : 12 January 2016
- 31 March 2016 : 29 April 2016

Commodity price risk or foreign exchange risk and hedging activities

To monitor Foreign Exchange risk, Bank has envisaged Forex VaR, NOOP Limit and AGL which are being monitored on daily basis by Risk department. Bank also has Forex policy to define and regulate forex operation taken up by the bank and different level of limits are given in it. Treasury also monitors Foreign assets liabilities gap to hedge it in the market.

Bank hedges its foreign currency position using derivatives including mainly SWAPs and outright Forwards.

Bank is not active in commodity trading and hedging activities.

Listing on Stock Exchanges

The Bank's shares are listed on the Stock Exchanges viz. in National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., and

the Bank's shares were also listed in Cochin Stock Exchange , but as per exit order granted by SEBI to Cochin Stock Exchange Limited vide order dated 23rd December 2014 and the Banks shares are no more listed/traded in Cochin Stock Exchange. The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange.

BSE Scrip Code	: 500469 Scrip ID : FEDBANK
NSE Symbol	: FEDERALBNK
LSE Scrip Code	: FEDS
Demat ISIN Code	: INE171A01029

The annual listing fees for 2015-16 have been paid to all the Stock Exchanges where the shares are listed.

Movements in the market price of the Bank's shares on the National Stock Exchange and BSE

NSE			BSE		
Month	High	Low	Month	High	Low
Apr-15	67.43	60.55	Apr-15	67.43	60.00
May-15	72.95	62.25	May-15	72.83	62.25
Jun-15	75.85	65.05	Jun-15	75.80	65.20
Jul-15	79.80	66.85	Jul-15	79.73	66.95
Aug-15	69.70	59.40	Aug-15	69.70	59.50
Sep-15	66.35	56.30	Sep-15	66.30	56.30
Oct-15	67.25	53.90	Oct-15	67.20	54.00
Nov-15	59.40	52.15	Nov-15	59.45	52.45
Dec-15	59.20	52.55	Dec-15	59.50	52.75
Jan-16	57.15	45.70	Jan-16	57.05	45.65
Feb-16	49.70	41.35	Feb-16	49.80	41.35
Mar-16	52.00	45.75	Mar-16	52.00	45.25

*price has been adjusted post issuance of Bonus Share(1:1)



Registrars and share transfer agent

Integrated Enterprises (India) Ltd.

2nd Floor, Kences Towers,
No.1,Ramakrishna Street,
Off : North Usman Road
T.Nagar, Chennai-600017

Phone No: 044-28140801-03

Fax: 044-28142479

Email: csdstd@integratedindia.in

Debenture Trustee Details:

IDBI Trusteeship Services Ltd.

Asian Building, Ground Floor,
17, R.Kamani Marg,
Ballard Estate, Mumbai- 400 001.
Tel.No.022-40807000, E mail: itsl@idbitrustee.com

Share transfer system

Integrated Enterprises (India) Ltd, the Registrar and Share Transfer Agents looks after the share transfer. The share transfer instruments, as and when received, are duly processed and shares in respect of valid share transfer instruments are transferred in the names of transferees complying with rules in force.

The Bank obtains half yearly certificate of compliance with the share transfer formalities as required under Regulation 40(10) of the Listing Agreement with Stock Exchanges from a Company Secretary in practice, and files a copy of the certificate with the Stock Exchanges where Bank's shares are listed.

As required by SEBI, a Reconciliation of Share Capital Audit is conducted on a quarterly basis by a Practicing Company Secretary and Certificate issued in this regard is forwarded to the Stock Exchanges

Dematerialisation of the Bank's shares

The Paid up Equity Shares of the Bank as on 31 March 2016 is 1718946844 shares. Out of this 1717857994 shares are listed. Of the total listed equity shares of the Bank, 1679816297 shares (97.73%) are held in dematerialized form (In NSDL-1552309367-

90.32%, in CDSL-127506930-7.41%) and 38041697 (2.27 %) are in physical form. Under agreements with National Securities Depository India Ltd (NSDL) and Central Depository Services Ltd (CDSL), the Bank's shares can be and are traded in electronic form. Shares remaining in physical form can be dematerialized for which the share holders are requested to open a Depository Account with the Depository Participants (DP) and to lodge the share certificates along with Demat Request Form with them.

Unclaimed Dividends

Under the Transfer of Unclaimed Dividend Rules, it would not be possible to claim the dividend amount once deposited in Investors' Education & Protection Fund (IEPF). Therefore, shareholders are requested to claim their unpaid dividend, if not already claimed.

The details of unclaimed dividend of last three years are as under:

Sl. No.	Financial Year	Amount of unclaimed Dividend (in ₹) (As on 31 March 2016)
1.	2012-13	1,13,46,462.00
2.	2013-14	1,23,28,870.00
3	2014-15	1,47,16,446.80
	Total	3,83,91,778.80

Share Holding Pattern as on 31 March 2016

Share holder Category	No of Shares	%
Shares held by Custodians and others against which Depository Receipts have been issued	28049968	1.63
Mutual Funds/UTI	438186748	25.49
Financial Institutions/Bank/Insurance Companies	76126928	4.43
Foreign Institutional Investors	455258367	26.48
Bodies Corporate	101187137	5.89
Individual (including NRIs)	362247431	21.08
Any Other(Trust, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate, LLP, Clearing Member)	257890265	15.00
Total	1718946844	100.00

Details of shareholders holding more than 1% of the shares as on 31 March 2016

Sl..No	Name	SHARES	PERCENTAGE
1	WARHOL LIMITED	84723038	4.93
2	AMANSA HOLDINGS PRIVATE LIMITED	73816854	4.29
3	YUSUFFALI MUSALIAM VEETTIL ABDUL KADER .	63153640	3.67
4	FRANKLIN TEMPLETON INVESTMENT FUNDS	62748886	3.65
5	EAST BRIDGE CAPITAL MASTER FUND LIMITED	44569240	2.59
6	INTERNATIONAL FINANCE CORPORATION	37926414	2.21
7	LIFE INSURANCE CORPORATION OF INDIA	37934760	2.21

Sl.No	Name	SHARES	PERCENTAGE
8	BANK MUSCAT S A O G A/C BANKMUSCAT INDIA FUND	33421210	1.94
9	GENERAL INSURANCE CORPORATION OF INDIA	30000000	1.75
10	DEUTSCHE BANK TRUST COMPANY AMERICAS	28049968	1.63
11	HDFC TRUSTEE COMPANY LTD - A/C HDFC MID - CAPOPORTUNITIES FUND	25054000	1.46
12	BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED A/C BIRLA SUN LIFE FRONTLINE EQUI	23128434	1.35
13	M/S REGAL INVESTMENT AND TRADING CO PVT LTD	21784108	1.27
14	MFS INTERNATIONAL NEW DISCOVERY FUND	19401680	1.13
15	DIMENSIONAL EMERGING MARKETS VALUE FUND	17210380	1.00
16	GOVERNMENT PENSION FUND GLOBAL	17160250	1.00
	Total	620082862	36.08

Distribution of Holdings as on 31 March 2016

Shares Category	Share/Debenture Holders		Share/Debenture Amount	
	₹	Number	% to Total	₹
(1)	(2)	(3)	(4)	(5)
Upto 5000		126923	86.13	52887613
5001 - 10000		9570	6.49	34356254
10001 - 20000		6031	4.09	43036044
20001 - 30000		2005	1.36	24550710
30001 - 40000		718	0.49	12801867
40001 - 50000		412	0.28	9306132
50001 - 100000		870	0.59	30573878
ABOVE 100001		833	0.57	1511434346
Total		147362	100	1718946844
				100

Locations

With its Head Office at Aluva, the Bank has a network of 1252 Branches across India as on 31 March 2016.

Address for correspondence: The Federal Bank Ltd.

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

Company Secretary Mr. Girish Kumar Ganapathy

Auditors M/s Deloitte Haskins & Sells, Chennai
 M/s M.P. Chitale & Co, Mumbai

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

Compliance with the Code of Conduct

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

Shyam Srinivasan
Managing Director & Chief Executive Officer
21 June 2016

AUDITORS' CERTIFICATE

To Members of

The Federal Bank Limited

1. We have examined the compliance of conditions of Corporate Governance by THE FEDERAL BANK LIMITED("the Bank"), for the year ended on 31st March, 2016, as stipulated in:
 - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Bank with stock exchange(s)for the period from April 01, 2015 to November 30, 2015.
 - Clause 49(VII)(E) of the Listing Agreements of the Bank with the stock exchange(s) for the period from April 01, 2015 to September 01, 2015.
 - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016and
 - Regulations 17 to 27 (excluding regulation 23(4))and clauses (b) to (i) of regulation 46(2)and para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Bank for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.
3. We have examined the relevant records of the Bankin accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in Clause 49of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) ofregulation 46(2) and para C , D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended 31 March 2016.
5. We state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

For Deloitte Haskins & Sells

Chartered Accountants

(Firm's Registration No. 008072S)

M. Ramachandran

Partner

(Membership No. 16399)

For M P Chitale & Co.

Chartered Accountants

(Firm's Registration No. 101851W)

SanatUlhasChitale

Partner

(Membership No. 143700)

Kochi,
21 June 2016

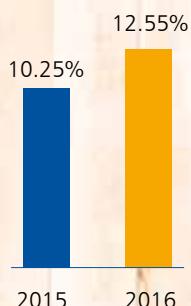


ACCELERATING
NR BUSINESS

Accelerating NR Business

The Bank caters to the NRI diaspora across the globe. The representative office at Abu Dhabi, supported by a team of NRI Relationship Officers continues to be the main source for the bank in bringing new NRI customers. With a large network of remittance partners across the world, the bank brings in more than 12% of India's inward remittances.

Federal Bank's Share in Personal Inward Remittances to India



Federal Experience Center - a first-of-its-kind initiative with International Standards, and 24 X 7 Digital Banking in a high tech, contemporary ambience, spread over a sprawling 5000 sq feet hall.



An exclusive video conference facility that enables customers to interact with the Bank's Relationship Managers from any part of the world. An easy-to-use interface accessible through Bank's website (www.federalbank.co.in), VConnect opens up one more convenient touch point for Federal Bank's customers, especially the NRI clientele, to directly reach out to the Bank officials for availing specialized services on loans, Savings, Investments & Insurance products, and also Wealth Management and Advisory services.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **THE FEDERAL BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information in which are incorporated the returns of 57 branches / offices of the Bank audited by us and 1221 branches / offices audited by the Branch Auditors.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, in so far as they apply to banks and guidelines and directives issued by the Reserve Bank of India from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the

accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the standalone financial statements of the Bank in accordance with the Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the relevant requirements of the Act, in the manner so required for Banking Companies and give a true and fair view in conformity with the accounting principles generally accepted in India, in so far as they apply to banks and guidelines and directives issued by the Reserve Bank of India from time to time, of the state of affairs of the Bank as at 31st March, 2016, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

9. Attention is drawn to note no.1.6.10 of schedule 18 about amortising the shortfall arising from the sale of certain non-per-

forming assets during the year ended 31st March, 2016 over a period of 2 years, in terms of RBI Master Circular DBR. No. BP. BC. 2/21. 04. 048/2015-16 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated July 1, 2015 and the balance outstanding of such shortfall as at 31st March, 2016 of ₹ 86.73 Crore.

Our Opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143 (3) of the Act and sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
- b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
- c) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- d) The reports on the accounts of the 1221 branches / offices audited by branch auditors of the Bank appointed under section 143(8) of the Companies Act, 2013 have been forwarded to us and have been properly dealt with by us in preparing this report;
- e) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- f) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable;
- g) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our report in "Annexure A". Our

report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting;

- i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Bank has disclosed the impact of pending litigations on its financial position in its financial statements— Refer Schedule 12 and Note No.2.9 of Schedule 18 to the standalone financial statements;
 - ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts— Refer Note No.2.10 of Schedule 18 to the standalone financial statements;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For DELOITTE HASKINS & SLELLS

Chartered Accountants
(Firm's Registration No.008072S)

For M P CHITALE & CO.

Chartered Accountants
(Firm's Registration No. 101851W)

M. Ramachandran
Partner
(Membership No.16399)

Sanat Ulhas Chitale
Partner
(Membership No.143700)

KOCHI,
30 April, 2016.

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 10 (h) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

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

We have audited the internal financial controls over financial reporting of **THE FEDERAL BANK LIMITED** ("the Bank") as at 31st March, 2016 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines and directives issued by the Reserve Bank of India.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance

about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

The reports on the adequacy of internal financial controls over financial reporting at the branch offices of the Bank audited by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report.

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

Meaning of Internal Financial Controls Over Financial Reporting

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



Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm's Registration No.008072S)

For M P CHITALE & CO.

Chartered Accountants
(Firm's Registration No. 101851W)

M. Ramachandran
Partner
(Membership No.16399)

Sanat Ulhas Chitale
Partner
(Membership No.143700)

KOCHI,
30 April, 2016.

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT 31 MARCH 2016

हजार रुपयों म
(₹ in Thousands)

पूँजी और क्रण्ड		Schedule A ^{ZgMr}	As at 31 March 2016	As at 31 March 2015
CAPITAL AND LIABILITIES				
पूँजी	Capital	1	3,437,890	1,713,306
अरक्षितियाँ A ^प अधिशेष	Reserves and Surplus	2	77,474,281	75,668,045
Deposits	Deposits	3	791,717,068	708,249,928
Borrowings	Borrowings	4	21,765,666	23,082,411
Other Liabilities and Provisions	Other Liabilities and Provisions	5	19,905,395	19,791,113
On^स	Total		914,300,300	828,504,803
ASSETS				
कानूनी वाताना और अधिकारी	Cash and Balances with Reserve Bank of India	6	37,745,391	33,795,429
बैंकों के लिए बचत वाताना और अधिकारी	Balances with banks and money at call and short notice	7	16,452,709	14,004,536
Investments	Investments	8	222,174,942	205,688,175
Advances	Advances	9	580,901,448	512,849,914
प्रति वार्षिक वाताना	Fixed assets	10	5,199,751	4,666,314
अन्य वाताना	Other assets	11	51,826,059	57,500,435
On^स	Total		914,300,300	828,504,803
विभिन्न वाताना	Contingent liabilities	12	202,535,743	172,148,242
ग्रहित होने वाले चेतावनी	Bills for collection		15,168,300	12,216,604
महत्वपूर्ण खाता	Significant Accounting Policies	17		
वाताना के बिना	Notes on Accounts	18		
संलग्न वाताना	Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants
Firm's Reg.No.008072S

M Ramachandran
Partner
Membership No.016399

Place: Kochi
Date : 30th April, 2016

For M P Chitale & Co.
Chartered Accountants
Firm's Reg.No.101851W

Sanat Ulhas Chitale
Partner
Membership No.143700

Sudhir M Joshi	(DIN : 00349597)
K M Chandrasekhar	(DIN : 06466854)
Dilip G Sadarangani	(DIN : 06610897)
Harish H Engineer	(DIN : 01843009)
Grace Elizabeth Koshie	(DIN : 06765216)
Shubhalakshmi Panse	(DIN : 02599310)
C Balagopal	(DIN : 00430938)

THE FEDERAL BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

हजार रुपयों म
₹ in Thousands)

31 मार्च 2016 का विवरण (बेरोपीय रूपयों में)		Schedule AZ 2016	Year ended 31 March 2016	Year ended 31 March 2015
I. आम	I. INCOME			
आम वार्ता	Interest earned	13	77,446,920	74,194,677
अन्य आम	Other income	14	7,863,781	8,783,059
विनियोग	Total		85,310,701	82,977,736
II. खर्च	II. EXPENDITURE			
वार्ता विवरण	Interest expended	15	52,404,476	50,390,589
नियन्त्रित विवरण	Operating expenses	16	18,668,417	16,309,327
संविधान और संभवता	Provisions and contingencies		9,481,327	6,220,315
विनियोग	Total		80,554,220	72,920,231
III. बर्ष/विवरण	III. PROFIT/LOSS			
विवरण लाभ	Net profit for the year		4,756,481	10,057,505
(नियन्त्रित विवरण) पिछले वर्ष का लाभ	Profit brought forward from Previous Year		10,923,675	7,873,601
			15,680,156	17,931,106
IV. वित्तीय विवरण	IV. APPROPRIATIONS			
विवरण विवरण	Transfer to Revenue Reserve		454,011	1,098,710
कानूनी विवरण	Transfer to Statutory Reserve		1,189,120	2,516,648
नियन्त्रित विवरण	Transfer to Capital Reserve		63,365	287,560
विवरण विवरण (विवरण विवरण)	Transfer to/(from) Investment Reserve Account		(82,119)	462,770
विवरण विवरण	Transfer to Special Reserve		320,000	350,000
विवरण विवरण (विवरण विवरण)	Dividend (including tax/cess thereon) pertaining to previous year paid during the year		1,511	207
विवरण विवरण	Proposed dividend		1,203,289	1,884,643
विवरण विवरण	Tax on proposed dividend		245,274	383,700
विवरण विवरण	Transfer to Share capital pursuant to issue of Bonus shares (Note 2.2 of Schedule 18)		1,715,891	-
विवरण विवरण	Depreciation on Expired assets		-	23,193
विवरण विवरण	Balance carried over to Balance Sheet		10,569,814	10,923,675
विनियोग	Total		15,680,156	17,931,106
विवरण विवरण (विवरण विवरण)	Earnings per Share (Face value of ₹ 2/- each (₹)) (Note 2.1 of Schedule 18)			
विवरण विवरण	Basic		2.77	5.87
विवरण विवरण	Diluted		2.75	5.82
विवरण विवरण	Significant Accounting policies	17		
विवरण विवरण	Notes on Accounts	18		
विवरण विवरण	Schedules referred to above form an integral part of the Profit and Loss account			

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikramsey
Chairman
(DIN:00031213)

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Firm's Reg.No.008072S

M Ramachandran
Partner
Membership No.016399

Place: Kochi
Date : 30th April, 2016

For M P Chitale & Co.
Chartered Accountants
Firm's Reg.No.101851W

Sanat Ulhas Chitale
Partner
Membership No.143700

Directors:
Sudhir M Joshi (DIN : 00349597)
K M Chandrasekhar (DIN : 06466854)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

THE FEDERAL BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
Cash Flow from Operating Activities		
Net Profit before taxes	7,196,481	15,210,405
Adjustments for:		
Depreciation on Bank's Property	1,054,468	745,946
Depreciation on Investments	167,434	(934,725)
Amortisation of Premium on Held to Maturity Investments	353,411	321,114
Provision for Non Performing Investments	634,189	128,600
Provision / Charge for Non Performing Assets	5,553,173	2,043,463
Provision on Standard Assets	295,000	541,000
Withdrawal from floating provision for standard asset	-	(127,500)
(Profit)/Loss on sale of fixed assets (net)	3,406	(2,433)
Provision for Restructured assets	(208,598)	(552,300)
Provision for Other Contingencies	600,129	(31,123)
	15,649,093	17,342,447
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments (excluding Held to Maturity Investments)	(44,185,989)	13,367,861
(Increase)/ Decrease in Advances	(73,604,707)	(80,532,339)
(Increase)/ Decrease in Other Assets	3,216,425	(3,151,994)
Increase/ (Decrease) in Deposits	83,467,140	110,937,111
Increase/ (Decrease) in Other liabilities and provisions	642,488	(287,659)
Direct taxes paid	(377,005)	(6,038,663)
Net Cash Flow from Operating Activities	(15,192,555)	51,636,764
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,602,531)	(1,207,817)
Proceeds from Sale of Fixed Assets	11,220	12,404
(Increase)/ Decrease in Held to Maturity Investments	26,544,187	(12,446,314)
Net Cash Used in Investing Activities	24,952,876	(13,641,727)

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital (ESOS)	8,693	2,687
Proceeds from Share Premium	215,627	107,001
Repayment of Subordinate Debt	-	(300,000)
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(1,316,745)	(33,497,172)
Dividend Paid (Including Tax on Dividend)	(2,269,854)	(1,801,378)
Net Cash generated from financing Activities	(3,362,279)	(35,488,862)
Effect of exchange fluctuation on translation reserve	93	-
Net Increase in Cash and Cash Equivalents	6,398,135	2,506,175
Cash and Cash Equivalents at the beginning of year	47,799,965	45,293,790
Cash and Cash Equivalents at the end of year	54,198,100	47,799,965

Note:

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

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:

For Deloitte Haskins & Sells
Chartered Accountants
Firm's Reg.No.008072S

For M P Chitale & Co.
Chartered Accountants
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Sudhir M Joshi (DIN : 00349597)
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C Balagopal (DIN : 00430938)

M Ramachandran
Partner
Membership No.016399

Sanat Ulhas Chitale
Partner
Membership No.143700

Place: Kochi
Date : 30th April, 2016

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 1 - CAPITAL		
Authorised Capital	5,000,000	5,000,000
250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,440,592	1,716,008
172,02,95,889 (Previous year 85,80,04,242) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,437,894	1,713,310
171,89,46,844 (Previous year 85,66,55,197) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,437,890	1,713,306

Also refer Note 2.2 of Schedule 18



THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	17,404,124	14,887,476
Additions during the year	1,189,120	2,516,648
	18,593,244	17,404,124
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	50,091
b) Others		
Opening balance	2,352,773	2,065,213
Additions during the year*	63,365	287,560
	2,416,138	2,352,773
	2,466,229	2,402,864
III. Share premium		
Opening balance	24,868,958	24,761,957
Additions during the year#	215,627	107,001
	25,084,585	24,868,958
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	14,517,551	13,418,841
Additions during the year	454,011	1,098,710
Deductions during the year	-	-
	14,971,562	14,517,551
b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
	1,897,200	1,897,200
c) Special Reserve (As per section 36(1) (viii) of Income Tax Act)		
Opening balance	2,889,900	2,539,900
Addition during the year	320,000	350,000
	3,209,900	2,889,900
V. Investment Reserve Account		
Opening Balance	462,770	-
Additions during the year	-	462,770
Deductions during the year	(82,119)	-
(Refer Note 1.4.2(d) of Schedule 18)		
	380,651	462,770

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 2 - RESERVES AND SURPLUS (CONTD...)		
VI. Foreign Currency Translation Reserve		
Opening Balance	-	-
Additions during the year [Refer Schedule 17 (4.4)]	93	-
	93	-
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VIII. Balance in Profit and Loss Account	10,569,814	10,923,675
Total	77,474,281	75,668,045
* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on:		
a) Gain on sale of Held to Maturity Investments ₹ 63,365 Thousands (Previous year ₹ 286,163 Thousands)		
b) Profit on sale of Land ₹ NIL (Previous year ₹ 1,397 Thousands)		
# - Represents amount received on exercise of Employee stock options		
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	1,313,810	787,120
ii. From Others	44,990,025	39,778,774
	46,303,835	40,565,894
II. Savings Bank Deposits	214,222,059	177,269,068
III. Term Deposits		
i. From Banks	5,139,728	24,384,519
ii. From Others	526,051,446	466,030,447
	531,191,174	490,414,966
Total	791,717,068	708,249,928
B. I. Deposits of branches in India	791,717,068	708,249,928
II. Deposits of branches outside India	-	-
Total	791,717,068	708,249,928
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks #	472,000	322,000
iii. Other institutions and agencies ##	16,694,986	19,638,127
	17,166,986	19,960,127
II. Borrowings outside India	4,598,680	3,122,284
Total	21,765,666	23,082,411
Secured borrowings included in I and II above	8,120,683	3,181,169

Includes Subordinated Debt of ₹ 322,000 Thousands (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible debentures (included in Tier - II capital).

Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 1,678,000 Thousands (Previous Year ₹ 1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier - II capital).



THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	93,265	189,506
II. Inter - office adjustments (Net)	2,149,956	2,227,182
III. Interest accrued	2,324,723	2,170,039
IV. Others (including provisions)*	15,337,451	15,204,386
Total	19,905,395	19,791,113
*Includes :-		
(a) Contingent provision against standard assets	3,164,281	2,869,281
(b) Proposed Dividend	1,203,289	1,884,643
(c) Tax on Proposed Dividend	245,274	383,700
(d) Deferred Tax Liability (Net)	-	394,957
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	5,577,729	6,555,687
II. Balance with Reserve Bank of India		
i. in Current Accounts	32,167,662	27,239,742
ii. in Other Accounts	-	-
Total	37,745,391	33,795,429
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	4,623,025	1,922,567
b. in Other Deposit Accounts	507,000	3,112,480
ii. Money at call and short notice		
a. With Banks	-	2,000,000
b. With other institutions	-	-
Total	5,130,025	7,035,047
II. Outside India		
i. in Current Accounts	390,609	719,489
ii. in Other Deposit Accounts	10,932,075	6,250,000
iii. Money at call and short notice	-	-
Total	11,322,684	6,969,489
Grand Total (I and II)	16,452,709	14,004,536

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ## **	170,039,703	168,760,964
ii. Other approved Securities	-	-
iii. Shares	1,554,363	1,579,257
iv. Debentures and Bonds	16,990,389	7,965,452
v. Subsidiaries/ Joint Ventures	3,980,000	3,980,000
vi. Others @	29,603,955	23,402,502
Total	222,168,410	205,688,175
II. Investments outside India - Shares	6,532	-
Grand Total (I and II)	222,174,942	205,688,175
Gross Investments		
In India	223,239,901	205,988,251
Outside India	8,141	-
	223,248,042	205,988,251
Depreciation/ Provision for Investments		
In India	1,071,491	300,076
Outside India	1,609	-
	1,073,100	300,076
Net Investments		
In India	222,168,410	205,688,175
Outside India	6,532	-
	222,174,942	205,688,175

Securities costing ₹ 41,341,696 Thousands (Previous Year ₹ 53,495,978 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

** Net of Repo borrowing of ₹ 29,380,000 Thousands (Previous Year ₹ 24,336,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements

@ Includes:

(₹ in Thousands)

Particulars	As at 31 March 2016	As at 31 March 2015
Pass through certificates (PTCs)	63,573	928,780
Certificate of Deposits	11,838,290	17,664,316
Commercial Paper	11,092,995	-
Venture Capital Funds (VCFs)	381,198	392,303
Security Receipts	6,227,571	4,416,757
Others	328	346
	29,603,955	23,402,502

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	14,041,982	13,260,651
ii. Cash credits, overdrafts and loans repayable on demand	324,066,663	284,125,237
iii. Term loans	242,792,803	215,464,026
Total	580,901,448	512,849,914
B. i. Secured by tangible assets \$	486,238,853	444,358,695
ii. Covered by Bank/Government guarantees #	21,315,370	25,821,130
iii. Unsecured	73,347,225	42,670,089
Total	580,901,448	512,849,914
C. I. Advances in India		
i. Priority Sectors	185,293,996	173,402,580
ii. Public Sector	5,252,443	35,182,365
iii. Banks	74,739	7,540
iv. Others	387,525,563	304,257,429
Total	578,146,741	512,849,914
II. Advances outside India (Refer note 1.16 of Schedule 18)		
i. Due from Banks	-	-
ii. Due from Others	-	-
a) Bills purchased and discounted	-	-
b) Syndicated Loans	-	-
c) Others	2,754,707	-
Total	2,754,707	-
Grand Total (C I and C II)	580,901,448	512,849,914

\$ Includes Advances against book debts

Includes Advances against L/Cs issued by banks

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	2,297,653	2,263,552
Additions during the year	41,933	35,292
Deductions during the year	-	1,191
Closing Balance	2,339,586	2,297,653
Depreciation		
As at the beginning of the year	741,164	684,730
Charge for the Year	54,938	56,434
Deductions during the year	-	-
Depreciation to date	796,102	741,164
Net Block	1,543,484	1,556,489
b.Other fixed assets (including furniture and fixtures)		
Gross Block		
At the beginning of the year	7,973,192	6,910,217
Additions during the year	1,668,815	1,132,916
Deductions during the year	92,038	69,941
Closing Balance	9,549,969	7,973,192
Depreciation		
As at the beginning of the year	5,129,180	4,465,692
Charge for the year*	999,530	7,24,650
Deductions during the year	77,411	61,162
Depreciation to date	6,051,299	5,129,180
Net Block	3,498,670	2,844,012
II.Capital Work in progress (Including Capital Advances)	157,597	265,813
Total (I & II)	5,199,751	4,666,314

Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,643 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 512,528 Thousands (Previous Year ₹ 520,026 Thousands) with remaining lease period varying from 60 - 72 years.

* - Net of reversal of excess depreciation amounting to ₹ Nil (Previous Year : ₹ 243,498 Thousands) pursuant to change in method of depreciation for certain categories of fixed assets from Written down value (WDV) method to Straight Line method (SLM).

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	4,937,172	5,496,770
III. Tax paid in advance/Tax Deducted at source (Net of provision)	6,298,477	9,311,672
IV. Stationery and Stamps	45,485	34,239
V. Non-banking assets acquired in satisfaction of claims*	15,430	5,953
VI.Others #	40,529,495	42,651,801
Total	51,826,059	57,500,435
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
# Includes		
(a) Priority sector shortfall deposits (Refer Note 1.4.4 (d) of Schedule 18)	33,457,992	38,403,772
(b) Deferred Tax Asset (Net)	555,243	-
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	1,108,668	3,237,495
II. Liability on account of outstanding forward exchange contracts	142,421,170	126,308,293
III. Guarantees given on behalf of constituents - in India	43,996,473	32,601,130
IV. Acceptances, endorsements and other obligations	13,205,034	9,004,087
V. Other items for which the Bank is contingently liable@	1,804,398	997,237
Total	202,535,743	172,148,242

(Refer Note 2.9 of Schedule 18)

@ - includes ₹ 773,328 Thousands (Previous year: ₹ 667,960 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD. No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 1.8.11 of Schedule 18).

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	56,693,108	54,468,334
II. Income on investments (Refer Note 1.4.4 (d) of Schedule 18)	17,596,277	16,496,803
III. Interest on balances with Reserve Bank of India and other inter-bank funds	559,630	623,602
IV. Others*	2,597,905	2,605,938
Total	77,446,920	74,194,677
* - Includes interest on Income tax refunds amounting to ₹ 408,492 Thousands (Previous year ₹ 704,797 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	4,154,707	3,811,456
II. Profit on sale of investments (Net)	1,275,129	2,556,674
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	(3,406)	2,433
V. Profit on foreign exchange transactions (Net)	1,304,908	1,162,068
VI. Income earned by way of dividends etc. from companies in India	34,665	71,756
VII. Miscellaneous income [Includes Recoveries in assets written off ₹ 889,322 Thousands (Previous year ₹ 1,067,534 Thousands)]	1,097,778	1,178,672
Total	7,863,781	8,783,059
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	50,614,000	46,275,055
II. Interest on Reserve Bank of India/Inter bank borrowings	89,818	587,683
III. Others	1,700,658	3,527,851
Total	52,404,476	50,390,589
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	10,528,542	8,919,615
II. Rent, taxes and lighting	2,033,856	1,841,525
III. Printing and stationery	170,859	169,076
IV. Advertisement and publicity	45,536	389,984
V. Depreciation on Bank's property*	1,054,468	745,946
VI. Directors' fees, allowances and expenses	17,223	19,864
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	73,642	69,195
VIII. Law charges	83,475	72,781
IX. Postage, Telegrams, Telephones etc	468,985	454,936
X. Repairs and maintenance	558,496	466,148
XI. Insurance	736,995	621,941
XII. Other expenditure#	2,896,340	2,538,316
Total	18,668,417	16,309,327

* - Net of reversal of excess depreciation - ₹ Nil (Previous Year: ₹ 243,498 Thousands) pursuant to change in method of depreciation for certain categories of fixed assets from written down value (WDV) method to straight line method (SLM).

- Includes expenditure on Corporate Social Responsibility ₹ 123,027 Thousands (Previous Year: ₹ 72,772 Thousands)

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SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

1 Background

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1278 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The bank is governed by the Banking Regulation Act, 1949 and other applicable Acts/ Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange.

During the Year, the bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except in the case of interest income on Non- Performing Assets where it is recognised upon realisation, as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

The Ministry of Corporate affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. As per Clarification issued by Institute of Chartered Accountants of India dated 26th April, 2016, the said notification is applicable to accounting periods commencing on or after the date of notification i.e. 1st April, 2016. Hence the

said notification has not been considered in the preparation of the financial statements.

3. Use of estimates

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

4. Significant accounting policies

4.1 Advances

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

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

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

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

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under Schedule 5 – Other Liabilities in the Balance Sheet.

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

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

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non- performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

4.2 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

4.3 Investments

Classification

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

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

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

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

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

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- a) Held for Trading/Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market. The market/

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

- b) Held to Maturity— These are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d) Units of Mutual Funds are valued at the latest repurchase price/ net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
 - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case

the latest Balance Sheet is not available, the shares are valued at Re. 1/- per company;

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.
- f) Investments in subsidiaries/associates are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.
- g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.
- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

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

Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities [excluding transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby facility ('MSF') with RBI] are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

In respect of Repo transactions under LAF and MSF with RBI,

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amount borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse Repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

Short Sales

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

4.4 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (IBU at GIFT city) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non- Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on

present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the Profit and Loss Account.

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

4.5 Derivative transactions

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

4.6 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

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

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvement to leased Premises are depreciated over 5 years based on technical evaluation.
- Depreciation on premises revalued has been charged on their

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written-down value including the addition made on revaluation.

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

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

4.7 Impairment of Assets

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

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

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

4.8 Non-Banking Assets

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

4.9 Cash and Cash Equivalents

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

4.10 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.

- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income.

4.11 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

4.12 Retirement and other employee benefits

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees' Provident Fund, administered by the trustees is charged to the Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on Projected Unit Credit Method as on the Balance Sheet date and is recognised in the accounts.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory

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Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Profit and Loss account.

c) Gratuity

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

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

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

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

e) Other employee Benefits

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

4.13 Debit card reward points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said

independent Actuary.

4.14 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

4.15 Taxation

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

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Bank will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on

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income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

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

4.16 Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

4.17 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4.18 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is vir-

tually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

4.19 Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

4.20 CENVAT Credit

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

1. Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in notes forming part of the financial statements for the year ended 31st March, 2016 are denominated in Rupees Crore to conform to extant RBI guidelines.

1.1. Capital Adequacy Ratio

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

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 9.625% (Previous Year 9%) including Capital Conversion Buffer (CCB) at 0.625% (Previous Year Nil), of the total risk weighted assets (RWA). Out of the MTC, at least 6.125% (Previous Year 5.50%), including 0.625% (Previous Year Nil) towards CCB, shall be from Common Equity Tier 1 (CET1) capital and at least 7% (Previous Year 7%) from Tier 1 capital. The capital adequacy ratio of the Bank is set out below:

(₹ in Crore)

Particulars	As at 31 March, 2016	As at 31 March, 2015
Common Equity Tier I	7791.84	7534.23
Tier 1 Capital	7791.84	7534.23
Tier 2 Capital	333.64	330.79
Total Capital	8125.48	7865.02
Total risk weighted assets	58330.10	50888.63
Capital Ratios		
Common Equity Tier 1	13.36%	14.81%
Tier 1 Capital	13.36%	14.81%
Tier 2 Capital	0.57%	0.65%
Total CRAR	13.93%	15.46%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised	-	-
Amount of Additional Tier I Capital raised of which:		
Perpetual Non- Cumulative Preference Shares (PNCPS)	-	-
Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:		
Debt Capital instruments	-	-
Preference Share Capital Instruments:		
[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]		

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank has made these disclosures which are available on its website at the following link: <http://www.federalbank.co.in/regulatory-disclosures>. The Pillar 3 disclosures have not been subjected to audit.

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1.2. The Key business ratios and other information:

Particulars	As at 31st March 2016	As at 31st March 2015
(i) Interest Income as a percentage to Working Funds* (%)	9.21	9.76
(ii) Non-interest income as a percentage to Working Funds* (%)	0.94	1.16
(iii) Operating Profit as a percentage to Working Funds* (%)	1.69	2.14
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.57	1.32
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	12.03	11.15
(vi) Profit per employee (₹ in Crore)**	0.04	0.09

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

** Productivity ratios are based on average employee numbers for the year.

1.3. 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

For the year ended	31st March 2016	31st March 2015
i) Provision towards NPAs *	555.32	204.34
ii) Provision for Depreciation in Value of Investments (Net)	16.74	(93.47)
iii) Provision for Non - Performing Investments	63.42	12.86
iv) Provision for Standard Assets	29.50	54.10
v) Withdrawal from floating provision	-	(12.75)
vi) Provision for Taxation :		
Current Tax	339.02	760.27
Deferred tax	(95.02)	(244.98)
vii) Provision towards Present Value of sacrifice on restructuring,other contingencies etc.	39.15	(58.34)
Total	948.13	622.03

* Net of Floating Provision of ₹ 69 Crore (Previous Year: ₹ Nil) withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

1.4. Investments

1.4.1. Details of Investments:

(₹ in Crore)

Particulars	31st March 2016	31st March 2015
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	22,323.99	24,439.20
(b) Outside India	0.81	-
(ii) Provisions for Depreciation		
(a) In India	29.06	12.48
(b) Outside India	0.16	-

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(₹ in Crore)

Particulars	31st March 2016	31st March 2015
(iii) Provisions for Non-Performing Investments		
(a) In India	78.09	17.53
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	22,216.84	24,409.19
(b) Outside India	0.65	-
(2) Movement of provision held towards depreciation on Investments.		
(i) Opening balance	12.48	105.95
(ii) Add: Provisions made during the year	36.34	5.28
(iii) Less: Write-off/ Write-back of excess provisions during the year	19.60	98.75
(iv) Closing balance	29.22	12.48
(3) Movement of provision for Non Performing Investments (NPIs)		
(i) Opening Balance	17.53	4.67
(ii) Add: Provision made during the year	63.42	12.86
(iii) Less: Write -off/ Write back of excess provisions during the year	2.86	-
(iv) Closing Balance	78.09	17.53

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

- 1.4.2.** a) Investments under HTM (excluding specified investments as per RBI norms) account for 20.72% (Previous year 22.23%) of demand and time liabilities as at the end of March 2016 as against permitted ceiling of 21.50% (Previous Year: 23.50%) stipulated by RBI.
- b) In respect of securities held under HTM category premium of ₹ 35.34 Crore (Previous year: ₹ 32.11 Crore) has been amortised during the year and debited under interest received on Government securities.
- c) Profit on sale of securities from HTM category amounting to ₹ 12.92 Crore (Previous year: ₹ 57.80 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 6.34 Crore (Previous year ₹ 28.62 Crore), [net of taxes and transfer to statutory reserve] to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.
- d) During the year the bank had withdrawn ₹ 8.21 Crore [Net of applicable taxes and transfer to statutory reserve] from Investment Reserve Account on provision for depreciation on Investments, debited to Profit and Loss account.

During the year ended 31st March, 2015 the bank had transferred ₹ 46.28 Crore [Net of applicable taxes and transfer to statutory reserve] to Investment Reserve Account on provision for depreciation on Investments credited to Profit and Loss account.

1.4.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the years ended 31st March, 2016 and 31st March, 2015 under repos/reverse repos :

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(₹ in Crore)

Particulars	Outstanding during the year			Outstanding as on 31/03/2016/ (31/03/2015)
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	- (-)	2,825.00 (2,670.00)	427.76 (1,086.83)	2,825.00 (2,340.00)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under RBI Reverse Repos				
i) Government Securities	- (-)	1,541.00 (400.00)	135.52 (18.27)	- (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
B) Securities sold under Market Repos				
i) Government Securities	- (-)	104.05 (588.96)	10.58 (33.40)	- (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under Reverse Market Repos				
i) Government Securities	- (-)	1,045.55 (956.96)	143.71 (49.41)	- (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)

(Previous year's figures are given in brackets)

1.4.4. Details of Non-SLR investment portfolio

a) Issuer composition as at 31 March, 2016 of non-SLR investments*

(₹ in Crore)

Sl.No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities ***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	275.74 (391.85)	275.74 (391.85)	5.00 (356.85)	(83.30)	- (-)
2	Financial Institutions	962.93 (20.16)	500.17 (20.16)	- (-)	- (-)	5 (5)
3	Banks	1,305.10 (1,897.68)	108.14 (105.92)	30.00 (15)	- (-)	- (-)
4	Private Corporates	1,082.86 (492.06)	416.65 (370.03)	35.36 (85.53)	15.00 (22.59)	59.98 (59.98)

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(₹ in Crore)

Sl.No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities ***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
5	Subsidiaries / Joint ventures	398.00 (398.00)	398.00 (398.00)	- (-)	- (-)	- (-)
6	Others	678.28 (482.18)	678.28 (482.18)	450.82 (347.03)	188.51 (0.88)	- (-)
7	Less: Provision held towards depreciation on investment	23.91 (7.92)	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	78.09 (17.53)	XXX	XXX	XXX	XXX
	Total	4,600.91 (3,656.48)	2,376.98 (1,768.14)	521.18 (804.41)	203.51 (106.77)	64.98 (64.98)

Previous year's figures are given in brackets

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

* excludes investments in non-SLR government securities amounting to ₹612.61 Crore (Previous year ₹36.25 Crore)

** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security acquired by way of conversion of debt, commercial Paper and certificate of deposits in line with extant RBI guidelines.

***Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt,commercial Paper and certificate of deposits in line with extant RBI guidelines.

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

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Shares	156.09	157.93
Debentures and Bonds *	1,699.04	796.55
Subsidiaries/Joint Ventures	398.00	398.00
Others	2,960.39	2,340.25
Total	5,213.52	3,692.73

* Includes investments in non-SLR government securities amounting to ₹612.61 Crore (Previous year ₹36.25 Crore)

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

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Opening Balance	17.53	4.67
Additions during the year	217.98	12.86
Reductions during the year	2.86	-
Closing Balance	232.65	17.53
Total Provision held	78.09	17.53

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d) In accordance with RBI Circular DBR.BP.BC.No.31/21.04.018/2015-16 dated July 16, 2015, the Bank has, effective from September 30, 2015 included its deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under 'Other Assets'. Hitherto these were included under 'Investments' and Interest income thereon was included under 'Interest Earned - Income on Investments'. Arising out of regrouping in line with the above mentioned RBI guidelines, interest income on deposit placed with NABARD, SIDBI and NHB is included under "Interest Earned - Others". Figures for the previous year have been regrouped/reclassified to conform to current year classification. The above change in classification has no impact on the profit of the Bank for the year ended March 31, 2016 and March 31, 2015.

1.4.5. Sale and transfers to/ from HTM Category

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

1.5. Derivatives

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

1.5.1 Exchange Traded Interest Rate Derivatives:

(₹ in Crore)

Sl. No.	Particulars	31 March 2016	31 March 2015
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2016	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument-wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

1.5.2 Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
i) The notional principal of swap agreements	2,200.00	1,246.60
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	7.04	3.86
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Nil	Nil
v) The fair value of the swap book	0.01	0.46

The nature and terms of the IRS as on 31 March, 2016 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	35	1,025	NSE MIBOR	Fixed payable v/s floating receivable
Trading	34	1,025	NSE MIBOR	Fixed Receivable/floating payable
Trading	6	150	NSE MIBOR	Fixed Receivable/floating payable

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The nature and terms of the IRS as on 31 March, 2015 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	25	625	NSE MIBOR	Fixed payable v/s floating receivable
Trading	25	621.60	NSE MIBOR	Fixed Receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year 31 March, 2016 and 31 March, 2015.

1.5.3. Disclosure on Risk exposure in Derivatives

Qualitative disclosures:

(a) Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or Mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ mitigants:

Derivatives are financial instruments whose characteristics are derived from an underlying asset, or from interest and exchange rates or indices. The Bank undertakes over the counter and Exchange Traded derivative transactions for Balance Sheet management and also for proprietary trading/market making whereby the Bank offers derivative products to the customers to enable them to hedge their interest rate and currency risks within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR) in both OTC and exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks, primarily credit, market, legal, reputation and operational risk. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back office and mid office as per regulatory guidelines. Derivative deals are generally executed for market making and also New derivative product has been started during the year Viz. Exchange traded OIS. The risk in the derivatives is monitored on daily or monthly basis by assessing marked to market position (MTM) of the entire portfolio and the impact on account of the probable market movements. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals. The current outstanding under the derivatives portfolio were executed for trading purposes.

The derivative transactions are governed by the derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Stop Loss. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically.

Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item. These deals are accounted on an accrual basis except the swap designated with an asset/liability that is carried at market value or lower of cost or market value. In that case, the swap is marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability.

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

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

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Accounting for trading purpose depends on type of instrument:-

- Transaction relating for foreign exchange forward are marked to market and the resulting gain/loss is recorded in the Profit and Loss Account.
- Transaction relating to Interest rate Future/IRS/Currency future are marked to market every month and the MTM losses in the basket are accounted in the books while MTM profits are ignored.

(c) Collateral Security

We have provided Sufficient Collateral Security to Central counter Parties and Exchanges wherever Applicable.

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary.

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. Currently Exchange Traded derivative contracts are done for other clients.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2015
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	150.00	-
	b) For trading	-	-	2050.00	1246.60
(ii)	Marked to Market positions				
	a) Asset (+)	-	-	7.04	3.86
	b) Liabilities (-)	-	-	-7.04	-3.40
(iii)	Credit Exposure	-	-	25.66	13.84
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	6.08	-
	b) on trading derivatives	-	-	-0.78	0.003
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	Max 0.624 Min 0.180	-
	b) on trading	-	-	Max 0.149 Min -0.688	Max 0.003 Min 0.003

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2016 amounted to ₹ 1589.18 Crore (Previous year ₹ 2804.07 Crore) and ₹ 12652.94 Crore (Previous year ₹ 9826.76 Crore) respectively. The marked to Market position (Asset) of these contracts are ₹21.15 Crore (Previous year ₹51.58 Crore) Credit exposure on forward exchange contracts at March 31, 2016 was ₹ 227.76 Crore (Previous year ₹ 554.25 Crore).
- The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.
- Interest rate derivative represents interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.

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- In respect of derivative contracts, the bank evaluates the credit exposure arising there from, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
 - The current replacement cost (Marked to Market value including accruals of the contract) or zero which ever is higher.
 - The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.6. Asset Quality

1.6.1 Net non-performing assets

Particulars	31 March, 2016 %	31 March, 2015 %
Net non-performing assets as a percentage of net advances.	1.64	0.73

1.6.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Gross NPAs as at the beginning of the year	1057.73	1087.41
Additions (Fresh NPAs) during the year	1895.41	814.10
Sub-total (A)	2953.14	1901.51
Less:		
(i) Upgradations	219.43	259.46
(ii) Recoveries (excluding recoveries made from upgraded accounts)	201.18	209.43
(iii) Technical/ Prudential Write – offs	448.48	225.10
(iv) Write – offs other than those under (iii) above	3.59	8.36
(v) Reduction by Sale of Assets to ARCs	412.69	141.43
Sub-total (B)	1285.37	843.78
Gross NPAs as at the end of the year* (A-B)	1667.77	1057.73

* after considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹3460.18 Crore (Previous Year ₹2436.21 Crore)

As per the directions given by RBI, the Bank has completed the Review of certain loan accounts and their classifications within the time frame stipulated as on 31 March, 2016 after considering the provisions held in earlier years over and above minimum required as per the RBI guidelines.

1.6.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Opening Balance	373.27	321.56
Additions during the year	956.33	409.00
Reductions during the year	379.59	357.29
Closing Balance	950.01	373.27

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1.6.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Opening Balance	666.38	721.17
Additions during the year *	908.17	401.70
Reductions during the year	874.05	456.49
Closing Balance	700.50	666.38

*includes reversal of excess provision on Sale of NPAs (Sold prior to February 26, 2014 to SCs/RCs) amounting to ₹NIL (Previous Year ₹25.46 Crore) as permitted by RBI vide Circular DBR.No.BP.BC. 75/21.04.048/2014-15 dated March 11, 2015. This reversal has been utilised for Creation of NPA Provision during the Previous Year.

1.6.5 Movement in floating provision is set out below:

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	2015-16	2014-15	2015-16	2014-15
(a) Opening Balance	12.75	25.50	138.18	179.52
(b) Additional provision for the year	Nil	Nil	Nil	Nil
(c) Draw down during the year*	Nil	12.75	69.00	41.34
(d) Closing Balance	12.75	12.75	69.18	138.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7,2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

1.6.6 The Provision coverage ratio of the bank as on 31 March, 2016, computed in terms of the RBI Guidelines was 72.05 % (Previous Year 83.94%).

1.6.7 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	2015-16	2014-15
(a) Opening Balance	286.93	245.58
(b) Addition/Adjustments during the year	29.50	54.10
(c) Deduction during the year	-	12.75
(d) Closing Balance *	316.43	286.93

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting to ₹ 10.05 Crore (Previous Year: ₹ 8.45 Crore)

1.6.8 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	2015-16	2014-15
Provision for Income Tax		
a) Current Tax	339.02	760.27
b) Deferred Tax	(95.02)	(244.98)

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1.6.9 Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended 31 March, 2016:

(₹in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	13	1	3	-	17	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	469.85	26.09	105.35	-	601.29	-	-	-	-	-
	(b) Other Facility	74.11	17.71	21.65	-	113.47	-	-	-	-	-
	Provision thereon	6.96	0.26	4.71	-	11.93	-	-	-	-	-
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	3	-	-	-	3	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	136.48	-	0.01	-	136.49	-	-	-	-	-
	(b) Other Facility	(29.77)	-	(5.26)	-	(35.03)	-	-	-	-	-
	Provision thereon	39.22	0.01	(0.01)	-	39.22	-	-	-	-	-
Fresh Restructuring during the year ²	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	(b) Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	(b) Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(3)				(3)	-				-
	Amount Outstanding – (a) Restructured facility	(62.41)				(62.41)	-				-
	(b) Other Facility	(5.00)				(5.00)	-				-
	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(7)	6	-	1	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(258.76)	255.01	-	3.75	-	-	-	-	-	-
	(b) Other Facility	(36.51)	32.73	-	3.78	-	-	-	-	-	-
	Provision thereon	(1.20)	1.20	-	-	-	-	-	-	-	-
Write-offs/ Sale of restructured accounts during the FY ^{3,4}	No. of borrowers	-	(2)	(2)	-	(4)	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	(135.44)	(65.30)	-	(200.74)	-	-	-	-	-
	(b) Other Facility	-	(48.79)	(6.39)	-	(55.18)	-	-	-	-	-
	Provision thereon	-	(0.27)	(4.70)	-	(4.97)	-	-	-	-	-
Restructured accounts as on March 31 of the FY (closing figures) ⁵	No. of borrowers	6	5	1	1	13	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	285.16	145.66	40.06	3.75	474.63	-	-	-	-	-
	(b) Other Facility	2.83	1.65	10.00	3.78	18.26	-	-	-	-	-
	Provision thereon	44.98	1.20	-	-	46.18	-	-	-	-	-



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(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	264	34	84	86	468	277	35	87	86	485
	Amount Outstanding – (a) Restructured facility	1279.23	29.49	39.79	1.67	1350.18	1749.08	55.58	145.14	1.67	1951.47
	(b) Other Facility	1062.73	5.40	14.31	-	1082.44	1136.84	23.11	35.96	-	1195.91
	Provision thereon	16.01	1.46	0.38	0.09	17.94	22.97	1.72	5.09	0.09	29.87
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	12	(7)	(15)	(13)	(23)	15	(7)	(15)	(13)	(20)
	Amount Outstanding – (a) Restructured facility	(355.20)	(0.70)	(2.05)	(0.24)	(358.19)	(218.72)	(0.70)	(2.04)	(0.24)	(221.70)
	(b) Other Facility	(554.12)	0.08	(0.07)	-	(554.11)	(583.89)	0.08	(5.33)	-	(589.14)
	Provision thereon	56.46	(1.40)	(0.13)	(0.02)	54.91	95.68	(1.39)	(0.14)	(0.02)	94.13
Fresh Restructuring during the year ²	No. of borrowers	30	-	-	-	30	30	-	-	-	30
	Amount Outstanding – (a) Restructured facility	77.84	-	-	-	77.84	77.84	-	-	-	77.84
	(b) Other Facility	14.39	-	-	-	14.39	14.39	-	-	-	14.39
	Provision thereon	4.64	-	-	-	4.64	4.64	-	-	-	4.64
Upgradation to restructured standard category during the FY	No. of borrowers	14	(7)	(4)	(3)	-	14	(7)	(4)	(3)	-
	Amount Outstanding – (a) Restructured facility	0.72	(0.40)	(0.25)	(0.07)	-	0.72	(0.40)	(0.25)	(0.07)	-
	(b) Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(218)				(218)	(221)				(221)
	Amount Outstanding – (a) Restructured facility	(215.56)				(215.56)	(277.97)				(277.97)
	(b) Other Facility	(41.38)				(41.38)	(46.38)				(46.38)
	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(82)	36	15	31	-	(89)	42	15	32	-
	Amount Outstanding – (a) Restructured facility	(269.11)	189.83	78.32	0.96	-	(527.87)	444.84	78.32	4.71	-
	(b) Other Facility	(234.28)	228.85	5.41	0.02	-	(270.79)	261.58	5.41	3.80	-
	Provision thereon	(7.09)	7.01	0.04	0.04	-	(8.29)	8.21	0.04	0.04	-
Write-offs/ Sale of restructured accounts during the FY ^{3,4}	No. of borrowers	-	(1)	(6)	-	(7)	-	(3)	(8)	-	(11)
	Amount Outstanding – (a) Restructured facility	-	(113.84)	(21.29)	-	(135.13)	-	(249.28)	(86.59)	-	(335.87)
	(b) Other Facility	-	(40.95)	(11.32)	-	(52.27)	-	(89.74)	(17.71)	-	(107.45)
	Provision thereon	-	(1.82)	(0.11)	-	(1.93)	-	(2.09)	(4.81)	-	(6.90)
Restructured accounts as on March 31 of the FY (closing figures) ⁵	No. of borrowers	20	55	74	101	250	26	60	75	102	263
	Amount Outstanding – (a) Restructured facility	517.92	104.38	94.52	2.32	719.14	803.08	250.04	134.58	6.07	1193.77
	(b) Other Facility	247.34	193.38	8.33	0.02	449.07	250.17	195.03	18.33	3.80	467.33
	Provision thereon	70.02	5.25	0.18	0.11	75.56	115.00	6.45	0.18	0.11	121.74

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¹ Includes accounts closed during the year on account of payment of outstanding facilities by the borrower and accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

² Amount reported here represents outstanding as on 31 March, 2016

³ Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2015

⁴ Includes sale of restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	1	1	-	2	-	1	-	-	1
Amount Outstanding a) Restructured facility @	-	26.09	35.81	-	61.90	-	113.84	-	-	113.84
b) Other Facility @	-	17.71	4.59	-	22.30	-	40.95	-	-	40.95
Provision thereon @	-	0.27	-	-	0.27	-	1.82	-	-	1.82

@ Represents balance as on 31-03-2015

⁵ Other Facility include investments in Bonds/ Debentures amounting to ₹195.62 Crore

⁶ There are no SME cases which have been restructured during the year ended 31 March, 2016

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

Details of loan assets subjected to restructuring during the year ended 31 March, 2015:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
Asset Classification		Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubt-ful	Loss	Total
Restructured ac- counts as on April 1 of the FY (Open- ing Balance)	No. of borrowers	16	2	3	-	21	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	452.62	85.72	85.84	-	624.18	-	-	-	-	-
	(b) Other Facility	108.85	4.67	14.59	-	128.11	-	-	-	-	-
	Provision thereon	25.51	7.93	6.91	-	40.35	-	-	-	-	-
Movement in bal- ance for accounts appearing under opening balance ¹	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	42.06	(9.85)	(1.80)	-	30.41	-	-	-	-	-
	(b) Other Facility	27.33	15.18	6.47	-	48.98	-	-	-	-	-
	Provision thereon	(24.13)	(7.94)	(0.01)	-	(32.08)	-	-	-	-	-
Fresh Restructuring during the year ²	No. of borrowers	4	-	-	-	4	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	115.59	-	-	-	115.59	-	-	-	-	-
	(b) Other Facility	7.45	-	-	-	7.45	-	-	-	-	-
	Provision thereon	5.90	-	-	-	5.90	-	-	-	-	-
Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	(b) Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Stand- ard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(5)				(5)	-				-
	Amount Outstanding – (a) Restructured facility	(82.16)				(82.16)	-				-
	(b) Other Facility	(46.87)				(46.87)	-				-
	Provision thereon	(0.05)				(0.05)	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(1)	(1)	2	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(26.09)	(49.78)	75.87	-	-	-	-	-	-	-
	(b) Other Facility	(17.71)	(2.14)	19.85	-	-	-	-	-	-	-
	Provision thereon	(0.27)	0.27	-	-	-	-	-	-	-	-
Write-offs/ Sale of restructured accounts during the FY ^{3,4}	No. of borrowers	(1)	-	(2)	-	(3)	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(32.17)	-	(54.56)	-	(86.73)	-	-	-	-	-
	(b) Other Facility	(4.94)	-	(19.26)	-	(24.20)	-	-	-	-	-
	Provision thereon	-	-	(2.19)	-	(2.19)	-	-	-	-	-
Restructured accounts as on March 31 of the FY (closing figures) ⁵	No. of borrowers	13	1	3	-	17	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	469.85	26.09	105.35	-	601.29	-	-	-	-	-
	(b) Other Facility	74.11	17.71	21.65	-	113.47	-	-	-	-	-
	Provision thereon	6.96	0.26	4.71	-	11.93	-	-	-	-	-

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(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured ac- counts as on April 1 of the FY (Open- ing Balance)	No. of borrowers	368	52	127	91	638	384	54	130	91	659
	Amount Outstanding – (a) Restructured facility	1323.52	20.38	90.85	2.50	1437.25	1776.14	106.10	176.69	2.50	2061.43
	(b) Other Facility	1105.49	13.57	31.33	-	1150.39	1214.34	18.24	45.92	-	1278.50
	Provision thereon	35.52	3.13	1.08	0.16	39.89	61.03	11.06	7.99	0.16	80.24
Movement in bal- ance for accounts appearing under opening balance ¹	No. of borrowers	(40)	4	(25)	(1)	(62)	(40)	4	(25)	(1)	(62)
	Amount Outstanding – (a) Restructured facility	(66.31)	6.78	(7.41)	(0.17)	(67.11)	(24.25)	(3.07)	(9.21)	(0.17)	(36.70)
	(b) Other Facility	37.18	6.31	(21.63)	0.19	22.05	64.51	21.39	(15.06)	0.19	71.03
	Provision thereon	(17.83)	(2.91)	(0.87)	(0.08)	(21.69)	(41.96)	(10.85)	(0.88)	(0.08)	(53.77)
Fresh Restructuring during the year ²	No. of borrowers	158	-	-	-	158	162	-	-	-	162
	Amount Outstanding – (a) Restructured facility	204.27	-	-	-	204.27	319.86	-	-	-	319.86
	(b) Other Facility	46.26	-	-	-	46.26	53.71	-	-	-	53.71
	Provision thereon	4.17	-	-	-	4.17	10.07	-	-	-	10.07
Upgradation to re- structured standard category during the FY	No. of borrowers	16	(12)	-	(4)	-	16	(12)	-	(4)	-
	Amount Outstanding – (a) Restructured facility	16.62	(13.86)	(2.59)	(0.17)	-	16.62	(13.86)	(2.59)	(0.17)	-
	(b) Other Facility	9.68	(9.68)	-	-	-	9.68	(9.68)	-	-	-
	Provision thereon	0.02	(0.02)	0.01	(0.01)	-	0.02	(0.02)	0.01	(0.01)	-
Restructured Standard Advances which cease to attract higher provisioning and/ or additional risk weight at the end of FY	No. of borrowers	(208)				(208)	(213)				(213)
	Amount Outstanding – (a) Restructured facility	(169.49)				(169.49)	(251.65)				(251.65)
	(b) Other Facility	(130.69)				(130.69)	(177.56)				(177.56)
	Provision thereon	(4.43)				(4.43)	(4.48)				(4.48)
Downgradation of restructured accounts during the FY	No. of borrowers	(28)	(8)	16	20	-	(29)	(9)	18	20	-
	Amount Outstanding – (a) Restructured facility	(29.20)	17.19	11.51	0.50	-	(55.29)	(32.59)	87.38	0.50	-
	(b) Other Facility	(5.19)	(4.80)	9.99	-	-	(22.90)	(6.94)	29.84	-	-
	Provision thereon	(1.44)	1.26	0.16	0.02	-	(1.71)	1.53	0.16	0.02	-
Write-offs/ Sale of restructured accounts during the FY ^{3,4}	No. of borrowers	(2)	(2)	(34)	(20)	(58)	(3)	(2)	(36)	(20)	(61)
	Amount Outstanding – (a) Restructured facility	(0.18)	(1)	(52.57)	(0.99)	(54.74)	(32.35)	(1)	(107.13)	(0.99)	(141.47)
	(b) Other Facility	-	-	(5.38)	(0.19)	(5.57)	(4.94)	-	(24.64)	(0.19)	(29.77)
	Provision thereon	-	-	-	-	-	-	-	(2.19)	-	(2.19)
Restructured accounts as on March 31 of the FY (closing figures) ⁵	No. of borrowers	264	34	84	86	468	277	35	87	86	485
	Amount Outstanding – (a) Restructured facility	1279.23	29.49	39.79	1.67	1350.18	1749.08	55.58	145.14	1.67	1951.47
	(b) Other Facility	1062.73	5.40	14.31	-	1082.44	1136.84	23.01	36.06	-	1195.91
	Provision thereon	16.01	1.46	0.38	0.09	17.94	22.97	1.72	5.09	0.09	29.87

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¹ Includes accounts closed during the year on account of payment of outstanding facilities by the borrower and accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

² Amount reported here represents outstanding as on 31 March, 2015

³ Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2014

⁴ Includes sale of restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others					
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
No. of borrowers	1	-	2	-	3	-	-	-	-	1	1
Amount Outstanding a) Restructured facility @	38.11	-	27.64	-	59.82	-	-	-	-	5.83	5.83
b) Other Facility @	4.94	-	19.08	-	24.02	-	-	-	-	4.51	4.51
Provision thereon @	-	-	2.19	-	2.19	-	-	-	-	-	-

@ Represents balance as on 31-03-2014

⁵ Other Facility include investments in Bonds/ Debentures amounting to ₹ 45.03 Crore.

⁶ There are no SME cases which have been restructured during the year ended 31 March, 2015

1.6.10 Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:

(₹ in Crore)

Particulars	31 March 2016		31 March 2015	
	Standard	NPA	Standard	NPA
(a) No of accounts	2	55	3	82
(b) Aggregate value (net of provision) of accounts sold to SC/RC	51.10	343.46	38.06	87.94
(c) Aggregate consideration	51.10	221.32	41.88	96.93
(d) Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
(e) Aggregate gain/(loss) over net book value	-	(122.14)	3.82	2.36

During the year ended March 31, 2016, the Bank had assigned certain Non performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book value of the financial assets, amounting to ₹122.14 Crore, is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 35.41 Crore during the year ended March 31, 2016 (Previous Year :Nil) and the balance of ₹ 86.73 Crore will be amortised over the next four quarters.

1.6.11 Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at 31 March, 2016 and 31 March, 2015 are as follows:

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying		Total	
	As at 31 March, 2016	As at 31 March, 2015	As at 31 March, 2016	As at 31 March, 2015	As at 31 March, 2016	As at 31 March, 2015
Book value of investments in security receipts	563.23	410.24	-	-	563.23	410.24

Note: In addition to above, bank holds security receipts of ₹ 76.10 Crore (Previous Year :₹ 32.67 Crore) which are backed by standard assets sold by the bank.

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1.6.12 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased:

Particulars	31st March 2016	31st March 2015
1. (a) No. of accounts purchased during the year		
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year	NIL	NIL
(b) Aggregate outstanding		

B. Details of non-performing financial assets sold:

Particulars	31st March 2016	31st March 2015
1. No of Accounts sold		
2. Aggregate outstanding	NIL	NIL
3. Aggregate consideration received		

1.6.13 During the year ended 31March, 2016 and 31 March, 2015 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.6.14 Movement in technical/prudential Written off accounts is set out below:

Particulars	31.03.2016	31.03.2015
Opening balance at the beginning of the year	1378.48	1225.20
Add: Technical write-offs during the year	448.48	225.10
Sub Total (A)	1826.96	1450.30
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	33.51	55.87
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	1.04	15.95
Sub Total (B)	34.55	71.82
Closing balance at the end of the year (A-B)	1792.41	1378.48

1.7. Asset Liability Management

A maturity pattern of certain items of assets and liabilities at 31 March, 2016 and 31 March, 2015 is set out below:

Year ended 31 March, 2016

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	393.88	890.51	-	299.79	211.77	555.07
2 -7 days	798.44	1123.87	2070.36	866.63	1099.85	15.94
8-14 days	747.78	1223.87	459.14	-	6.72	11.68
15-28 days	1608.96	506.28	338.60	-	40.52	20.63
29 days to 3 months	5451.07	3114.63	1374.29	86.85	320.01	119.31
Over 3months and upto 6 months	5609.57	5032.02	1311.73	256.11	847.54	186.52
Over 6 months and upto 1 Year	15635.80	7301.15	1011.78	402.44	344.40	439.00
Over 1 Year and upto 3 Years	31273.85	26752.36	2980.65	259.86	82.25	831.60
Over 3 Years and upto 5 Years	1064.70	6302.60	2207.36	4.89	139.53	284.80
Over 5 Years	16587.66	5842.86	10463.58	-	22.71	0.53
Total	79171.71	58090.15	22217.49	2176.57	3115.30	2465.08

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Year ended 31 March, 2015

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	298.30	1556.20	-	280.98	238.63	354.40
2 -7 days	1039.82	1375.49	2305.79	318.12	625.00	13.74
8-14 days	850.93	1275.35	-	-	3.81	29.23
15-28 days	1708.61	658.07	196.37	-	1.56	40.17
29 days to 3 months	5744.08	4305.36	1274.94	31.25	540.47	241.75
Over 3months and upto 6 months	6652.70	3919.79	105.64	419.10	509.96	356.42
Over 6 months and upto 1 Year	12905.99	6089.94	477.51	369.14	346.96	407.68
Over 1 Year and upto 3Years	25950.78	25407.13	234.67	829.86	90.35	417.70
Over 3 Years and upto 5 Years	1397.88	3412.41	753.30	59.79	42.59	537.53
Over 5 Years	14275.90	3285.25	15220.60	-	15.15	0.32
Total	70824.99	51284.99	20568.82	2308.24	2414.48	2398.94

Note:

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

1.8. Exposures

1.8.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	2015-16	2014-15
a) Direct Exposure:		
(i) Residential Mortgages:- Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans eligible for inclusion in Priority sector advances)	7876.22 (3166.43)	6949.74 (3225.38)
(ii) Commercial Real Estate:- Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	1738.94	1345.27
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	3126.82	2270.37
Total Exposure to Real Estate sector	12741.98	10565.38

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1.8.2 Exposure to Capital Market

Category	31 March, 2016	31 March, 2015
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	163.70	157.42
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	0.09	0.29
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.15	0.15
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	0.03
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	18.84	60.03
(vi) Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered)	38.12	39.23
Total Exposure to Capital Market	220.90	257.15

1.8.3 Risk Category wise Country Exposure

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

Risk Category*	Exposure (net) as at 31 March 2016	Provision held as at 31 March 2016	Exposure (net) as at 31 March 2015	Provision held as at 31 March 2015
Insignificant	878.63	-	760.72	-
Low	636.40	-	746.92	-
Moderate	47.95	-	256.23	-
High	4.17	-	7.84	-
Very High	1.06	-	1.23	-
Restricted	0.00	-	0.00	-
Off-credit	0.00	-	0.00	-
Total	1568.21	-	1772.94	-

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



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1.8.4 Information on Concentration of deposits:

	31 March, 2016	31 March, 2015
Total Deposits of Twenty Largest depositors	2318.46	3220.76
Percentage of Deposits of twenty largest depositors to total deposits of the bank	2.93%	4.55%

Note: Exclude holders of certificate of deposits

1.8.5 Information on Concentration of advances:

	31 March, 2016	31 March, 2015
Total advances to Twenty Largest Borrowers	11514.35	7218.59
Percentage of advances to twenty largest Borrowers to total advances of the bank	16.29%	10.51%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

1.8.6 Information on Concentration of exposure:

	31 March, 2016	31 March, 2015
Total exposures to Twenty Largest borrowers/customers	12863.21	7666.50
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	16.93%	10.06%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July1, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 1.8.4 to 1.8.6 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors

1.8.7 Information on Concentration of NPAs:

	31 March, 2016	31 March, 2015
Total exposures to top four NPA accounts	266.95	247.85

1.8.8. During the year ended 31 March, 2016 and 31 March, 2015, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

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1.8.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2016 and March 31, 2015 are given below:

(₹ in Crore)

Sl. No.	Sector*	31 March, 2016			31 March, 2015		
		Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
A	Priority Sector						
1.	Agriculture and allied activities	8225.24	139.31	1.69	6313.57	126.23	2.00
2.	Advances to industries sector eligible as priority sector lending	2346.22	168.45	7.18	3479.02	88.46	2.54
	<i>Of which: Food processing</i>	-	-	-	1216.99	3.23	0.26
	<i>Basic Metal</i>	331.61	58.75	17.72	391.63	34.32	8.76
	<i>Infrastructure</i>	210.98	28.14	13.34	238.52	2.62	1.10
3.	Services	4615.89	195.55	4.24	3737.49	159.17	4.26
	<i>Of which: Trade</i>	1918.70	136.79	7.13	2193.63	129.85	5.92
	<i>Professional Services</i>	863.00	23.10	2.68	1010.63	8.68	0.86
4.	Personal loans	-	-	-	-	-	-
5.	Others	3631.77	170.58	4.70	4071.93	116.45	2.86
	Sub-total (A)	18819.12	673.89	3.58	17602.01	490.31	2.79
B	Non Priority Sector						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	8074.66	510.66	6.32	9249.22	345.07	3.73
	<i>Of which : Basic Metal</i>	1064.76	175.78	16.51	1235.49	108.70	8.80
	<i>Infrastructure</i>	3450.93	93.29	2.70	4293.04	41.02	0.96
	<i>Food Processing</i>	126.56	7.70	6.08	704.51	-	-
3.	Services	16741.49	366.31	2.19	13030.11	148.28	1.14
	<i>Of which: Trade</i>	3343.24	205.20	6.14	1777.12	106.51	5.99
	<i>Professional Services</i>	2864.77	77.34	2.70	2782.02	24.71	0.89
	<i>NBFCs</i>	3758.05	-	-	2919.85	-	-
4.	Personal loans	52.36	2.64	5.04	41.82	2.18	5.21
5.	Others	15103.01	114.27	0.76	12028.21	71.89	0.60
	Sub-total (B)	39971.52	993.88	2.49	34349.36	567.42	1.65
	Total (A+B)	58790.64	1667.77	2.84	51951.37	1057.73	2.04

*Classification into sectors/subsectors as above has been done based on Bank's internal norms.

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1.8.10 Details of Intra-Group Exposure

(₹ in Crore)

Sl. No.	Particulars	31 March 2016	31 March 2015
1	Total amount of intra-Group exposure*	758.91	648.00
2	Total amount of top-20 intra group exposure*	758.91	648.00
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.998%	0.85%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir. BC.12/13.03.00/ 2015-16 dated July1, 2015.

1.8.11 Transfers to Depositor Education and Awareness Fund (DEAF)

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEAF.

Details of amounts transferred to DEAF are set out below:

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Opening balance of amounts transferred to DEAF	66.80	-
Add: Amounts transferred to DEAF during the year	12.65	67.80
Less: Amounts reimbursed by DEAF towards claims	2.12	1.00
Closing balance of amounts transferred to DEAF	77.33	66.80

1.9. Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	2015-16	2014-15
Penalty for certain operating deficiencies	0.16	0.55
Dates of Payment	Various dates	Various dates

Note : Penalty was imposed by RBI:

- (a) as per the Central office master circular DCM(FNVD) No.776/16.01.15/2015-16 dated August 26,2015 and
- (b) Fake Indian Currency Note (FICN) detected in the soiled note remittance.

1.10. Disclosure of customer complaints

Particulars	31 March, 2016	31 March, 2015
(a) No. of complaints pending at the beginning of the year	62	69
(b) No. of complaints received during the year	3549	4201
(c) No. of complaints redressed during the year	3569	4208
(d) No. of complaints pending at the end of the year	42	62

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

1.11. Disclosure of Awards passed by the Banking Ombudsman

		31 March, 2016	31 March, 2015
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	1	-
(c)	No. of awards implemented during the year	1	-
(d)	No. of unimplemented awards at the end of the year	1@	1@

@ Appeal rejected by Appellate Authority, case filed in High Court and stay obtained

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

1.12. Draw Down from Reserves

The Bank has drawn down ₹ 8.21 Crore from Investment Reserve Account in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks. There has been no drawdown from Reserves during the year ended 31 March, 2015.

1.13. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended 31st March, 2016 and 31st March, 2015.

1.14. Bancassurance Business

Details of income earned from bancassurance business:

Sl. No.	Nature of Income *	31 March 2016	31 March 2015	(₹ in Crore)
1	For selling life insurance policies	28.39	20.29	
2	For selling non-life insurance policies	6.51	2.09	
3	For selling mutual fund products	1.48	0.97	
4	Others	1.31	3.36	

* - Includes receipts on account of marketing activities undertaken on behalf of Bancassurance partners.

1.15. Sponsored SPVs

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

1.16. Details of Overseas Assets, NPAs and Revenue

The Bank has commenced its operation, pursuant to RBI approval, in International Finance Service Center (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch as on 31 March, 2016. Details of Assets, NPAs and Revenue of IBU are given below:

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Total Assets	293.25	-
Total NPAs	-	-
Total Revenue	1.20	-

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1.17 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended 31 March, 2016 and 31 March, 2015.

1.18 Disclosures on Remuneration

(i) Qualitative disclosures

a) Information relating to the composition and mandate of the Nomination, Remuneration, Compensation and Ethics Committee (or Remuneration Committee in short):

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board.

This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

As on 31 March, 2016, the remuneration committee of the Board comprises of the following Independent Directors:

- Shri Sudhir M Joshi - Chairman
- Shri Nilesh S Vikamsey
- Shri K.M Chandrasekhar

The above committee of the Board functions with the following objectives:

- a) To review the Compensation package for the MD and CEO and Executive Directors and recommend revisions for Board approval
- b) To consider and approve issuance and allotment of ESOS shares to MD/EDs and employees of the Bank.
- c) To develop and implement an effective compensation policy, as per RBI guidelines

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

The compensation payable to MD & CEO, EDs and Senior Executives is divided into fixed and variable components. The fixed compensation is determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span etc. Approval from RBI is obtained to decide fixed compensation for MD & CEO and EDs.

The variable compensation for MD & CEO and senior executives (Non – IBA package i.e. CGM and above) are determined based on Bank's performance and Key Performance Areas (KPA) set for the official. KPAs contain targets on risk adjusted metrics such as Risk Adjusted Return on Capital (RAROC), Risk Adjusted Return on Risk Adjusted Capital (RARORAC), in addition to target on NPAs.

The objectives of the remuneration policy are four fold:

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

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

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

- MD & CEO / ED
- Senior Executives (Non IBA package)
- Senior Executives (On IBA package)
- Other members of staff (on IBA package)

Limit on variable pay

The variable compensation offered to an official would not exceed 70% of the total fixed compensation

Severance pay and guaranteed bonus

Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the organization. Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options.

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement

Compensation Recovery policy

A claw back arrangement or a compensation recovery policy is provided, which will entail the Bank to recover proportionate amount of variable compensation paid to the above functionaries on account of an act or decision taken by the official which has brought forth a negative contribution to the bank at a prospective stage. The claw back arrangement would be valid for a period of three years from the date of payment of variable compensation.

Committees to mitigate risks caused by an individual decision

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

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

Integrated Risk Management Department (IRMD)

In order to effectively govern the compensation structure, IRMD would assist the Remuneration Committee of the Board to monitor, review and control various risks and balance prudent risk taking with the compensation paid out to top executives and other employees.

Compensation of risk control staff

The total fixed and variable compensation paid out to the employees of IRMD are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals.

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

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

Compensation paid to Senior executives and other staff members on IBA package

The compensation paid to other officials that include Award staff, Officers coming under Scale I to III and Senior executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Banks Association. The variable compensation paid to these functionaries is based on the Performance Linked incentive scheme which has been formulated on the basis of performance parameters set in Performance Management System.

e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.

Deferred compensation and Performance Linkage

In the event variable compensation paid to MD & CEO, ED and Senior Executives (Non-IBA) exceeds more than 50% of the fixed compensation for the year on account of high level of Bank's performance, 60% of the variable pay so entitled to the official will be deferred for payment over a period of 3 years. The amount is parked in an escrow account and the payment will be made in the ratio of 20:30:50 over a period of three years, i.e.,

- 20 % of the deferred compensation will be paid in the first year
- 30% of the deferred compensation in the second year; and
- 50 % of the deferred compensation in the third year

Clawback and deferral arrangements

The provisions of clawback and deferral arrangements are applicable to the referred functionaries and all employees in the event their variable compensation exceeds 50% of their fixed emoluments

f) Description of the different forms of variable remuneration

Bank uses an optimum mix of cash, ESOPS and variable PLI to decide the compensation of employees in all categories. The distribution of ESOPS and variable PLI are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments. The Officers in Scale I-III as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. Variable compensation, ESOP, is linked with seniority in these levels.

(ii) Quantitative disclosures

		31 March, 2016	31 March, 2015
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	8 ₹ 7,20,000	4 ₹ 2,30,000
(b) (i)	Number of employees having a variable remuneration award during the financial year.	4	3
(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	Nil
(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil

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		31 March, 2016	31 March, 2015
(c)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil
	(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil
(d)		Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)	2.30 (Fixed) 0.46 (Variable)
(e)		Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil

1.19 Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹10.05 Crore (Previous Year ₹ 8.45 Crore) as provision and ₹ 4.66 Crore (Previous Year ₹ 9.49 Crore) as additional capital for computation of capital adequacy Ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2016.

1.20 Liquidity Coverage Ratio (LCR)

a) Quantitative Disclosure

(₹ in Crore)

Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value (Average)	Total Weighted Value (Average)

High Quality Liquid Assets

1	Total High Quality Liquid Assets (HQLA)		10021.22		10798.80		10402.20		10719.66		7485.40
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Cash Outflows

2	Retail deposits and deposits from small business customers, of which:	75103.22	5853.20	72453.07	5642.27	70732.16	5511.56	68314.83	5336.88	62865.40	4848.03
(i)	Stable deposits	33142.47	1657.12	32060.70	1603.03	31233.19	1561.66	29891.97	1494.60	28770.18	1438.51
(ii)	Less stable deposits	41960.75	4196.08	40392.37	4039.24	39498.97	3949.90	38422.86	3842.28	34095.22	3409.52
3	Unsecured wholesale funding, of which:	1443.23	661.14	925.29	455.64	1361.33	730.76	1626.64	1027.77	2736.54	1455.37
(i)	Operational deposits (all counterparties)	116.80	22.80	106.59	22.99	100.89	22.11	91.83	20.69	84.68	19.31
(ii)	Non-operational deposits (all counterparties)	1308.38	620.29	768.70	382.65	1260.44	708.65	1501.48	973.75	2651.86	1436.06
(iii)	Unsecured debt	18.05	18.05	50.00	50.00	-	-	33.33	33.33	-	-

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(₹ in Crore)

Particulars		Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
		Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value (Average)	Total Weighted Value (Average)
4	Secured wholesale funding		-		-		-		-		-
5	Additional requirements, of which	174.30	174.30	268.55	268.55	269.69	269.69	245.57	245.57	129.77	129.77
(i)	<i>Outflows related to derivative exposures and other collateral requirements</i>	174.30	174.30	268.55	268.55	269.69	269.69	245.57	245.57	129.77	129.77
(ii)	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-	-	-
(iii)	<i>Credit and liquidity facilities</i>	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	13675.42	1305.85	13403.07	1332.53	13681.08	1477.58	13996.71	1338.22	13296.53	1233.98
7	Other contingent funding obligations	5263.29	189.38	4386.47	219.32	4396.19	219.81	4248.29	212.41	4326.77	216.34
8	Total Cash Out-flows		8183.87		7918.31		8209.40		8160.85		7883.49

Cash Inflows

9	Secured lending (e.g. reverse repos)	48.37	-	457.98	-	777.78	-	483.96	-	-	-
10	Inflows from fully performing exposures	1920.03	1010.02	2166.55	1133.28	2302.00	1251.00	2201.67	1134.67	1934.94	967.47
11	Other cash inflows	65.50	65.50	181.36	181.36	230.10	230.10	278.70	244.86	287.33	287.33
12	Total Cash Inflows	2033.90	1075.52	2805.89	1314.64	3309.88	1481.10	2964.33	1379.53	2222.27	1254.80
13	TOTAL HQLA		10021.22		10798.80		10402.20		10719.66		7485.40
14	TOTAL NET CASH OUTFLOWS		7108.35		6603.67		6728.30		6781.32		6628.69
15	LIQUIDITY COVERAGE RATIO (%)		140.98%		163.53%		154.60%		158.08%		112.92%

b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. Bank is computing LCR on a monthly basis and has consistently maintained LCR above 100% during Fiscal 2016, as against the regulatory minimum of 60% (till December 2015)/ 70% (from January 2016). Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5 percent or more of the Bank's total liabilities.

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On an average, 85% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (8% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

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

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

1.21 Provisioning Pertaining to Fraud Accounts

The Bank has reported 65 cases (Previous year : 55 cases) of fraud in the Financial year ended 31 March, 2016 amounting to ₹ 82.07 Crore (Previous Year: 81.78 Crore) and has provided for the same in the books of account. Bank does not have any unamortised loss in this regard as of March 31, 2016.

1.22 Inter-bank participation with risk sharing

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2016 was ₹ 1254.98 Crore (Previous Year: Nil).

2. Other Disclosures

2.1. Earnings per Share ('EPS')

Particulars	31 March 2016	31 March 2015
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,16,993	17,13,776
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,25,591	17,28,310
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	2.77	5.87
Diluted earnings per share (in ₹)	2.75	5.82
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	47,56,481	1,00,57,505

2.2 A. Issue of Bonus Shares

The shareholders of the Bank had approved the issue of Bonus Shares at the Annual General Meeting held on June 29, 2015, in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depository share (GDS) had been issued as bonus for every GDS held to the existing

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holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid up capital includes:

- (i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash
- (ii) 2,80,49,968 underlying equity shares of ₹ 2/- each (Previous Year 1,66,66,588 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)
- (iii) 57, 61,133 ESOS shares of ₹ 2/- per share (Previous Year 14,14,692 shares of ₹ 2/- Per share) allotted under ESOS 2010.
- (iv) 85, 79, 45,206 bonus shares were issued in the ratio of 1:1 in this financial year.

C. Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share and 2,62,100 shares of ₹ 2/- each (Previous year 2,62,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share and 10,80,415 equity shares of ₹ 2/- each (Previous year 10,80,415 shares of ₹ 2/- per share, at a premium of ₹ 48/- per share) pertaining to Rights issue of 2007 are kept pending following orders from various courts.

Issue of certificates/credit in demat account in respect of 4,09,170 shares of ₹ 2/- each (Previous year 4,11,940 shares of ₹ 2/- each) out of the Bonus issue of 2004 and 6,15,755 bonus shares of ₹ 2/- each, out of the Bonus issue of 2015 are kept in abeyance consequent to injunction orders from various courts.

D. Employee Stock Option Scheme (ESOS):

- (i) Shareholders of the bank had approved Employee Stock Option Scheme (ESOS) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	31 March, 2016	31 March, 2015
Outstanding at the beginning of the year	8,11,24,186	7,40,55,610
Surrendered during the year	-	-
Granted during the year*	10,25,000	1,11,56,450
Exercised during the year (Includes 12,90,009 (Previous Year: 13,40,412) on account of actual issue of Bonus shares	56,36,450	26,80,824
Forfeited/lapsed during the year	3,25,590	14,07,050
Outstanding at the end of the year	7,61,87,146	8,11,24,186
Options exercisable	5,27,27,176	4,09,74,066

*ESOS granted on 18 September, 2015 and 16 November 2015 with vesting period of 1, 2, 3 and 4 years. Exercise period of 5 years and exercise price of ₹ 60.35/- per share and ₹ 53.70 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'.

The Compensation Committee in their meeting dated 10 May, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated 24 December, 2010

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The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period. If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹19.83 Crore (Previous Year: ₹ 25.42 Crore)

The modified basic and diluted earnings per share for the year, had the company followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 2.65 and ₹ 2.63 (Previous Year: ₹ 5.87 and ₹ 5.82) respectively.

ii) Dividend paid on shares issued on exercise of stock option

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March 2016, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

iii) Dividend (Including tax / cess thereon) appropriation of ₹ 0.15 Crore represent dividend for Financial Year 2014-15 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders approval.

2.3. Segment Reporting (AS 17)

A. Business Segments

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

Treasury

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

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.



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

As on 31 March 2016:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2281.93	2360.94	3809.64	78.56	8531.07
Result (net of provisions)	158.51	18.14	494.59	73.85	745.09
Unallocated expense					(25.44)
Operating profit (PBT)					719.65
Income taxes					(244.00)
Extraordinary profit/loss					-
Net Profit					475.65
OTHER INFORMATION					
Segment Assets	30403.98	24836.67	33710.86	26.56	88978.07
Unallocated assets					2451.96
Total assets					91430.03
Segment liabilities	27894.76	23308.96	31696.05	-	82899.77
Unallocated liabilities					439.04
Total liabilities					83338.81

As on 31 March 2015:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2250.27	2349.93	3577.97	119.60	8297.77
Result (net of provisions)	342.18	333.99	761.12	103.72	1541.01
Unallocated expense					(19.97)
Operating profit (PBT)					1521.04
Income taxes					(515.29)
Extraordinary profit/loss					-
Net Profit					1005.75
OTHER INFORMATION					
Segment Assets	28815.23	20520.08	31048.89	24.32	80408.52
Unallocated assets					2441.96
Total assets					82850.48
Segment liabilities	26245.20	19181.63	29083.69	-	74510.52
Unallocated liabilities					601.82
Total liabilities					75112.34

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Geographical Segment Information

The Bank reports its operations under the following geographical segments

- a) Domestic Operations comprise branches in India
- b) Foreign operations comprise Banking unit in International Financial Services Centre, as per para 2.2 of Annex I of RBI Circular DBR. IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015.

The following table sets forth, for the periods indicated, the geographical segment results:

As on 31 March, 2016:

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8529.87	1.20	8531.07
Assets	91136.78	293.25	91430.03
Capital Expenditure	171.03	0.04	171.07

As on 31 March, 2015:

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8297.77	-	8297.77
Assets	82850.48	-	82850.48
Capital Expenditure	116.82	-	116.82

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

2.4. Related Party Disclosures

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
FedBank Financial Services Limited	Subsidiary
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO (From 28-01-2016)	Key Management Personnel
Sri Abraham Chacko, Executive Director (Upto 30-04-2015)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2016	31 March 2015
Remuneration		
Sri. Shyam Srinivasan	1.12	0.78
Sri. Ashutosh Khajuria	1.02	NA
Sri Abraham Chacko	0.72	0.75
Dividend Paid	0.02	*

Asterisk denotes figures below ₹1 Lakh

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During the year 2015-16: Nil (Previous Year: 641 Thousands) number of Stock Options under "ESOS 2010" Scheme were granted to Managing Director & CEO and Executive Director.

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

Note: In accordance with RBI guidelines, details pertaining to the related party transactions, other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

2.5. Fixed Assets

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Gross Block		
At the beginning of the year	93.62	79.12
Additions during the year	49.42	14.50
Deductions during the year	-	-
Closing Balance	143.04	93.62
Depreciation / Amortisation		
At the beginning of the year	71.77	53.79
Charge for the year	21.71	17.98
Deductions during the year	-	-
Depreciation to date	93.48	71.77
Net Block	49.56	21.85

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuers was credited to Revaluation Reserve. There has been no revaluation of assets during this year.

2.6. Deferred Tax Assets / Liability

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

(₹ in Crore)

	31 March 2016	31 March 2015
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	145.66	142.16
(ii) Depreciation on Investments	19.52	106.43
(iii) Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	91.35	80.28
Total (A)	256.53	328.87

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(₹ in Crore)

	31 March 2016	31 March 2015
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	90.27	78.10
(ii) Provision for Standard Assets	109.45	99.24
(iii) Depreciation on Fixed Assets	1.15	1.88
(iv) Others	111.19	108.97
Total (B)	312.06	288.19
Deferred tax liability/ (Asset) (A-B)	(55.53)	40.68
Less: Deferred tax on value of assets depreciated on expiry of useful life as on 1 April, 2014.	-	1.19
Net Deferred tax liability/ (Asset)	(55.53)	39.49

Net of Deferred tax of ₹ 95.02 Crore (Previous Year ₹ 244.98 Crore) credited to Profit and Loss Account

2.7. Employee Benefits

a) Defined Contribution Plan

Provident Fund

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

The Bank recognized ₹ 0.79 Crore (Previous Year: ₹ 0.30 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Bank recognized ₹ 18.95 Crore (Previous year: ₹ 13.34 Crore) for DCPS contribution in the Profit and Loss Account

b) Defined benefit plan

Gratuity

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

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Superannuation / Pension

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

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2016.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Projected benefit obligation, beginning of the year	209.34	201.26	587.48	531.78
Service Cost	13.82	13.59	57.70	56.51
Interest cost	15.29	15.03	40.17	36.90
Actuarial (gain)/ loss	44.07	6.33	122.99	103.42
Benefits paid	(36.43)	(26.87)	(170.84)	(141.13)
Projected benefit obligation, end of the year	246.09	209.34	637.50	587.48

ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Plan assets at beginning of the year at fair value	223.52	230.83	544.40	416.25
Expected return on plan assets	18.55	20.52	47.58	36.96
Actuarial gain/(loss)	(0.65)	(0.96)	(0.58)	3.56
Employer's Contributions	20.67	-	157.71	228.76
Benefits paid	(36.43)	(26.87)	(170.84)	(141.13)
Plan assets at end of the year, at fair value	225.66	223.52	578.27	544.40

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

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Fair value of plan assets at the end of the year	225.66	223.52	578.27	544.40
Present value of the defined benefit obligations at the end of the year	246.09	209.34	637.50	587.48
Liability/ (Asset) recognized in the Balance Sheet	20.43	(14.18)	59.23	43.08

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iv) Gratuity/pension cost for the year ended 31st March, 2016

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Service cost	13.82	13.59	57.70	56.51
Interest cost	15.29	15.03	40.17	36.90
Expected return on plan assets	(18.55)	(20.52)	(47.58)	(36.96)
Actuarial (gain)/loss	44.72	7.29	123.57	99.86
Employee Cost	55.28	15.39	173.86	156.31
Amortisation Cost	-	-	-	33.68
Net cost Debit to Profit and Loss account	55.28	15.39	173.86	189.99
Actual return on plan assets	17.90	19.56	47.00	40.52

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Central and state Government bonds	7.13	40.13	17.82	129.72
Other debt securities	16.35	27.15	66.04	79.05
Balance in Saving bank account with the Bank	0.66	2.14	3.21	56.83
Net current assets	0.82	1.89	3.18	5.88
Balance with LIC#	200.70	152.21	488.02	272.92
Total	225.66	223.52	578.27	544.40

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

(₹ in Crore)

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	246.09	209.34	201.26	240.13	225.25
Plan Assets	225.66	223.52	230.83	221.67	198.87
Surplus/ (Deficit)	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain / (Loss)]	(1.97)	1.19	1.76	22.33	0.64

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ii) Pension Plan

(₹ in Crore)

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	637.50	587.48	531.78	584.12	598.76
Plan Assets	578.27	544.40	416.25	444.17	422.62
Surplus/ [Deficit]	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience Adjustments on Plan Assets [Gain / (Loss)]	0.18	2.19	3.03	1.38	0.96

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Discount rate	8.00%	8.00%	8.00%	8.00%
Annuity rate per Rupee	-	-	126.18297	126.18297
Salary escalation rate	5.00%	5.10%	5.00%	5.10%
Estimated rate of return on plan assets	8.30%	8.89%	8.74%	8.88%
Attrition Rate	3.00%	3.00%	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

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

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

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

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

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days.

The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

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A sum of ₹ 2.72 Crore (Previous year: ₹ 8.73 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

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

	(₹ in Crore)	31 March 2016	31 March 2015
Privilege leave		131.15	120.89
Sick leave		20.97	30.93
Leave Travel Concession		13.18	11.03
Casual Leave		1.09	0.82
Total actuarial liability		166.39	163.67
Assumptions			
Discount rate		8.00%	8.00%
Salary escalation rate		5.00%	5.10%
Attrition Rate		3.00%	3.00%

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

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

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

2.8. Provisions and Contingencies

a) Movement in provision for frauds included under other liabilities:

	(₹ in Crore)	31 March 2016	31 March 2015
Opening balance at the beginning of the year		6.64	5.32
Additions during the year		0.42	2.30
Reductions on account of payments during the year		-	-
Reductions on account of reversals during the year		1.24	0.98
Balance at the end of the year		5.82	6.64

b) Movement in provision for debit card reward points:

	(₹ in Crore)	31 March 2016	31 March 2015
Opening provision at the beginning of the year		2.25	1.00
Provision made during the year		0.77	2.76
Reductions during the year		1.10	1.51
Closing provision at the end of the year *		1.92	2.25

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilised towards redemption of the debit card reward points.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

c) Movement in provision for other contingencies:

	(₹ in Crore)	
	31 March 2016	31 March 2014
Opening provision at the beginning of the year	145.54	142.05
Provision made during the year	29.23	17.47
Reductions during the year	134.74	13.98
Closing provision at the end of the year	40.03	145.54

d) Movement in floating provisions:

Particulars	Standard Assets Provisions		NPA Provision	
	2015-16	2014-15	2015-16	2014-15
Opening balance	12.75	25.50	138.18	179.52
Provision made during the year	-	-	-	-
Draw down from provision*	-	12.75	69.00	41.34
Closing balance	12.75	12.75	69.18	138.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

2.9 Description of contingent liabilities:

a) Claims against the Bank not acknowledged as debts

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

b) Liability on account of forward exchange and derivative contracts

The Bank enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

- e) Other items for which the bank is contingently liable

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

Refer schedule 12 for amounts relating to contingent liability.

2.10 Provision for Long Term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses.

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

2.11 Corporate Social Responsibility (CSR)

(₹ in Crore)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Amount required to be spent	26.18	23.83
Amount spent during the year	12.30	7.27

The Bank has spent of 0.94% of its average net profit for the last three financial years as part of its CSR activities for the year ended March 31, 2016.

As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilising the reporting year to lay a foundation on which to build and scale future projects and partnerships.

The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

2.12 Investor education and protection fund

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

2.13 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2nd October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

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

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:

Sudhir M Joshi	(DIN : 00349597)
K M Chandrasekhar	(DIN : 06466854)
Dilip G Sadarangani	(DIN : 06610897)
Harish H Engineer	(DIN : 01843009)
Grace Elizabeth Koshie	(DIN : 06765216)
Shubhalakshmi Panse	(DIN : 02599310)
C Balagopal	(DIN : 00430938)

Place: Kochi
Date : 30th April, 2016



Adaptive Credit Processes

Even in an environment of muted credit demand, Federal Bank could clock reasonably good credit growth. The bank has been continuously deploying robust, standardised and centralised underwriting process with effective use of technology.



HOUSING LOAN APPROVAL IN 5 MINUTES

- Longest repayment tenure - 30 years
- Flexible repayment to save interest
- Home Plus loans at attractive terms
- Loan sanction on job confirmation for salaried individuals



NO LONG CONVERSATIONS. JUST CLICK TO GET A LOAN.

Now get your loan online. Federal Bank brings you the convenience of instant loans against your deposits with the bank with Fed-E-Credit. An easy and simple do-it-yourself facility.



FEDERAL EASY BUSINESS LOAN SCHEME

A RELIEF TO SMALL BUSINESSES

A specially designed scheme for Individuals/ firms / professionals / self-employed persons or any legal entity engaged in manufacturing / service / trading activities

BASEL III – PILLAR 3 DISCLOSURES AS ON 31st MARCH 2016

Scope of application and capital adequacy

Table DF- 1 Scope of Application

The Basel III capital adequacy norms are applicable to The Federal Bank Limited as the top consolidated entity in the group in line with the Reserve Bank of India (RBI) guidelines on the preparation of consolidated prudential reports.

Qualitative Disclosures

a) List of group entities considered for consolidation

Name of the entity / Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes / no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes / no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Fedbank Financial Services Ltd India	YES	AS- 21	YES	AS- 21	NA	NA
IDBI Federal Life Insurance Company Ltd India	YES	AS -23	NO	NA	NA	IDBI Federal is an insurance entity and has been risk weighted for capital adequacy purpose

b) List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Name of the entity / Country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
NIL					

Quantitative Disclosures

c) List of group entities considered for consolidation

(Amount in ₹Mn)

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Fed bank Financial Services Ltd India	Marketing of Bank's own products and lending against gold and property.	2079.34	6419.40

d) The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:

Name of the subsidiaries / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies
NIL	-----	-----	-----	-----

e) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity) (Amount in ₹Mn)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
IDBI Federal Life Insurance Company Ltd India	Insurance	6268.25	26%	CRAR will reduce by 0.23% under deduction method

f) Restrictions or impediments on transfer of funds or regulatory capital within the banking group:

There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

TABLE DF -2: CAPITAL ADEQUACY

1. Qualitative disclosures	
1.1	A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities.
	1. Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis. 2. Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis. 3. CRAR has been worked out based on Basel III guidelines and it is well above the Regulatory Minimum level of 9%.
2	Quantitative disclosures (Solo Bank)
2.1	Capital requirements for credit risk
	44392.74
	Portfolios subject to Standardized approach
	44392.74
	Securitization exposures
	0.00
2.2	Capital requirements for market risk (Standardized duration approach)
	3332.77
	Interest rate risk
	1654.26
	Foreign exchange risk (including gold)
	354.37
	Equity risk
	1324.14
2.3	Capital requirements for operational risk
	4771.57
	Basic Indicator Approach
	4771.57
	Total Capital Requirements
	52497.09
2.4	Common Equity Tier I,Tier I & Total Capital Ratios
	Standalone
	Common Equity Tier I capital Ratio
	13.36%
	Tier I capital ratio
	13.36%
	Total capital ratio
	13.93%
	14.27%

RISK EXPOSURE AND ASSESSMENT

1	Credit risk
	<p>Strategies and processes:</p> <p>The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below:</p> <ul style="list-style-type: none"> a) Defined segment exposures delineated into retail, micro, small and medium enterprises, agriculture and Corporate b) Industry wise segment caps on aggregate lending by Bank across Branches c) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds as at the end of the previous year d) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels; the approach also includes diversification of credit rating wise borrowers but within acceptable risk parameters e) At present, the Bank's entire business is within India and hence there is no geographic cap on lending in India; there is cap for certain loan categories in different geographies within India. With respect to cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank/institution f) A well-defined approach to sourcing and preliminary due diligence while sourcing fresh credit limits g) A clear and well defined delegation of authority within the Bank in regard to decision making, linking risk and exposure to level of approval.



	<p>h) Regular review of all credit structures and caps with due approval of Bank's Board and continuous strengthening of credit processes.</p> <p>i) Credit hub system put in place to enhance quality of credit appraisal and underwriting process.</p> <p>j) Bank has put in place appropriate mechanism for ongoing identification, development and assessment of expertise of officials in the area of credit appraisal, underwriting and credit management functions.</p> <p>k) Dedicated Credit Monitoring Department and credit monitoring cells at various levels to monitor/follow up of performance of loans and advances.</p> <p>l) Internal credit rating of all credit proposals of ₹5.00 Crores and above is to be confirmed by Integrated Risk Management Department.</p>
	<p>Structure and organization of risk management function:</p> <p>Bank has put in place Board approved comprehensive Credit Risk Management Policy. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalized required organizational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Risk Management Committee of the Board oversees Bank wide risk management and senior executive level Credit Risk Management Committee monitors adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets at least once in a month to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Management Division of Integrated Risk Management Department. Bank has put in place a detailed Loan Policy spelling out various aspects of credit dispensation and credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on sector wise, rating grade wise, and customer-constitution wise exposure. CRM policy gives specific instructions on valuation of collaterals. Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures.</p>
.	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating system is drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics etc. Risk rating is made applicable for loan accounts, whether funded or non-funded, with total limits above ₹2.00 lakhs. Bank uses different rating models for different types of exposures. Rating model used for infrastructure exposures and corporate exposures are comprehensive in structure whereas model used for small exposures in the range of ₹2.00 lakhs to ₹50.00 lakhs is relatively simple in structure. Retail advances are rated using different scoring models. Bank also uses a separate rating model for rating its investment exposures. Bank is undertaking annual validation of its rating model for exposures of ₹5.00 Crores and above and is also conducting migration and default rate analysis for all loans of ₹50.00 lakhs and above.</p> <p>Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual credit rating of its exposures and the findings are used in annual migration study and portfolio evaluation.</p> <p>Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. Bank has generally adopted a committee approach for credit sanction. Wherever individuals exercise their powers for credit sanction, the same is subjected to confirmation by a higher authority. Credit rating assigned by an official is also subjected to confirmation by a different official. Credit audit is being conducted at specified intervals. Bank has made reasonably good progress in implementing all available instruments of credit risk mitigation</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank's Credit Risk Management Policy stipulates various tools for mitigation of credit risk and collateral management. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risk arising in investment portfolio. Risk Management Committee of the Board and executive level Credit Risk Management Committee monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures.</p> <p>Risk rating process by itself is an integral part of processes of selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal/review of existing exposure by field level functionaries is permitted only for borrowers above a pre-specified rating grade. Entry-level restrictions are further tightened in certain sectors when market signals need for extra caution. Rating of an exposure awarded by an official is confirmed by another official to ensure its integrity.</p>

2	Market risk
	<p>Strategies and processes:</p> <p>Independent Mid office, which forms a part of Market Risk Division of IRMD, is operational in the floor of Bank's Treasury for onsite monitoring of Treasury functions. Market risk is monitored through various risk limits set vide Board approved Market Risk Management Policy. Detailed policies like Asset Liability Management Policy, Investment Policy, Derivatives Policy, Forex policy, Market Risk Management Policy etc. are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures.</p> <p>The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee of the Board oversees bank-wide risk management. Asset Liability Management Committee (ALCO), also known as Market Risk Management Committee, is primarily responsible for establishing market risk management and asset liability management in the Bank. ALCO is responsible for implementing risk management guidelines issued by the regulator, leading risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices/policies and risk management prudential limits.</p> <p>Independent Mid Office conducts market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. This separate desk monitors market/operational risks in Bank's Treasury/ Forex operations on a daily basis and reports directly to the Head of IRMD and Chief Risk Officer.</p>
	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Bank also subjects NSLR investment exposures to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc are also used for risk management and reporting.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants are discussed in ALCO and based on the views taken by/ mandates given by ALCO, hedge deals/ mitigation steps are undertaken. Liquidity risk of the Bank is assessed through Statements of Structural Liquidity and Short Term Dynamic Liquidity. The liquidity profile of the Bank is measured on a static and dynamic basis using the Statements of Structural Liquidity and Short Term Dynamic Liquidity, respectively. Structural liquidity position is assessed on a daily basis and dynamic liquidity position is assessed on a fortnightly basis.</p> <p>Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are also monitored by ALCO on a quarterly basis. Interest rate risk is analyzed from earnings perspective using Traditional Gap Analysis and economic value perspective using Duration Gap Analysis on a monthly basis. Based on the analysis, steps are taken to minimize the impact of interest rate changes. Bank is computing LCR (Liquidity Coverage Ratio) on a monthly basis. Advance techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.</p>
3	Operational risk
	<p>Strategies and processes:</p> <p>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. Bank has put in place a comprehensive bank-wide Business Continuity Plan to ensure continuity of critical operations of the Bank covering all identified disasters.</p> <p>All new schemes/products of the Bank are risk vetted from the point of view of operational risk, before implementation.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee of the Board oversees bank-wide risk management. Bank has put in place detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. Apex level Business Continuity Plan Committee monitors the business continuity preparedness of the Bank on an ongoing basis.</p>



	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank is collecting operational risk loss data directly from the loss originating points, with effect from 01.01.2009. Bank also introduced separate accounting of operational risk events to enhance transparency and to enable effective monitoring of loss events. Well-designed system for reporting identified loss events and data in the most granular form is put in place. Operational Risk Division is the central repository for operational loss data of the Bank. Consolidation and analysis of loss data is placed before the Operational Risk Management Committee on a quarterly basis. Bank is conducting Risk and Control Self Assessment process on a periodic basis. Bank is also monitoring its key operational risk indicators on a periodic basis.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank is using insurance for mitigating operational risk. Bank is subscribing to the General Banker's Indemnity Policy as mitigation against loss of securities due to various external events. Bank also mitigates loss in other physical assets through property insurance.</p>
	<p>4 Interest rate risk in Banking Book</p>
	<p>Strategies and processes:</p> <p>Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee at the Board level and ALCO at the executive level are responsible for effective management of Interest Rate Risk in Bank's business. Board approved ALM Policy governs the interest rate risk management framework of the Bank. Market Risk Management Policy takes care of the management of interest rate risk in the Trading Book of the Bank.</p>
	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Interest rate risk in Banking Book is assessed and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO / RMC for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank has put in place mitigating/hedging measures prescribed by Investment Policy, ALM Policy, Market Risk Management Policy and Derivatives Policy. Risk profiles are analyzed and mitigating strategies/ hedging process are suggested and operationalized by Treasury Department with the approval of Senior level Committees.</p>
	<p>Structure and organization of Bank's risk management function</p> <p>Bank has put in place appropriate organizational framework for bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all types of risk on an enterprise-wide basis to achieve organizational goals. The structure assures adherence to regulatory stipulations. The structure is designed in tune with the guidelines of Regulator. Bank's Board at the top of the structure has assumed overall responsibility for bank-wide management of risk. The Board decides risk management policies of the Bank and sets risk exposure limits by assessing Bank's risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility of devising policy and strategy for enterprise-wide risk management. The Committee also sets guidelines for measurement of risks, risk mitigation and control parameters and approves adequate infrastructure for risk management. The Committee meets regularly and reviews reports placed on various risk areas. There are three support committees of senior executives (CRMC, ALCO also known as MRMC, ORMC) responsible for implementation of policies and monitoring of level of risks in their respective domains. The Committees are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committees meet regularly to take stock of various facets of risk management function and place their reports to Board level Risk Management Committee. CRMC and ALCO meet at least once in a month and ORMC meets at least once in a quarter. Depending on requirement, ALCO meets very often. Further, an apex level Business Continuity Plan Committee is constituted with the Managing Director & CEO as its head, to ensure continuity of critical operations of the Bank in the event of occurrence of disasters.</p>

Integrated Risk Management Department is responsible for overall identification, measurement, monitoring and control of various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator/Board. IRMD has three separate divisions; Credit Risk Division, Market Risk Division and Operational Risk Division. Division Heads report to the Head of IRMD who in turn reports to the Chief Risk Officer. The Chief Risk Officer reports directly to the Managing Director & CEO.

TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

1.	Qualitative disclosures
	Definitions of past due and impaired (for accounting purposes). <p>1. Non-Performing Assets An asset including a leased asset becomes non-performing when it ceases to generate income for the bank. A non-performing asset (NPA) is a loan or an advance where a. Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan b. The account remains 'out of order' as indicated in paragraph 2 below, in respect of an Overdraft /Cash Credit (OD/CC) c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops. An account is classified as NPA if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.</p> <p>2. 'Out of Order' status An account is treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as out of order.</p> <p>3. 'Overdue' Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.</p> <p>4. Special Mention Accounts As prescribed by the regulator, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below. • SMA-0- Principal or interest payment not overdue for more than 30 days, but account showing signs of incipient stress due to various non-financial reasons. • SMA-1- Principal or interest overdue between 31-60 days. • SMA-2- Principal or interest overdue between 61-90 days.</p>
	Credit Risk <p>a. Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities b. Downgrading of counterparties whose credit instruments the Bank may be holding, causing the value of those assets to fall. c. Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).</p>
	Discussion of the Bank's Credit Risk Management Policy Bank has put in place a detailed Credit Risk Management Policy. Goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organizational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilization of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimizing returns with satisfactory spread over funding cost and overheads. The policy also deals with structure, framework and processes for effective management of inherent credit risk.

Quantitative disclosures

Amount in ₹ Mn.

	Fund based exposure*	Non-fund based exposure**	Total
Total gross credit risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	648237.99	52094.63	700332.62
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	0.00	0.00	0.00
Domestic	648237.99	52094.63	700332.62

*Fund based exposures include all type of funded facilities including the unavailed limits and inter-bank exposures. However, exposures to Food Credit, RIDF related exposures, deposits to SIDBI, NABARD and NHB for priority sector lending purposes are excluded.

**Non fund based exposures include guarantees, Letters of Credit and Co-Acceptances of bills/deferred payment guarantees.

INDUSTRY TYPE DISTRIBUTION OF EXPOSURES
(With industry break up on same lines as prescribed for DSB returns)

Amount in ₹ Mn.

Industry Name	Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
A. Mining and Quarrying	2,119.16	45.13	2,164.29	0.31%
A.1 Coal	88.54	0.00	88.54	0.01%
A.2 Others	2,030.62	45.13	2,075.75	0.30%
B. Food Processing	1,633.66	43.74	1,677.40	0.24%
B.1 Sugar	1,272.76	5.53	1,278.29	0.18%
B.2 Edible Oils and Vanaspati	0.02	6.71	6.73	0.00%
B.3 Tea	0.00	4.02	4.02	0.00%
B.4 Coffee	318.02	0.00	318.02	0.05%
B.5 Others	42.85	27.48	70.33	0.01%
C. Beverages (excluding Tea & Coffee) and Tobacco	679.32	0.50	679.82	0.10%
C.1 Tobacco and tobacco products	271.25	0.00	271.25	0.04%
C.2 Others	408.06	0.50	408.56	0.06%
D. Textiles	14,573.47	28.85	14,602.32	2.09%
D.1 Cotton	3,861.17	13.78	3,874.95	0.55%
D.2 Jute	358.17	0.07	358.24	0.05%
D.3 Man-made	0.00	0.00	0.00	0.00%
D.4 Others	10,354.13	15.01	10,369.14	1.48%
Out of D (i.e., Total Textiles) to Spinning Mills	213.67	0.35	214.02	0.03%
E. Leather and Leather products	1,354.06	9.78	1,363.84	0.19%
F. Wood and Wood Products	2,737.05	7.18	2,744.23	0.39%
G. Paper and Paper Products	4,570.21	60.86	4,631.07	0.66%
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	5,539.55	8.27	5,547.82	0.79%
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	11,353.40	23.86	11,377.26	1.62%
I.1 Fertilizers	3,023.11	1.00	3,024.11	0.43%
I.2 Drugs and Pharmaceuticals	3,524.19	3.07	3,527.26	0.50%
I.3 Petro-chemicals (excluding under Infrastructure)	1,511.36	7.07	1,518.43	0.22%
I.4 Others	3,294.74	12.72	3,307.46	0.47%
J. Rubber, Plastic and their Products	5,555.08	15.66	5,570.74	0.80%
K. Glass & Glassware	261.95	18.75	280.70	0.04%
L. Cement and Cement Products	3,115.49	10.50	3,125.99	0.45%
M. Basic Metal and Metal Products	18,211.27	432.44	18,643.71	2.66%
M.1 Iron and Steel	13,996.05	109.42	14,105.47	2.01%
M.2 Other Metal and Metal Products	4,215.23	323.02	4,538.25	0.65%
N. All Engineering	6,415.32	4,694.23	11,109.55	1.59%
N.1 Electronics	119.87	0.11	119.98	0.02%
N.2 Others	6,295.45	4,694.12	10,989.57	1.57%
O. Vehicles, Vehicle Parts and Transport Equipments	2,788.47	14.12	2,802.59	0.40%
P. Gems and Jewellery	1,661.20	0.00	1,661.20	0.24%
Q. Construction	1,371.99	19.77	1,391.76	0.20%
R. Infrastructure	50,285.67	16,487.02	66,772.69	9.53%
R.a Transport (a.1 to a.6)	19,624.64	1,249.26	20,873.90	2.98%
R.a.1 Roads and Bridges	12,991.09	833.74	13,824.83	1.97%

R.a.2 Ports	0.00	0.00	0.00	0.00%
R.a.3 Inland Waterways	0.00	0.00	0.00	0.00%
R.a.4 Airport	6,633.54	415.52	7,049.06	1.01%
R.a.5 Railway Track, tunnels, viaducts, bridges	0.00	0.00	0.00	0.00%
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0.00	0.00	0.00	0.00%
R.b. Energy (b.1 to b.6)	18,107.61	1,650.00	19,757.61	2.82%
R.b.1 Electricity Generation	6,615.82	1,260.00	7,875.82	1.12%
R.b.1.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.1.2 State Govt PSUs (incl. SEBs)	271.67	0.00	271.67	0.04%
R.b.1.3 Private Sector	6,344.15	1,260.00	7,604.15	1.09%
R.b.2 Electricity Transmission	355.71	0.00	355.71	0.05%
R.b.2.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.2.2 State Govt PSUs (incl. SEBs)	355.71	0.00	355.71	0.05%
R.b.2.3 Private Sector	0.00	0.00	0.00	0.00%
R.b.3 Electricity Distribution	11,136.08	390.00	11,526.08	1.65%
R.b.3.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.3.2 State Govt PSUs (incl. SEBs)	8,945.84	0.00	8,945.84	1.28%
R.b.3.3 Private Sector	2,190.24	390.00	2,580.24	0.37%
R.b.4 Oil Pipelines	0.00	0.00	0.00	0.00%
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	0.00	0.00	0.00	0.00%
R.b.6 Gas Pipelines	0.00	0.00	0.00	0.00%
R.c. Water and Sanitation (c.1 to c.7)	480.03	3.19	483.22	0.07%
R.c.1 Solid Waste Management	0.00	0.00	0.00	0.00%
R.c.2 Water supply pipelines	480.03	3.19	483.22	0.07%
R.c.3 Water treatment plants	0.00	0.00	0.00	0.00%
R.c.4 Sewage collection, treatment and disposal system	0.00	0.00	0.00	0.00%
R.c.5 Irrigation (dams, channels, embankments etc)	0.00	0.00	0.00	0.00%
R.c.6 Storm Water Drainage System	0.00	0.00	0.00	0.00%
R.c.7 Slurry Pipelines	0.00	0.00	0.00	0.00%
R.d. Communication (d.1 to d.3)	902.99	13,193.59	14,096.58	2.01%
R.d.1 Telecommunication (Fixed network)	902.99	13,193.59	14,096.58	2.01%
R.d.2 Telecommunication towers	0.00	0.00	0.00	0.00%
R.d.3 Telecommunication and Telecom Services	0.00	0.00	0.00	0.00%
R.e. Social and Commercial Infrastructure (e.1 to e.9)	5,762.30	56.70	5,819.00	0.83%
R.e.1 Education Institutions (capital stock)	3,897.73	0.00	3,897.73	0.56%
R.e.2 Hospitals (capital stock)	1,257.33	56.20	1,313.53	0.19%
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	54.37	0.00	54.37	0.01%
R.e.5 Fertilizer (Capital investment)	0.00	0.00	0.00	0.00%
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	552.87	0.50	553.37	0.08%
R.e.7 Terminal markets	0.00	0.00	0.00	0.00%
R.e.8 Soil-testing laboratories	0.00	0.00	0.00	0.00%
R.e.9 Cold Chain	0.00	0.00	0.00	0.00%
R.f. Other Infrastructure	5,408.10	334.28	5,742.38	0.82%
S. Other Industries	5,010.73	5,715.81	10,726.54	1.53%
All Industries (A to S)	139,237.06	27,636.47	166,873.53	



RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS
(Maturity bands as used in ALM returns are used)

Amount in ₹ Mn.

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	5577.73	107.55	5013.63	0.00	8905.13	0.00	5.95	19609.99
2 – 7 days	0.00	309.13	11032.08	20703.56	11238.65	0.00	1196.16	44479.58
8-14 days	0.00	300.26	0.00	4591.37	12238.74	0.00	290.10	17420.47
15-28 days	0.00	643.69	50.00	3386.04	5062.79	0.00	1.36	9143.88
29 days & up to 3 months	0.00	2157.01	346.50	13742.93	31146.30	0.00	13.21	47405.95
Over 3 months & up to 6 months	0.00	2227.51	8.00	13117.29	50320.21	0.00	2541.56	68214.57
Over 6 months & up to 1 year	0.00	6292.22	0.00	10117.79	73011.51	0.00	4431.39	93852.91
Over 1 year & up to 3 years	0.00	12890.94	0.00	29806.52	267523.58	0.00	12808.17	323029.21
Over 3 years & up to 5 years	0.00	436.69	2.50	22073.64	63025.99	0.00	10479.00	96017.82
Over 5 years	0.00	6802.67	0.00	104635.80	58428.55	5199.75	20059.15	195125.92
Total	5577.73	32167.67	16452.71	222174.94	580901.45	5199.75	51826.05	914300.30

ASSET QUALITY

Advances

Amount in ₹ Mn.

Amount of Non-Performing Assets (Gross)	16677.67
Substandard	7412.23
Doubtful 1	3964.63
Doubtful 2	3134.53
Doubtful 3	928.91
Loss	1237.37
Net NPA	9500.10
NPA ratios	
Gross NPAs to gross advances (%)	2.84
Net NPAs to net advances (%)	1.64
Movement of NPAs (Gross)	
Opening balance (balance as at the end of previous Fiscal)	10577.32
Additions during the period	19271.00
Reductions	13170.65
Closing balance	16677.67

Movement of provisions

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	6663.80	1381.80
Provisions made during the period	9481.90	0.00
Write off	4520.60	0.00
Write back of excess provisions	3930.10	690.00
Any other adjustments, including transfers between provisions	0.00	0.00
Closing balance	6313.20	691.80

Details of write offs and recoveries that have been booked directly to the income statement

	Amount in ₹ Mn.
Write offs that have been booked directly to the income statement	4520.60
Recoveries that have been booked directly to the income statement	889.32

Investments

	Amount in ₹ Mn.
Amount of Non Performing Investments(Gross)	2326.49
Amount of provisions held for Non Performing Investments	780.89
Movement of provisions for depreciation on investments	
Opening balance (balance as at the end of previous Fiscal)	124.82
Provisions made during the period	363.42
Write-off	0.00
Write-back of excess provisions	196.02
Closing balance	292.22

Major Industry breakup of NPA

		Amount in ₹ Mn.
Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	1145.50	868.92

Geography wise Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	16677.67	6313.20	691.80
Overseas	0.00	0.00	0.00
Total	16677.67	6313.20	691.80

TABLE DF – 4: Disclosures For Portfolios Subject To The Standardized Approach

1. Qualitative disclosures	
For portfolios under the Standardized Approach;	
Names of credit rating agencies used, plus reasons for any changes. Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrower accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are:	
1. CRISIL 2. CARE 3. India Ratings and Research Private Limited(Formerly FITCH INDIA) 4. ICRA 5. Brickwork Ratings India Pvt. Ltd (BRICKWORK) 6. SMERA Ratings Ltd	
Wherever short term rating is not available, long term rating grade is used to determine risk weight of the short term claims also. However, even if short term rating is available, it is not used to determine risk weight of long term claims.	
With respect to external credit rating, Bank is using long term ratings for risk weighting all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty.	
For an unrated claim with respect to external credit rating, the Bank is using long term ratings for risk weighting both unrated long term claims as well as unrated short term claims on the same counterparty. However, short term rating of counterparty is only used to assign risk weight to unrated short term claims and not unrated long term claims of the same counterparty.	
Wherever external credit rating of guarantor is relevant, the same is used as the entity rating of the guarantor and not the rating of any particular issue of the guarantor. Whereas the entity ratings are used to risk weight specific unrated credit exposures of counterparty, rating of any credit exposure of the counterparty is not used to arrive at risk weight of that counterparty as guarantor.	
Types of exposure for which each agency is used.	
1. Rating by the agencies is used for both fund based and non-fund based exposures. 2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits).	



	<p>3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits.</p> <p>4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group.</p>												
	<p>Description of the process used to transfer public issue ratings onto comparable assets in the Banking Book</p> <p>The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject.</p> <p>Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/counterparty) or Issuer Ratings (borrower constituent/counterparty) are applied to unrated exposures of the same borrower constituent/counterparty subject to the following:</p> <ol style="list-style-type: none"> 1. Issue specific ratings are used where the unrated claim of the Bank ranks paripassu or senior to the rated issue / debt. 2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty. 3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned. 												
	<p>2. Quantitative disclosures</p> <table border="1"> <tr> <td>Risk Weight</td> <td>Amount in ₹ Mn</td> </tr> <tr> <td>Below 100 %</td> <td>505502.51</td> </tr> <tr> <td>100 %</td> <td>153907.24</td> </tr> <tr> <td>More than 100 %</td> <td>62112.01</td> </tr> <tr> <td>Deducted</td> <td>0.00</td> </tr> <tr> <td>Total</td> <td>721521.76</td> </tr> </table>	Risk Weight	Amount in ₹ Mn	Below 100 %	505502.51	100 %	153907.24	More than 100 %	62112.01	Deducted	0.00	Total	721521.76
Risk Weight	Amount in ₹ Mn												
Below 100 %	505502.51												
100 %	153907.24												
More than 100 %	62112.01												
Deducted	0.00												
Total	721521.76												

TABLE DF – 5: Credit Risk Mitigation: Disclosures for Standardized Approaches

1. Qualitative disclosures	
	Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk
1.1 Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting	
	Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.
1.2 Policies and processes for collateral valuation and management	
	Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.
1.3 Description of the main types of collateral taken by the Bank	<p>Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely:</p> <ol style="list-style-type: none"> 1. Cash margin and fixed deposits of the counterparty with the Bank. 2. Gold jewellery of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity. 3. Securities issued by Central and State Governments 4. Kisan Vikas Patra and National Savings Certificates. 5. Life Insurance Policies with a declared surrender value of an insurance company regulated by the insurance sector regulator. 6. Debt securities rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are either: <ul style="list-style-type: none"> a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public sector entities and other entities including banks and Primary Dealers or b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments 7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are <ul style="list-style-type: none"> a. Issued by the bank b. Listed on a recognized exchange c. Classified as senior debt d. All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or A3 by a chosen Credit Rating Agency e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency 8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where <ul style="list-style-type: none"> a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain b. Mutual fund is limited to investing in the permitted instruments listed. <p>Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/advances and deposits of the same counterparty. Netting benefit, even if available, is not utilized in capital computation under Basel III norms.</p>
1.4 Main types of guarantor counterparty and their creditworthiness	
	Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject.

	<p>Main types of guarantor counterparties are</p> <ul style="list-style-type: none"> a. Sovereigns (Central / State Governments) b. Sovereign entities like ECGC, CGTSI c. Banks and Primary Dealers with a lower risk weight than the counter party <p>Other entities rate AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.</p>
1.5	Information on market / credit risk concentrations within the mitigation taken by the Bank

2. Quantitative Disclosures

Amount in ₹ Mn.

2.1 Credit risk exposure covered by eligible financial collaterals				
Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure	
A Funded Credit Exposure	91315.22	84987.20	6328.02	
B Non funded Credit exposure	19168.77	7156.17	12012.60	
C Securitization exposures – On balance sheet	0.00	0.00	0.00	
D Securitization exposures – Off balance sheet	0.00	0.00	0.00	
TOTAL	110483.99	92143.37	18340.62	

2.2 Credit risk exposure covered by guarantees

Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)
A Funded Credit Exposure	37294.15	29128.16
B Non funded Credit exposure	8728.22	8013.72
C Securitization exposures – on balance sheet	0.00	0.00
D Securitization exposures – off balance sheet	0.00	0.00
TOTAL	46022.37	37141.88

TABLE DF – 6: Securitisation: Disclosures for Standardized Approach

1.	Qualitative disclosures
1.1	General disclosures on securitization exposures of the Bank
A	Objectives of securitization activities of the Bank (including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the Bank to other entities and nature of other risks inherent in securitized assets)
	Bank's securitization exposure is limited to investments in securitization instruments (Pass Through Certificates), primarily made in an earnings perspective and risks inherent in the investment is within reasonable levels.
B	Role of Bank in securitization processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.
	Bank has invested in rated securitized instruments and such investments are held in its Trading Book. Bank is not active in securitization processes in any other manner.
C	Processes in place to monitor changes in the credit and market risk of securitization exposures
	Bank is constantly monitoring the changes in credit and market risk profile of securitization instruments held in the Trading Book.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures
	Bank has not retained any exposure/risk as originator of securitization transactions.



1.2	Accounting policies for securitization activities
A	Treatment of transaction (whether as sales or financings)
	N.A
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognized on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitized instruments.
D	Policies for recognizing liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitized assets.
	Bank has not entered into any arrangement to provide financial support for securitized assets.
1.3	In the Banking Book, names of ECAs used for securitizations and the types of securitization exposures for which each agency is used.
	Bank does not have any securitization exposure in the Banking Book.

2. Quantitative disclosures

2.1	In the Banking Book							
A	Total amount of exposures securitized by the Bank							
B	For exposures securitized, losses recognized by the Bank during the current period (exposure type wise break up)							
C	Amount of assets intended to be securitized within a year							
D	Of (C) above, amount of assets originated within a year before securitization							
E	Securitization exposures (by exposure type) and unrecognized gain or losses on sale thereon							
	Type of exposure	Amount securitized	Unrecognized gain / loss					
	Nil	Nil	Nil					
F	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup)							
G	Aggregate amount of off-balance sheet securitization exposures (exposure type wise breakup)							
H	Aggregate amount of securitization exposures retained or purchased and associated capital charges (exposure type wise and risk weight wise breakup)							
	Type of exposure	Risk weights						
		20%	30%	50%	100%	150%	350%	400%
	Nil	----	----	----	----	----	----	----
I	Total amount of deductions from capital on account of securitization exposures							
	Deducted entirely from Tier I capital-underlying exposure type wise break up							
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up							
	Other exposures deducted from total capital – underlying exposure type wise break up							

2.2 In the Trading Book

A	Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)
	Type of exposure
	Nil
B	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup)
	Type of exposure
	Investment in Pass through Certificates
C	Aggregate amount of off-balance sheet securitization exposures (exposure type wise breakup)
D	Securitization exposures retained / purchased subject to Comprehensive Risk Measure for specific risk

E	Securitization exposures retained / purchased subject to specific risk capital charge (risk weight band wise distribution)		
	Type of Exposure	Capital charge as % to exposure	Exposure (₹ Mn.)
	Investment in Pass through Certificates	2.88%	1.84
F	Aggregate amount of capital requirements for securitization exposures (risk weight band wise distribution)		
	Type of exposure	Capital charge as % to exposure	Capital charge ₹ Mn
	Investment in Pass through Certificates	2.88%	1.84
G	Total amount of deductions from capital on account of securitization exposures	Nil	
	Deducted entirely from Tier I capital – underlying exposure type wise break up	Nil	
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up	Nil	
	Other exposures deducted from total capital – underlying exposure type wise break up	Nil	

TABLE DF – 7: Market Risk In Trading Book

1.	Qualitative disclosures	
1.1	Approach used for computation of capital charge for market risk	
	Bank has adopted Standardized Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardized Duration Approach is applied for computation of General Market Risk for <ul style="list-style-type: none"> • Securities under HFT category • Securities under AFS category • Open gold position limits • Open foreign exchange position limits • Trading positions in derivatives • Derivatives entered into for hedging trading book exposures Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.	
1.2	Portfolios covered in the process of computation of capital charge	
	Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.	
2.	Quantitative disclosures	(Amount in ₹ Mn)
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach	3332.77
	Interest rate risk	1654.26
	Foreign exchange risk (including gold)	354.37
	Equity position risk	1324.14

TABLE DF – 8: Operational Risk

1.	Qualitative disclosures	
1.1	Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)	
	Bank has adopted Basic Indicator Approach as prescribed by RBI for computation of capital charge for operational risk. Bank has initiated steps to move on to the Advanced Measurement Approach in due course.	

TABLE DF – 9: Interest Rate Risk In Banking Book (IRRBB)

1.	Qualitative disclosures	
1.1	Brief description of approach used for computation of interest rate risk and nature of IRRBB.	
	Interest Rate Risk in Banking Book is computed through Duration Gap Analysis and Traditional Gap Analysis. In Traditional Gap Analysis, the impact of changes in interest rates on Banks' earnings due to changes in Net Interest Income is assessed. i.e., earnings perspective is taken care in this method whereas in Duration Gap Analysis, the economic value perspective is taken care of. Duration Gap Analysis measures the level of Banks exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements.	



1.2	Key assumptions used in Duration Gap Analysis (DGA) and computation of capital charge for Interest Rate Risk (including assumptions on pre-payment of loans and behavior of non-maturity deposits)
	<p>Board approved assumptions as stipulated in applicable policies are used in Duration Gap Analysis and computation of capital charge for Interest Rate Risk. The following are the key assumptions involved:</p> <ol style="list-style-type: none"> 1) As indicated by RBI, assets and liabilities are grouped under the broad heads under various time buckets and bucket wise modified duration of these groups is computed using the suggested common maturity, coupon and yield parameters. 2) Fixed rate loans are bucketed based on the residual maturity of the loans and floating rate advances are bucketed based on the interest reset period or residual maturity of the loan whichever is earlier. 3) All the future cash flows (future repricing amount) bucket wise are discounted with midpoint of the bucket and suggested yield to get more accurate treatment of cash flows. The same present value is considered to arrive at the weighted Modified duration of each asset and liability and further to get the weighted modified duration of Liabilities and Assets. 4) Bank's average standard advances covering Bills Purchased / Discounted, Cash Credits/ Overdrafts and term loans are mapped to appropriate external ratings. Yield curve for BBB rated corporate bonds is used as a proxy for yield for Banks' average standard advances for arriving at the Modified Duration of Advances. <p>Usual bucketing applicable to the Statement of Interest Rate Sensitivity is also made applicable to the duration of Equity calculations. Last bucket for both liabilities and assets is approximated as above 15 years.</p>
1.3	Frequency of measurement of interest rate risk
	Measurement and Computation of Interest rate risk in Banking Book and evaluation of Modified Duration of Equity is done by the Bank on a monthly basis. Bank also calculates on a monthly basis the likely drop in Market Value of Equity with 200 bps change in interest rates. Earnings-at-Risk is measured on a monthly basis using Traditional Gap Analysis.

2. Quantitative disclosures - Impact of interest rate risk

(Amount in ₹ Mn.)

		Total Book	Banking Book
2.1	Earnings perspective (Traditional Gap Analysis)		
	Earnings at Risk (Ear) – impact for one year due to		
	Uniform 1% increase in interest rate		
	Uniform 1% decrease in interest rate	2139.53	1877.62
2.2	Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	4.47% 3614.08	1.99% 1616.30

(* Currency wise break up not provided as the turnover in other currencies is less than 5% of total turnover)

TABLE DF – 10: General Disclosure for Exposure Related to Counterparty Credit Risk

Qualitative disclosures
Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach.
Quantitative disclosures
The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The balance outstanding and the current exposure thereof are as follows:

(Amount in ₹ Mn.)

Particulars	Notional Amounts	Current Exposure
Foreign exchange contracts	101757.09	3954.04
Interest rate derivative contracts	22000.00	224.95
Total	123757.09	4179.00

TABLE DF 11

			₹in Mn
Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)			Amounts subject to Pre-Basel III Treatment
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)		28522.47
2	Retained earnings		10674.28
3	Accumulated other comprehensive income (and other reserves)		41486.53
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		0.00
Public sector capital injections grandfathered until 1January 2018			0.00
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		0.00
6	Common Equity Tier 1 capital: before regulatory adjustments		80683.28
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments		0.00
8	Goodwill (net of related tax liability)		0.00
9	Intangibles other than mortgage-servicing rights (net of related tax liability)		869.65
10	Deferred tax assets		0.00
11	Cash-flow hedge reserve		0.00
12	Shortfall of provisions to expected losses		0.00
13	Securitisation gain on sale		0.00
14	Gains and losses due to changes in own credit risk on fair valued liabilities		0.00
15	Defined-benefit pension fund net assets		0.00
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		0.00
17	Reciprocal cross-holdings in common equity		8.19 2.05
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		0.00
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		0.00
20	Mortgage servicing rights (amount above 10% threshold)		0.00
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		0.00
22	Amount exceeding the 15% threshold		0.00
23	of which: significant investments in the common stock of financial entities		
24	of which: mortgage servicing rights		0.00
25	of which: deferred tax assets arising from temporary differences		0.00
26	National specific regulatory adjustments (26a+26b+26c+26d)		0.00
26 a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries		0.00
26 b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries		0.00
26 c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank		0.00
26 d	of which: Unamortised pension funds expenditures		0.00
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment		0.00
	of which: [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)		0.00



	of which: [INSERT TYPE OF ADJUSTMENT]	0.00	
	of which: [INSERT TYPE OF ADJUSTMENT]	0.00	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00	
28	Total regulatory adjustments to Common equity Tier 1	877.84	
29	Common Equity Tier 1 capital (CET1)	79805.44	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	0.00	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	0.00	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0.00	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00	
35	of which: instruments issued by subsidiaries subject to phase out	0.00	
36	Additional Tier 1 capital before regulatory adjustments	0.00	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41 a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00	
41 b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment of which: [INSERT TYPE OF ADJUSTMENT e.g. DTAs]	0.00	
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	0.00	
	of which: [INSERT TYPE OF ADJUSTMENT]	0.00	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00	
43	Total regulatory adjustments to Additional Tier 1 capital	0.00	
44	Additional Tier 1 capital (AT1)	0.00	
44 a	Additional Tier 1 capital reckoned for capital adequacy	0.00	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	79805.44	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0.00	
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00	
49	of which: instruments issued by subsidiaries subject to phase out	0.00	
50	Provisions	3563.19	
51	Tier 2 capital before regulatory adjustments	3563.19	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0.00	
53	Reciprocal cross-holdings in Tier 2 instruments	18.54	4.63

54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0.00	
55	Significant investments ¹³ in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
56	National specific regulatory adjustments (56a+56b)	0.00	
56 a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	0.00	
56 b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	0.00	
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	0.00	
	of which: [INSERT TYPE OF ADJUSTMENT]	0.00	
57	Total regulatory adjustments to Tier 2 capital	18.54	
58	Tier 2 capital (T2)	3544.65	
58 a	Tier 2 capital reckoned for capital adequacy	3544.65	
58 b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0.00	
58 c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	3544.65	
59	Total capital (TC = T1 + T2) (45 + 58c)	83350.09	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment		
	of which: Reciprocal Crossholding in Common Equity	0.41	
	of which: Reciprocal Crossholding in Tier II instruments	0.55	
60	Total risk weighted assets (60a + 60b + 60c)	584293.64	
60 a	of which: total credit risk weighted assets	494245.32	
60 b	of which: total market risk weighted assets	37030.83	
60 c	of which: total operational risk weighted assets	53017.49	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.66%	
62	Tier 1 (as a percentage of risk weighted assets)	13.66%	
63	Total capital (as a percentage of risk weighted assets)	14.27%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	0.00%	
65	of which: capital conservation buffer requirement	0.625%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB buffer requirement	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.16%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	1611.11	
73	Significant investments in the common stock of financial entities	2080.00	
74	Mortgage servicing rights (net of related tax liability)	0.00	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	3182.54	



77	Cap on inclusion of provisions in Tier 2 under standardised approach	6178.07	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

Note to the Template		
Row No. of the template	Particular	₹ in million
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	0.00
	Total as indicated in row 10	0.00
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	2080.00
	of which: Increase in Common Equity Tier 1 capital	2080.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
44 a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	0.00
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	0.00
50	Eligible Provisions included in Tier 2 capital	3182.54
	Eligible Revaluation Reserves included in Tier 2 capital	0.00
	Total of row 50	3182.54
58 a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	0.00

Table DF-12			₹ in million
Composition of Capital: Reconciliation Requirements Step 1		Balance sheet as in financial statements 31-03-16	Balance sheet under regulatory scope of consolidation 31-03-16
A Capital & Liabilities			
i	Paid-up Capital	3437.89	3437.89
	Reserves & Surplus	77203.36	77653.62
	Minority Interest		
	Total Capital	80641.25	81091.51
ii	Deposits	791709.00	791709.00
	of which: Deposits from banks	6453.54	6453.54
	of which: Customer deposits	785255.46	785255.46
	of which: Other deposits (pl. specify)	0.00	0.00
iii	Borrowings	22983.17	22983.17
	of which: From RBI	0.00	0.00
	of which: From banks	1367.50	1367.50
	of which: From other institutions & agencies	15016.99	15016.99
	of which: Others (pl. specify)	4598.68	4598.68
	of which: Capital instruments	2000.00	2000.00
iv	Other liabilities & provisions	20210.49	20210.49
	Total Liabilities	915543.91	915994.16
B Assets			
i	Cash and balances with Reserve Bank of India	37769.58	37769.58
	Balance with banks and money at call and short notice	16461.84	16461.84
ii	Investments:	219824.69	220274.94
	of which: Government securities	170039.70	170039.70
	of which: Other approved securities	0.00	0.00
	of which: Shares	1554.36	1554.36
	of which: Debentures & Bonds	16990.39	16990.39
	of which: Subsidiaries / Joint Ventures / Associates	1629.75	2080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	29603.96	29603.96
iii	Loans and advances	584197.74	584197.74
	of which: Loans and advances to banks	74.74	74.74
	of which: Loans and advances to customers	584123.01	584123.01
iv	Fixed assets	5236.39	5236.39
v	Other assets	52053.66	52053.66
	of which: Goodwill and intangible assets	869.65	869.65
	of which: Deferred tax assets	581.36	581.36
vi	Goodwill on consolidation		
vii	Debit balance in Profit & Loss account		
	Total Assets	915543.91	915994.16



TABLE DF-12

		₹ in million		
	Composition of Capital: Reconciliation Requirements Step 2	Balance sheet as in financial state- ments 31-03-16	Balance sheet under regulatory scope of consolidation 31-03-16	Ref No.
A	Capital & Liabilities			
i	Paid-up Capital	3437.89	3437.89	
	of which: Amount eligible for CET1	3437.89	3437.89	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	77203.36	77653.62	
	Of which			
	-Statutory Reserve	18593.24	18593.24	b
	-Revaluation Reserve (Part of CET1 at a discount of 55%)	50.09	50.09	c
	-Revaluation reserves at a discount of 55 per cent (T-2) (if not already shown under CET 1)			c i
	-Share premium	25084.58	25084.58	d
	-Capital Reserve	2416.14	2416.14	e
	-Revenue and other reserves	15046.43	15046.43	f
	-Investment fluctuation reserve	1897.20	1897.20	g
	-Investment reserve	380.65	380.65	h
	-Foreign Currency Translation Reserve (at a discount of 75 per cent)	0.09	0.09	i
	-Special reserve	3209.90	3209.90	j
	-Contingency reserve	301.00	301.00	k
	- Balance in Profit and loss account at the end of the previous financial year	10494.69	10930.11	l
	- Current Financial year profit (After appropriations)	-270.67	-255.83	m
	Minority Interest	0.00	0.00	
	Total Capital	80641.25	81091.51	
ii	Deposits	791709.00	791709.00	
	of which: Deposits from banks	6453.54	6453.54	
	of which: Customer deposits	785255.46	785255.46	
	of which: Other deposits (pl. specify)	0.00	0.00	
iii	Borrowings	22983.17	22983.17	
	of which: From RBI	0.00	0.00	
	of which: From banks	1367.50	1367.50	
	of which: From other institutions & agencies	15016.99	15016.99	
	of which: Others	4598.68	4598.68	
	of which: Capital instruments (Tier II bonds)	0.00	0.00	
	- Recognised under Tier II	0.00	0.00	n
	- Not Recognised under Tier II	2000.00	2000.00	
iv	Other liabilities & provisions	20210.49	20210.49	
	of which: DTLs related to goodwill	0.00	0.00	
	of which: DTLs related to intangible assets	0.00	0.00	
	of which: Standard asset provision included under Tier II	3182.54	3182.54	o
	Total Liabilities	915543.91	915994.16	

B	Assets		
i	Cash and balances with Reserve Bank of India	37769.58	37769.58
	Balance with banks and money at call and short notice	16461.84	16461.84
ii	Investments	219824.69	220274.94
	of which: Government securities	170039.70	170039.70
	of which: Other approved securities	0.00	0.00
	of which: Shares	1554.36	1554.36
	of which: Debentures & Bonds	16990.39	16990.39
	of which: Subsidiaries / Joint Ventures / Associates	1629.75	2080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	29603.96	29603.96
iii	Loans and advances	584197.74	584197.74
	of which: Loans and advances to banks	74.74	74.74
	of which: Loans and advances to customers	584123.01	584123.01
iv	Fixed assets	5236.39	5236.39
	of which Intangible assets	2.34	2.34
v	Other assets	52053.66	52053.66
	a Other intangibles (excluding MSRs)	867.31	867.31
	b Deferred tax assets	581.36	581.36
	c MAT credit entitlement	0.00	0.00
	d Unamortised pension	0.00	0.00
vi	Goodwill on consolidation	0.00	0.00
vi	Debit balance in Profit & Loss account	0.00	0.00
	Total Assets	915543.91	915994.16

LEVERAGE RATIO (Consolidated)

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III leverage ratio is defined as the ratio of capital measure (the numerator) to exposure measure (the denominator), expressed as a percentage.

The capital measure used for the leverage ratio at any particular point in time is the Tier 1 capital measure applying at that time under the risk-based framework. Total exposure measure is the sum of the on-balance sheet exposures, derivative exposures, securities financing transaction (SFT) exposures and off- balance sheet (OBS) items

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

Table 1 - Summary comparison of accounting assets vs. leverage ratio exposure measure.

Item	(₹ In Million)
Total consolidated assets as per published financial statements	915543.91
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	450.25
Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure (less)	877.84
Adjustments for derivative financial instruments	6577.49
Adjustment for securities financing transactions (i.e. repos and similar secured lending)	37629.79
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	79573.67
Other adjustments	837.66
Leverage ratio exposure	1039734.93

Table-2- Leverage ratio common disclosure template

Item	Leverage ratio framework
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	916831.82
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	877.84
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	915953.98
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2141.20
5 Add-on amounts for PFE associated with all derivatives transactions	4436.29
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operational accounting framework	0.00
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8 (Exempted CCP leg of client-cleared trade exposures)	0.00
9 Adjusted effective notional amount of written credit derivatives	0.00
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11 Total derivative exposures (sum of lines 4 to 10)	6577.49
Securities financing transaction exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	36370.68
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14 CCR exposure for SFT assets	1259.11
15 Agent transaction exposures	0.00
16 Total securities financing transaction exposures (sum of lines 12 to 15)	37629.79
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	185694.61
18 (Adjustments for conversion to credit equivalent amounts)	106120.94
19 Off-balance sheet items (sum of lines 17 and 18)	79573.67
Capital and total exposures	
20 Tier 1 Capital	79805.44
21 Total exposures (sum of lines 3,11,16 and 19)	1039734.93
Leverage ratio	
22 Basel III leverage ratio	7.68%

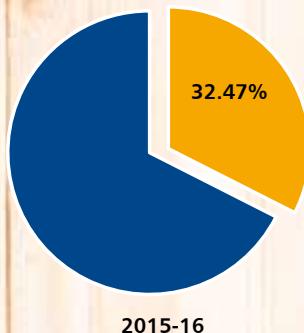
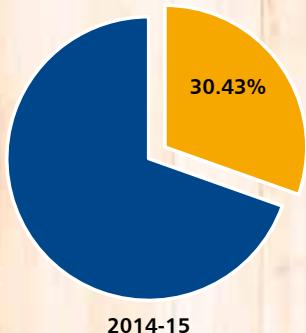


High Quality Liability Franchise

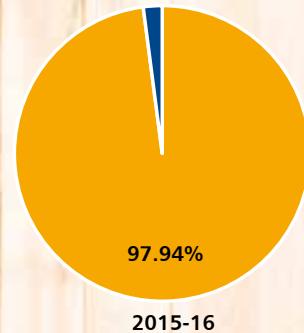
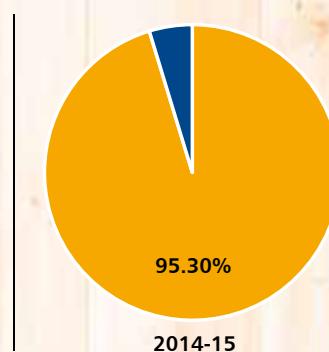
The granular liability franchise has stood steadfastly by the bank this year too. The low cost CASA component has grown robustly, taking the CASA ratio to 32.47%. Retail deposits composition stands at 97.94%. The Bank continuously benchmarks its products and services with those of the best in the industry to ensure continuous customer interest for its offerings.



CASA Ratio



Retail Deposits Ratio



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
THE FEDERAL BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE FEDERAL BANK LIMITED** (hereinafter referred to as "the Bank" or "the Holding Company") and its subsidiary (the Bank and its subsidiary together referred to as "the Group") and its associate, comprising of the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, the Banking Regulation Act, 1949 and guidelines and directives issued by the Reserve Bank of India as applicable to the respective entities from time to time. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Group and its associate and for preventing and detecting frauds and other irregularities, the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31st March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

Attention is drawn to Note No.1.11 of Schedule 18 about amortising the shortfall arising from the sale of certain non-performing assets during the year ended 31st March, 2016 over a period of 2 years, in terms of RBI Master Circular DBR. No. BP.BC.2/21.04.048/2015-16 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated July 1, 2015 and the balance outstanding of such shortfall as at 31st March, 2016 of ₹ 86.73 Crore.

Our Opinion is not modified in respect of this matter.

Other Matters

- a) We did not audit the financial statements of a subsidiary whose financial statements reflect total assets of ₹ 641.94 Crore as at 31st March, 2016, total revenues of ₹ 89.48 Crore and net cash outflow amounting to ₹ 2.61 Crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of aforesaid subsidiary, is based solely on the report of the other auditors.
- b) The consolidated financial statements also include the Group's share of net loss of ₹ 1.48 Crore for the year ended 31st March, 2016, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- c) The Consolidated Balance Sheet, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable;
- e) On the basis of the written representations received from the directors of the Bank as on 31st March, 2016 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our Report in "Annexure A", which is based on the auditors' reports of the Bank and subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting, of the Bank and Subsidiary Company, incorporated in India.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:



- i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate -Refer Schedule 12 and Note No. 1.12 of Schedule 18 to the consolidated financial statements;
- ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts -Refer Note No. 1.13 of Schedule 18 to the consolidated financial statements;
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiary company incorporated in India.

For DELOITTE HASKINS & SSELLS

Chartered Accountants
(Firm's Registration No.008072S)

For M P CHITALE & CO.

Chartered Accountants
(Firm's Registration No. 101851W)

M. Ramachandran
Partner
(Membership No.16399)

Sanat Ulhas Chitale
Partner
(Membership No.143700)

KOCHI,
30th April, 2016.

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED

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

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

We have audited the internal financial controls over financial reporting of **THE FEDERAL BANK LIMITED** (hereinafter referred to as "the Bank"), its subsidiary company and its associate company, which are companies incorporated in India, as of 31st March, 2016 in conjunction with our audit of the consolidated financial statements of the Bank for the year then ended.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Bank, its subsidiary company and its associate company, which are companies incorporated in India, are responsible for establishing and maintaining the internal financial controls based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines and directives issued by the Reserve Bank of India from time to time, as applicable.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of

the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the Subsidiary Company incorporated in India, in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the aforesaid entities.

Meaning of Internal Financial Controls Over Financial Reporting

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

financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and taking into consideration the report of the other auditors referred to in the Other Matters paragraph below, the Bank and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to the subsidiary company, incorporated in India, is based on the corresponding report of the auditors of such company incorporated in India.

The financial statements and internal financial controls over financial reporting in relation to one associate company, which is a company incorporated in India, is unaudited. Our opinion on the internal financial controls over financial reporting of the aforesaid entity excludes consideration of the internal financial controls over financial reporting in respect of this associate. In our opinion and according to the information and explanations given to us by the Bank's management, the financial statements of the associate, and the related internal financial controls over financial reporting are not material to the consolidated financial statements, and the related internal financial control over financial reporting of the

aforesaid entity.

Our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and representation of the Board of Directors and management.

For DELOITTE HASKINS & SLELLS

Chartered Accountants
(Firm's Registration No.008072S)

For M P CHITALE & CO.

Chartered Accountants
(Firm's Registration No. 101851W)

M. Ramachandran
Partner
(Membership No.16399)

Sanat Ulhas Chitale
Partner
(Membership No.143700)

KOCHI,
30th April, 2016.

THE FEDERAL BANK LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2016

(₹ in Thousands)

	Schedule	As at 31 March 2016	As at 31 March 2015
CAPITAL AND LIABILITIES			
Capital	1	3,437,890	1,713,306
Reserves and Surplus	2	77,203,364	75,289,423
Deposits	3	791,708,998	708,226,878
Borrowings	4	22,983,166	23,929,799
Other Liabilities and Provisions	5	20,210,492	19,923,524
Total		915,543,910	829,082,930
ASSETS			
Cash and Balances with Reserve Bank of India	6	37,769,585	33,819,840
Balances with banks and money at call and short notice	7	16,461,843	14,024,601
Investments	8	219,824,688	203,494,362
Advances	9	584,197,745	515,291,872
Fixed assets	10	5,236,392	4,726,842
Other assets	11	52,053,657	57,725,413
Total		915,543,910	829,082,930
Contingent liabilities	12	202,541,221	172,151,460
Bills for collection		15,168,300	12,216,604
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:

Sudhir M Joshi	(DIN : 00349597)
K M Chandrasekhar	(DIN : 06466854)
Dilip G Sadarangani	(DIN : 06610897)
Harish H Engineer	(DIN : 01843009)
Grace Elizabeth Koshie	(DIN : 06765216)
Shubhalakshmi Panse	(DIN : 02599310)
C Balagopal	(DIN : 00430938)

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants
Firm's Reg.No.008072S

For M P Chitale & Co.
Chartered Accountants
Firm's Reg.No.101851W

M Ramachandran
Partner
Membership No.016399

Sanat Ulhas Chitale
Partner
Membership No.143700

Place: Kochi
Date : 30th April, 2016



THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

(₹ in Thousands)

	Schedule	Year ended 31 March 2016	Year ended 31 March 2015
I. INCOME			
Interest earned	13	78,228,101	74,877,736
Other income	14	7,865,457	8,785,414
Total		86,093,558	83,663,150
II. EXPENDITURE			
Interest expended	15	52,593,516	50,563,295
Operating expenses	16	19,063,188	16,752,095
Provisions and contingencies		9,557,831	6,226,839
Total		81,214,535	73,542,229
III. NET PROFIT FOR THE YEAR		4,879,023	10,120,921
Share in Profit/ (Loss) of Associate		(14,837)	457,222
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		4,864,186	10,578,143
Balance in Profit and Loss Account brought forward from previous year		10,494,689	6,936,660
V. AMOUNT AVAILABLE FOR APPROPRIATION		15,358,875	17,514,803
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		454,011	1,098,710
Transfer to Statutory Reserve		1,189,120	2,516,648
Transfer to Capital Reserve		63,365	287,560
Transfer to/(from) Investment Reserve Account		(82,119)	462,770
Transfer to Special Reserve		320,000	350,000
Transfer to Reserve under Sec 45 IC of RBI Act		24,508	12,683
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		1,511	207
Proposed dividend		1,203,289	1,884,643
Tax on proposed dividend		245,274	383,700
Transfer to Share capital pursuant to issue of Bonus shares		1,715,891	-
Depreciation on Expired assets		-	23,193
Balance carried over to Consolidated Balance Sheet		10,224,025	10,494,689
Total		15,358,875	17,514,803
Earnings per Share (Face value of ₹ 2/- each) (₹) (Note 1.2 of Schedule 18)			
Basic		2.83	6.17
Diluted		2.82	6.12
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors
Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:
Sudhir M Joshi (DIN : 00349597)
K M Chandrasekhar (DIN : 06466854)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koskie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Firm's Reg.No.008072S

M Ramachandran
Partner
Membership No.016399

For M P Chitale & Co.
Chartered Accountants
Firm's Reg.No.101851W

Sanat Ulhas Chitale
Partner
Membership No.143700

Place: Kochi
Date : 30th April, 2016

THE FEDERAL BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
Cash Flow from Operating Activities		
Net Profit before taxes	7,370,258	15,752,948
Adjustments for:		
Depreciation on Bank's Property	1,081,723	794,886
Depreciation on Investments	167,434	(934,725)
Amortisation of Premium on Held to Maturity Investments	353,411	321,114
Provision for Non Performing Investments	634,189	128,600
Provision / Charge for Non Performing Assets	5,555,174	2,039,410
Provision on Standard Assets	302,341	543,420
Withdrawal from floating provision for standard asset	-	(127,500)
(Profit)/ Loss on sale of fixed assets (net)	4,495	3,527
(Income) / Loss From Joint Venture	14,837	(457,222)
Provision for Restructured assets	(208,598)	(552,300)
Provision for Other Contingencies	601,219	(44,870)
	15,876,483	17,467,288
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments	(44,044,385)	13,226,256
(Increase)/ Decrease in Advances	(74,461,047)	(80,293,175)
(Increase)/ Decrease in Other Assets	3,202,789	(2,914,675)
Increase/ (Decrease) in Deposits	83,482,119	110,936,489
Increase/ (Decrease) in Other liabilities and provisions	806,743	(776,296)
Direct taxes paid	(432,059)	(6,063,199)
Net Cash Generated from Operating Activities	(15,569,357)	51,582,688
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,610,868)	(1,211,406)
Proceeds from Sale of Fixed Assets	15,100	14,941
(Increase)/ Decrease in Held to Maturity Investments	26,544,186	(12,446,314)
Net Cash Used in Investing Activities	24,948,418	(13,642,779)



THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016 (CONTD...)

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	8,693	2,687
Proceeds from Share Premium	215,627	107,001
Repayment of Subordibate Debt	-	(300,000)
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(946,633)	(3,445,563)
Dividend Paid (Including Tax on Dividend)	(2,269,854)	(1,801,378)
Net Cash generated from financing Activities	(2,992,167)	(35,437,253)
Effect of exchange fluctuation on translation reserve	93	-
Increase/(Decrease) in Cash & Cash Equivalents	6,386,987	2,502,656
Cash and Cash Equivalents at the beginning of year	47,844,441	45,341,785
Cash and Cash Equivalents at the end of year	54,231,428	47,844,441

Note:

Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and Money at Call and Short notice (Refer schedules 6 and 7 of the Consolidated Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants
Firm's Reg.No.008072S

M Ramachandran
Partner
Membership No.016399

Place: Kochi
Date : 30th April, 2016

For M P Chitale & Co.
Chartered Accountants
Firm's Reg.No.101851W

Sanat Ulhas Chitale
Partner
Membership No.143700

Sudhir M Joshi (DIN : 00349597)
K M Chandrasekhar (DIN : 06466854)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 1 - CAPITAL		
Authorised Capital	5,000,000	5,000,000
250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹2/- each		
Issued Capital	3,440,592	1,716,008
172,02,95,889 (Previous year 85,80,04,242) Equity Shares of ₹2/- each		
Subscribed, Called-up and Paid-up Capital	3,437,894	1,713,310
171,89,46,844 (Previous year 85,66,55,197) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,437,890	1,713,306
Also refer Note 1.3 of Schedule 18		

THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	17,404,124	14,887,476
Additions during the year	1,189,120	2,516,648
	18,593,244	17,404,124
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	50,091
(b) Others		
Opening balance	2,352,773	2,065,213
Additions during the year*	63,365	287,560
	2,416,138	2,352,773
	2,466,229	2,402,864
III. Share premium		
Opening balance	24,868,958	24,761,957
Additions during the year#	215,627	107,001
	25,084,585	24,868,958
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	14,517,551	13,418,841
Additions during the year	454,011	1,098,710
Deductions during the year	-	-
	14,971,562	14,517,551
b) Other Reserves		
Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	1,897,200
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	2,889,900	2,539,900
Addition during the year	320,000	350,000
	3,209,900	2,889,900
V. Investment Reserve Account		
Opening balance	462,770	-
Addition during the year	-	462,770
Deductions during the year	82,119	-
	380,651	462,770
VI. Foreign Currency Translation Reserve		
Opening Balance	-	-
Additions during the year [Refer Schedule 17 (2.7)]	93	-
	93	-
VII. Contingency Reserve		
Opening balance	301,003	301,003
Addition during the year	-	-
	301,003	301,003
VIII. Reserve Fund		
Balance as per last Balance Sheet	49,331	36,648
Transferred from Consolidated Profit and Loss Account	24,508	12,683
	73,839	49,331

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 2 - RESERVES AND SURPLUS (CONTD...)		
IX. General Reserve		
Balance as per last Balance Sheet	1,033	1,470
Less: Additional depreciation as per schedule II of Companies Act, 2013	-	(437)
	1,033	1,033
X. Balance in Consolidated Profit and Loss Account	10,224,025	10,494,689
Total	77,203,364	75,289,423
* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on:		
a) Gain on sale of Held to Maturity Investments ₹ 63,365 Thousands (Previous year ₹ 286,163 Thousands)		
b) Profit on sale of Land ₹ NIL (Previous year ₹ 1,397 Thousands)		
# - Represents amount received on exercise of Employee stock options		
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	1,313,810	787,120
ii. From Others	44,990,025	39,778,774
	46,303,835	40,565,894
II. Savings Bank Deposits	214,222,059	177,269,068
III. Term Deposits		
i. From Banks	5,139,728	24,384,519
ii. From Others	526,043,376	466,007,397
	531,183,104	490,391,916
Total	791,708,998	708,226,878
B. I. Deposits of branches in India	791,708,998	708,226,878
II. Deposits of branches outside India	-	-
Total	791,708,998	708,226,878
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks #	1,689,500	1,169,388
iii. Other institutions and agencies ##	16,694,986	19,638,127
	18,384,486	20,807,515
II. Borrowings outside India	4,598,680	3,122,284
Total	22,983,166	23,929,799
Secured borrowings included in I and II above	8,838,182	3,528,557
# Borrowings from other banks include Subordinated Debt of ₹ 322,000 Thousands (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 1,678,000 Thousands (Previous Year ₹ 1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		

THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	93,265	189,506
II. Inter - office adjustments (Net)	2,149,956	2,227,182
III. Interest accrued	2,324,723	2,170,039
IV. Others (including provisions)*	15,642,548	15,336,797
Total	20,210,492	19,923,524
*Includes :-		
(a) Contingent provision against standard assets	3,182,536	2,880,195
(b) Proposed Dividend	1,203,289	1,884,643
(c) Tax on Proposed Dividend	245,274	383,700
(d) Deferred Tax Liability (Net)	-	394,957
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	5,601,923	6,580,098
II. Balance with Reserve Bank of India		
i. in Current Accounts	32,167,662	27,239,742
ii. in Other Accounts	-	-
Total	37,769,585	33,819,840
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	4,632,159	1,942,632
b. in Other Deposit Accounts	507,000	3,112,480
ii. Money at call and short notice		
a. With Banks	-	2,000,000
b. With other institutions	-	-
Total	5,139,159	7,055,112
II. Outside India		
i. in Current Accounts	390,609	719,489
ii. in Other Deposit Accounts	10,932,075	6,250,000
iii. Money at call and short notice	-	-
Total	11,322,684	6,969,489
Grand Total (I and II)	16,461,843	14,024,601

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ## **	170,039,703	168,760,964
ii. Other approved Securities	-	-
iii. Shares	1,554,363	1,579,257
iv. Debentures and Bonds	16,990,389	8,107,056
v. Joint Venture \$	1,629,746	1,644,583
vi. Others @ ^	29,603,955	23,402,502
Total	219,818,156	203,494,362
II. Investments outside India- Shares	6,532	-
Grand Total (I and II)	219,824,688	203,494,362
Gross Investments		
In India	220,889,647	203,794,438
Outside India	8,141	-
	220,897,788	203,794,438
Depreciation/ Provision for Investments		
In India	1,071,491	300,076
Outside India	1,609	-
	1,073,100	300,076
Net Investments		
In India	219,818,156	203,494,362
Outside India	6,532	-
	219,824,688	203,494,362

Securities costing ₹ 41,341,696 Thousands (Previous Year ₹ 53,495,978 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

** Net of Repo borrowing of ₹ 29,380,000 Thousands (Previous Year ₹ 24,336,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements

\$ represents investment accounted as an associate in line with AS -23, Accounting of Investments in Associates in Consolidated Financial Statements, prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2.2 (iv)]

@ Includes:

Particulars	As at 31 March 2016	As at 31 March 2015
Pass through certificates (PTCs)	63,573	928,780
Certificate of Deposits	11,838,290	17,664,316
Commercial Paper	11,092,995	-
Venture Capital Funds (VCFs)	381,198	392,303
Security Receipts	6,227,571	4,416,757
Others	328	346
	29,603,955	23,402,502

^ In accordance with RBI circular dated July 16, 2015, Priority shortfall deposits of ₹ 3,34,57,992 Thousands (March 31, 2015: ₹ 3,84,03,772 Thousands) has been re-classified under Schedule 11 - Other Assets.

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	14,041,982	13,260,651
ii. Cash credits, overdrafts and loans repayable on demand	325,693,382	284,922,814
iii. Term loans	244,462,381	217,108,407
Total	584,197,745	515,291,872
B. i. Secured by tangible assets \$	489,535,150	446,800,653
ii. Covered by Bank/Government guarantees #	21,315,370	25,821,130
iii. Unsecured	73,347,225	42,670,089
Total	584,197,745	515,291,872
C. I. Advances in India		
i. Priority Sector	185,293,996	173,402,580
ii. Public Sector	5,252,443	35,182,365
iii. Banks	74,739	7,540
iv. Others	390,821,860	306,699,387
Total	581,443,038	515,291,872
II. Advances outside India		
i. Due from Banks	-	-
ii. Due from Others	-	-
a) Bills purchased and discounted	-	-
b) Syndicated Loans	-	-
c) Others	2,754,707	-
Total	2,754,707	-
Grand Total (C I and C II)	584,197,745	515,291,872

\$ Includes Advances against book debts

Includes Advances against L/Cs issued by banks

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	2,297,653	2,263,552
Additions during the year	41,933	35,292
Deductions during the year	-	1,191
Closing Balance	2,339,586	2,297,653
Depreciation		
As at the beginning of the year	741,164	684,730
Charge for the year	54,938	56,434
Deductions during the year	-	-
Depreciation to date	796,102	741,164
Net Block	1,543,484	1,556,489
b. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	8,162,678	7,130,674
Additions during the year	1,677,151	1,136,506
Deductions during the year	101,626	104,503
Closing Balance	9,738,203	8,162,677
Depreciation and Impairment Loss		
As at the beginning of the year	5,257,955	4,571,106
Charge for the year * \$	1,028,967	774,692
Deductions during the year	84,030	87,661
Depreciation to date	6,202,892	5,258,137
Net Block	3,535,311	2,904,540
II. Capital Work in progress (Including Capital Advances)	157,597	265,813
Total (I, II & III)	5,236,392	4,726,842

Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,643 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 512,528 Thousands (Previous Year ₹ 520,026 Thousands) with remaining lease period varying from 60 - 72 years

* - Net of reversal of excess depreciation amounting to ₹ Nil (Previous Year: ₹ 243,498 Thousands) pursuant to change in method of depreciation for certain categories of fixed assets from written down value(WDV) method to straight line method (SLM) by the Bank.

\$ includes impairment loss of subsidiary company amounting to ₹ 2,182 Thousands (Previous Year ₹ 436 Thousands)

THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	5,054,140	5,611,403
III. Tax paid in advance/tax deducted at source (Net of provision)	6,307,577	9,337,890
IV. Stationery and Stamps	45,485	34,239
V. Non-banking assets acquired in satisfaction of claims@	15,429	5,953
VI.Others#	40,631,026	42,735,928
Total	52,053,657	57,725,413
(@ - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
# Includes		
a) Priority sector shortfall deposits	33,457,992	38,403,772
b) Deferred Tax Asset (Net)	581,361	20,016
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	1,114,146	3,240,713
II. Liability on account of outstanding forward exchange contracts	142,421,170	126,308,293
III. Guarantees given on behalf of constituents - in India	43,996,473	32,601,130
IV. Acceptances, endorsements and other obligations	13,205,034	9,004,087
V. Other items for which the Bank is contingently liable@	1,804,398	997,237
Total	202,541,221	172,151,460

(Refer Note 1.12 of Schedule 18)

@ - includes ₹ 773,328 Thousands (Previous Year ₹ 667,960 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	57,481,809	55,101,064
II. Income on investments #	17,588,756	18,409,574
III. Interest on balances with Reserve Bank of India and other inter-bank funds	559,631	623,602
IV. Others* #	2,597,905	743,496
Total	78,228,101	74,877,736
* - Includes interest on Income tax refunds amounting to ₹ 408,492 Thousands (Previous year ₹ 704,797 Thousands) accounted based on Assessment orders received.		
# Interest on Priority Shortfall deposits of ₹ 20,96,432 Thousands (Previous year: ₹ 18,62,442 Thousands) has been re-classified from line item 'Income on investments' to 'Others' consequent to re-classification of such deposits from Schedule 8 - Investments to Schedule 11 - Other Assets.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	4,154,714	3,811,505
II. Profit on sale of investments (Net)	1,275,129	2,556,674
III. Profit on revaluation of investments (Net)	-	-
IV. Profit on Sale of land, buildings and other assets (Net)	(4,495)	(3,527)
V. Profit on foreign exchange transactions (Net)	1,304,908	1,162,068
VI. Income earned by way of dividends etc. from companies in India	34,665	71,756
VII. Miscellaneous income	1,100,536	1,186,938
[Includes Recoveries in assets written off ₹ 889,322 Thousands (Previous Year ₹ 1,067,534 Thousands)]		
Total	7,865,457	8,785,414
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	50,612,589	46,273,002
II. Interest on Reserve Bank of India/Inter bank borrowings	89,818	587,683
III. Others	1,891,109	3,702,610
Total	52,593,516	50,563,295
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	10,742,145	9,130,516
II. Rent, taxes and lighting	2,081,385	1,894,513
III. Printing and stationery	174,907	172,858
IV. Advertisement and publicity	49,016	393,473
V. Depreciation on Bank's property*	1,081,723	794,886
Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	-	-
	1,081,723	794,886
VI. Directors' fees, allowances and expenses	20,377	22,062
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	74,542	69,983
VIII. Law charges	98,510	84,158
IX. Postage, Telegrams, Telephones etc	481,942	471,463
X. Repairs and maintenance	574,392	481,657
XI. Insurance	739,620	625,367
XII. Other expenditure#	2,944,629	2,611,159
Total	19,063,188	16,752,095

* - Net of reversal of excess depreciation - ₹ Nil (Previous Year: ₹ 243,498 Thousands) pursuant to change in method of depreciation for certain categories of fixed assets from written down value(WDV) method to straight line method (SLM) by the Bank.

- Includes expenditure on Corporate Social Responsibility ₹ 124,527 Thousands (Previous Year ₹ 73,031 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

1. Corporate information

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiary (collectively, the 'Group') and associate is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

During the Year the bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of Consolidation and significant accounting policies

2.1. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except in the case of interest income on Non- Performing Assets where it is recognised upon realisation, as per RBI guidelines. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

The Ministry of Corporate affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. As per Clarification issued by Institute of Chartered Accountants of India dated 26th April, 2016, the said notification is applicable to accounting periods commencing on or after the date of notification i.e. 1st April, 2016. Hence the said notification has not been considered in the preparation of these financial statements.

2.2. Principles of consolidation

(i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank') its subsidiary company and the Group's share of loss in its associate. The details of subsidiary and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				31 March, 2016	31 March, 2015
Fedbank Financial Services Limited (FFSL or Subsidiary)	Subsidiary Company	India	The Federal Bank Limited	100	100
IDBI Federal Life Insurance Company Limited (Associate)	Associate	India	The Federal Bank Limited	26	26
			IDBI Bank Limited	48	48
			Ageas Insurance International N.V	26	26

(ii) The audited financial statements of the subsidiary company and the unaudited financial statements of the associate have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2016.

(iii)The financial statements of the Bank and its subsidiary company have been combined on a line-by-line basis by adding together like

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

- (iv) The consolidated financial statements include the share of loss of the associate company which have been accounted for using equity method as per AS 23 *Accounting for Investments in Associates in Consolidated Financial Statements*. Accordingly, the share of loss of the associate company has been deducted from the cost of investment.
- (v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.
- (vi) Differences in accounting policies followed by the Subsidiary and associate have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

2.3. Use of estimates

The preparation of the consolidated financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.4 Advances

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

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

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

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

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

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

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non- performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

2.5 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

2.6 Investments

The Bank Classification

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

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

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

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

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securi-

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

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- a) Held for Trading /Available for Sale— Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Consolidated Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- b) Held to Maturity— These are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.

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SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

- d) Units of Mutual Funds are valued at the latest repurchase price/ net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
 - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re. 1/- per company;
 - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
 - Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.
- f) Investments in subsidiaries/associates are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.
- g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

- a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in consolidated Profit and Loss account.
- b) Held to Maturity – Profit on sale / redemption of investments is included in the Consolidated Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to statutory Reserve. Loss on sale / redemption is charged to the Consolidated Profit and Loss account.

Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities [excluding transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby facility ('MSF') with RBI] are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

In respect of Repo transactions under LAF and MSF with RBI, amount borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse Repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C', specifically created for this purpose. Such short positions are categorized under HFT category. These positions are marked-to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiary

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such am-

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ortisation of premium is adjusted against interest income from investments.

The book value of investment is reduced to the extent of amount amortised during the relevant accounting period.

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

2.7 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non-integral foreign operations (IBU at GIFT city) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the Consolidated profit and loss account.

Both Monetary and Non-Monetary foreign currency Assets and liabilities of Non-Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rated for contracts of interim maturities. For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Consolidated Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is

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

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

2.8 Derivative transactions

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

2.9 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

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

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvement to leased Premises are depreciated over 5 years based on technical evaluation.

Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

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

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

2.10 Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If

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the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

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

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

2.11 Non-Banking Assets

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

2.12 Cash and Cash Equivalents

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

2.13 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is

uncertain of ultimate collection.

- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income.

2.14 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Consolidated Profit and Loss Account as per the lease terms

2.15 Retirement and other employee benefits

The Bank

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to Consolidated Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts.

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

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being

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carried out at each balance sheet date. Actuarial gains and losses are recognised in the Consolidated Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

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

e) Other employee Benefits

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

The Subsidiary

- The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.
- The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.
- The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

2.16 Debit card reward points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

2.17 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

2.18 Taxation

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

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Group.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at

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the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

The Group Offsets Deferred Tax Assets and Deferred Tax Liabilities, and advance Income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levied by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are adjusted in reserves and not in Consolidated Profit and Loss Account.

2.19 Earnings per Share

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

2.20 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

2.21 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are

determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

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

2.22 Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Consolidated Profit and Loss Account.

2.23 CENVAT Credit

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

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Amounts in Notes forming part of the Consolidated Financial Statements for the year ended 31 March, 2016 are denominated in Rupees Crore to conform to extant RBI guidelines

1.1 'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include:

(₹ in Crore)

	For the year ended	31 March 2016	31 March 2015
i)	Provision towards NPAs *	555.63	203.94
ii)	Provision for depreciation Investments (Net)	16.74	(93.47)
iii)	Provision for Non Performing Investments	63.42	12.86
iv)	Provision for Standard Assets	30.23	54.34
v)	Withdrawal from floating provision	-	(12.75)
vi)	Provision for Taxation :		
	Current Tax	346.24	762.98
	Deferred tax	(95.63)	(245.50)
vii)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	39.15	(59.72)
	Total	955.78	622.68

* Net of Floating Provision of ₹ 69 Crore (Previous Year: Nil) withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

1.2 Earnings per Share ('EPS')

Particulars	31 March 2016	31 March 2015
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,16,993	17,13,776
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,25,591	17,28,310
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	2.83	6.17
Diluted earnings per share (in ₹)	2.82	6.12
Earnings used in the computation of basic and diluted earnings per share (₹ in 000's)	48,64,184	105,78,143

1.3 A. Issue of Bonus Shares

The shareholders of the Bank had approved the issue of Bonus Shares at the Annual General Meeting held on June 29, 2015, in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depository share (GDS) had been issued as bonus for every GDS held to the existing holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid-up capital includes:

- (i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash
- (ii) 2,80,49,968 underlying equity shares of ₹ 2/- each (Previous Year 1,66,66,588 of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)
- (iii) 57,61,133 ESOS shares of ₹ 2/- per share (Previous year 14,14,692 shares of ₹ 2/- Per share) allotted under ESOS 2010.

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(iv) 85,79,45,206 bonus shares were issued in the ratio of 1:1 in this financial year.

C. Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹5/- per share and 2,62,100 shares of ₹ 2/- each (Previous year 2,62,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹28/- per share and 10,80,415 equity shares of ₹ 2/- each (Previous year 10,80,415 shares of ₹ 2/- per share, at a premium of ₹ 48/- per share) pertaining to Rights issue of 2007 are kept pending following orders from various courts.

Issue of certificates/credit in demat account in respect of 4,09,170 shares of ₹ 2/- each (Previous year 4,11,940 shares of ₹ 2/- each) out of the Bonus issue of 2004 and 6,15,755 bonus shares of ₹ 2/- each, out of the Bonus issue of 2015 are kept in abeyance consequent to injunction orders from various courts

D. Employee Stock Option Scheme (ESOS)

(i) Shareholders of the bank had approved Employee Stock Option Scheme (ESOS) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	31 March, 2016	31 March, 2015
Outstanding at the beginning of the year		8,11,24,186	7,40,55,610
Surrendered during the year		-	-
Granted during the year*	10,25,000	1,11,56,450	
Exercised during the year (Includes 12,90,009 (Previous Year: 13,40,412) on account of actual issue of Bonus shares	56,36,450	26,80,824	
Forfeited/lapsed during the year	3,25,590	14,07,050	
Outstanding at the end of the year	7,61,87,146	8,11,24,186	
Options exercisable	5,27,27,176	4,09,74,066	

* ESOS granted on 18th September, 2015 and 16th November 2015 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 60.35/- per share and ₹ 53.70 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'.

The Compensation Committee in their meeting dated 10th May, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated 24 December, 2010

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period. If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 19.83 Crore (Previous Year: ₹ 25.42 Crore). The modified basic and diluted earnings per share for the year, had the company followed Fair Value Method of accounting for ESOS compensation cost, would be ₹ 2.72 and ₹ 2.69 (Previous Year: ₹ 6.17 and ₹ 6.12) respectively.

(ii) Dividend paid on shares issued on exercise of stock options

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March 2016, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

(iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.15 Crore represent dividend for Financial Year 2014-15 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders approval.

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1.4 Segment Reporting (AS 17)

A. Business Segments

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

Treasury:

Treasury operations include trading and investments in Government and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers. The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads.

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations:

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

The operations of Subsidiary has been classified under 'Retail Banking'.

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

As on 31 March 2016:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2281.93	2360.94	3887.92	78.56	8609.35
Result (net of provisions)	158.51	18.14	513.45	73.85	763.95
Unallocated expense					(25.44)
Operating profit (PBT)					738.51
Income taxes					(250.61)
Share of Profit of associate					(1.48)
Extraordinary profit/loss					-
Net Profit					486.41
OTHER INFORMATION					
Segment Assets	30403.98	24836.67	33835.22	26.56	89102.43
Unallocated assets					2451.96
Total assets					91554.39
Segment liabilities	27894.76	23308.96	31847.50	-	83051.22
Unallocated liabilities					439.04
Total liabilities					83490.26

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As on 31 March 2015:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2250.27	2349.93	3646.51	119.60	8366.31
Result (net of provisions)	342.18	333.99	769.65	103.72	1549.54
Unallocated expense					(19.97)
Operating profit (PBT)					1529.57
Income taxes					(517.48)
Share of Profit of associate					45.72
Extraordinary profit/loss					-
Net Profit					1057.81
OTHER INFORMATION					
Segment Assets	28815.23	20520.08	31106.70	24.32	80466.33
Unallocated assets					2441.96
Total assets					82908.29
Segment liabilities	26245.20	19181.63	29179.37	-	74606.20
Unallocated liabilities					601.82
Total liabilities					75208.02

B. Geographical Segment Information

The Group has reported its operations under the following geographical segments

- a) Domestic Operations comprise branches in India and Subsidiary.
- b) Foreign operations comprise Banking unit in International Financial Services Centre, as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/ 23.13.004/2014-15 dated April 1, 2015 of the Bank.

The following table sets forth, for the periods indicated, the geographical segment results :

As on 31 March, 2016

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8608.16	1.20	8609.36
Assets	91261.14	293.25	91554.39
Capital Expenditure	171.87	0.04	171.91

As on 31 March, 2015

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8366.32	-	8366.32
Assets	82908.29	-	82908.29
Capital Expenditure	117.18	-	117.18

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

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1.5 Related Party Disclosures

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO (From 28-01-2016)	Key Management Personnel
Sri Abraham Chacko, Executive Director (Upto 30-04-2015)	Key Management Personnel

FedBank Hormis Memorial Foundation Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2016	31 March 2015
Remuneration		
Sri. Shyam Srinivasan	1.12	0.78
Sri. Ashutosh Khajuria	1.02	Not Applicable
Sri Abraham Chacko	0.72	0.75
Dividend Paid	0.02	*

Asterisk denotes figures below ₹ 1 Lakh

During the year 2015-16 - Nil(Previous Year: 641 Thousands) number of Stock Options under "ESOS 2010" Scheme were granted to Managing Director & CEO and Executive Director of the Bank.

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

Note: In accordance with RBI guidelines, details pertaining to the related party transactions , other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

1.6 Fixed Assets

a) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Gross Block		
At the beginning of the year	97.46	82.87
Additions during the year	49.48	14.59
Deductions during the year	-	-
Closing Balance	146.94	97.46
Depreciation / Amortisation		
At the beginning of the year	74.78	55.70
Charge for the year	22.36	19.08
Deductions during the year	-	-
Depreciation to date	97.14	74.78
Net Block	49.80	22.68

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b) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuers was credited to Revaluation Reserve.

1.7 Deferred Tax Assets / Liability

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

(₹ in Crore)

Particulars	31st March 2016	31st March 2015
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	145.66	142.16
(ii) Depreciation on Investments	19.52	106.43
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	91.35	80.28
Total (A)	256.53	328.87
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	90.27	78.10
(ii) Provision for Standard Assets	109.45	99.24
(iii) Depreciation on Fixed Assets	3.50	3.72
(iv) Others	111.45	109.11
Total (B)	314.67	290.17
Deferred tax liability/ (Asset) (A-B)	(58.14)	38.70
Less: Deferred tax on value of assets depreciated on expiry of useful life as on 1 April, 2014.	-	1.21
Net Deferred tax liability/ (Asset)	(58.14)	37.49

Net Deferred Asset of ₹ 95.63 Crore [Previous Year ₹ 245.50 Crore] credited to the Consolidated Profit and Loss Account.

1.8 A. Draw Down from Reserves

The Bank has drawn down ₹ 8.21 Crore from Investment Reserve Account in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'. There has been no draw down from Reserves during the year ended 31 March, 2015.

B. Details of Penalty imposed by RBI

Particulars	2015-16	2014-15
Penalty for certain operating deficiencies	0.16	0.55
Dates of Payment	Various dates	Various dates

Note : Penalty was imposed by RBI:

- (a) as per the Central office master circular DCM(FNVD) No. 776 / 16.01.15/ 2015-16 dated August 26, 2015 and
- (b) Fake Indian Currency Note (FICN) detected in the soiled note remittance.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

1.9 Employee Benefits

a) Defined Contribution Plan

The Bank

Provident Fund

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

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 1st April, 2010.

The Subsidiary

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

The Group Makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 1.73 Crore (Previous year: ₹ 1.24 Crore) for provident fund contributions, ₹ 0.14 Crore (Previous Year ₹ 0.18 Crore) for Employee State Insurance Scheme Contributions and ₹ 18.95 Crore (Previous year: ₹ 13.34 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

b) Defined benefit plan

The Group offers the following employee benefit schemes to its employees:

- i. Gratuity
- ii. Superannuation/Pension

Gratuity

The Bank

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

The Subsidiary

The net present value of the obligation for un-funded gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Consolidated Profit and Loss Account for the period in which they occur.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

Superannuation / Pension

The Bank

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

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2016.

i) Change in benefit obligations

(₹ in Crore)

Particulars	Gratuity Plan			Pension Plan		
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Projected benefit obligation, beginning of the year	209.34	201.26	0.08	0.15	587.48	531.78
Service Cost	13.82	13.59	0.18	0.05	57.70	56.51
Interest cost	15.29	15.03	*	0.01	40.17	36.90
Actuarial (gain)/ loss	44.07	6.33	(0.06)	(0.08)	122.99	103.42
Benefits paid	(36.43)	(26.87)	(0.01)	(0.05)	(170.84)	(141.13)
Projected benefit obligation, end of the year	246.09	209.34	0.19	0.08	637.50	587.48

Asterisk denote figure below ₹ 1 Lakh

ii) Change in plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Plan assets at beginning of the year at fair value	223.52	230.83	-	-	544.40	416.25
Expected return on plan assets	18.55	20.52	-	-	47.58	36.96
Actuarial gain/(loss)	(0.65)	(0.96)	-	-	(0.58)	3.56
Employer's Contributions	20.67	-	-	-	157.71	228.76
Benefits paid	(36.43)	(26.87)	-	-	(170.84)	(141.13)
Plan assets at end of the year, at fair value	225.66	223.52	-	-	578.27	544.40

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

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

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Fair value of plan assets at the end of the year	225.66	223.52	-	-	578.27	544.40
Present value of the defined benefit obligations at the end of the year	246.09	209.34	0.19	0.08	637.50	587.48
Liability/ (Asset) recognized in the Consolidated Balance Sheet	20.43	(14.18)	0.19	0.08	59.23	43.08

iv) Gratuity / pension cost for the year ended 31 March, 2016

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Service cost	13.82	13.59	0.18	0.05	57.70	56.51
Interest cost	15.29	15.03	*	0.01	40.17	36.90
Expected return on plan assets	(18.55)	(20.52)	-	-	(47.58)	(36.96)
Actuarial (gain)/loss	44.72	7.29	(0.06)	(0.08)	123.57	99.86
Employee Cost	55.28	15.39	0.12	(0.02)	173.86	156.31
Amortisation Cost	-	-	-	-	-	33.68
Net Cost Debit to Consolidated Profit and Loss Account	55.28	15.39	0.12	(0.02)	173.86	189.99
Actual return on plan assets	17.90	19.56	-	-	47.00	40.52

Asterisk denote figure below ₹ 1 Lakh

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Central and state Government bonds	7.13	40.13	NA	NA	7.13	129.72
Other debt securities	16.35	27.15	NA	NA	16.35	79.05
Balance in Saving bank account with the Bank	0.66	2.14	NA	NA	0.66	56.83
Net current assets	0.82	1.89	NA	NA	0.82	5.88
Balance with LIC #	200.70	152.21	NA	NA	200.70	272.92
Total	225.66	223.52	NA	NA	225.66	544.40

NA – Not Applicable.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

vi) Experience adjustments

i) Gratuity Plan

a) FBL

(₹ in Crore)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Defined Benefit Obligations	246.09	209.34	201.26	240.13	225.25
Plan Assets	225.66	223.52	230.83	221.67	198.87
Surplus/[Deficit]	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain/ (Loss)]	(1.97)	1.19	1.76	22.33	0.64

b) FFSL

(₹ in Crore)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Defined Benefit obligations	0.19	0.08	0.15	0.08	0.04
Plan Assets	Nil	Nil	Nil	Nil	Nil
Surplus/[Deficit]	(0.19)	(0.08)	(0.15)	(0.08)	(0.04)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	1.00	(0.03)	(0.02)	0.04	(0.02)
Experience adjustments on Plan Assets [Gain/(Loss)]	Not Applicable				

ii) Pension Plan

FBL (₹ in Crore)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Defined Benefit Obligations	637.50	587.48	531.78	584.12	598.76
Plan Assets	578.27	544.40	416.25	444.17	422.62
Surplus/[Deficit]	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience adjustments on Plan Assets [Gain/(Loss)]	0.18	2.19	3.03	1.38	0.96

vii) Assumptions

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Discount rate	8.00%	8.00%	7.83%	7.74%	8.00%	8.00%
Annuity rate per Rupee	-	-	-	-	126.18297	126.18297
Salary escalation rate	5.00%	5.10%	7.75%	6.00%	5.00%	5.10%
Estimated rate of return on plan assets	8.30%	8.89%	-	-	8.74%	8.88%
Attrition Rate	3.00%	3.00%	Not Available	Not Available	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate					

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

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

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

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

The Bank

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

A sum of ₹ 2.72 Crore (Previous year: ₹ 8.73 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

The Subsidiary

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

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

(₹ in Crore)

	As at 31 March, 2016		As at 31 March, 2015	
	FBL	FFSL	FBL	FFSL
Privilege leave	131.15	0.19	120.89	0.23
Sick leave	20.97	-	30.93	-
Leave Travel Concession	13.18	-	11.03	-
Casual Leave	1.09	-	0.82	-
Total actuarial liability	166.39	0.19	163.67	0.23
Assumptions				
Discount rate	8.00%	7.83%	8.00%	7.74%
Salary escalation rate	5.00%	7.75%	5.10%	6.00%
Attrition Rate	3.00%	Not Available	3.00%	Not Available

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

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

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

1.10 Provisions and Contingencies

a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March, 2016	31 March, 2015
Balance at the beginning of the year	6.64	5.32
Additions during the year	0.42	2.30
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	1.24	0.98
Balance at the end of the year	5.82	6.64

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

b) Movement in provision for debit card reward points:

	31 March, 2016	31 March, 2015
Balance at the beginning of the year	2.25	1.00
Provision made during the year	0.77	2.76
Reductions during the year	1.10	1.51
Balance at the end of the year *	1.92	2.25

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilised towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

	31 March, 2016	31 March, 2015
Balance at the beginning of the year	145.54	142.05
Provision made during the year	29.23	17.47
Reductions during the year	134.74	13.98
Balance at the end of the year	40.03	145.54

d) Movement in floating provision:

Particulars	Standard Assets Provisions		NPA Provision	
	2015-16	2014-15	2015-16	2014-15
Opening balance	12.75	25.50	138.18	179.52
Provision made during the year	-	-	-	-
Draw down from provision *	12.75	12.75	69.00	41.34
Closing balance	12.75	12.75	69.18	138.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

1.11 Loss on Sale of Non Performing Assets

During the year ended March 31,2016, the Bank had assigned certain Non performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book value of the financial assets, amounting to ₹ 122.14 Crore, is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 35.41 Crore during the year ended March 31,2016 (Previous Year :Nil) and the balance of ₹ 86.73 Crore will be amortised over the next four quarters.

1.12 Description of contingent liabilities:

- a) Claims against the Group not acknowledged as debts

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

- b) Liability on account of forward exchange and derivative contracts

The Bank enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

- c) Guarantees given on behalf of constituents

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

- d) Acceptances, endorsements and other obligations

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

- e) Other items for which bank is contingently liable

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

Refer schedule 12 for amounts relating to contingent liability

1.13 Provision for Long Term contracts

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

1.14 Small and Micro Industries

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

1.15 Additional information on net assets and share of profits of the Company, its subsidiaries, associates and joint ventures as considered in the Consolidated Financial Statements

31st March, 2016

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	100.34%	8091.22	97.79%	475.65
Subsidiary: Fedbank Financial Services Limited	0.22%	17.93	2.52%	12.25
Associate: IDBI Federal Life Insurance Company Limited	(0.56%)	(45.03)	(0.31%)	(1.48)
Total	100%	8064.12	100%	486.42

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016 (CONTD...)

31st March, 2015

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	100.49%	7738.13	95.08%	1005.75
Subsidiary: Fedbank Financial Services Limited	0.07%	5.68	0.60%	6.34
Associate: IDBI Federal Life Insurance Company Limited	(0.56%)	(43.54)	4.32%	45.72
Total	100.00%	7700.27	100.00%	1057.81

1.16. Additional disclosure

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

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

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:

Sudhir M Joshi	(DIN : 00349597)
K M Chandrasekhar	(DIN : 06466854)
Dilip G Sadarangani	(DIN : 06610897)
Harish H Engineer	(DIN : 01843009)
Grace Elizabeth Koshie	(DIN : 06765216)
Shubhalakshmi Panse	(DIN : 02599310)
C Balagopal	(DIN : 00430938)

Place: Kochi
Date : 30th April, 2016

FORM AOC-I

(PURSUANT TO FIRST PROVISO TO SUB-SECTION (3) OF SECTION 129 READ WITH RULE 5 OF COMPANIES (ACCOUNTS) RULES, 2014)

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

PART A: SUBSIDIARIES

(₹ in Thousands)

1. Sl. No.	1
2. Name of the subsidiary:	Fedbank Financial Services Limited
3. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA
4. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA
5. Share Capital	19,00,000
6. Reserves & surplus	1,79,336
7. Total assets	64,19,395
8. Total Liabilities	43,40,059
9. Investments	NIL
10. Turnover	8,94,812
11. Profit before taxation	1,88,614
12. Provision for taxation	66,072
13. Profit after taxation	1,22,542
14. Proposed Dividend	NIL
15. % of shareholding	100%

Notes:

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

FORM AOC-I (CONTD...)

PART B: ASSOCIATES AND JOINT VENTURES

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates / Joint Ventures	IDBI Federal Life Insurance Company Limited
1. Latest audited Balance Sheet	31/03/2015
2. Shares of Associate/Joint Ventures held by the company on the year end	
Number of shares held	20,80,00,000
Amount of Investment in Associates/Joint Venture (₹ '000)	20,80,000
Extent of Holding %	26%
3. Description of how there is significant influence	Investment more than 20%
4. Reason why the associate/joint venture is not consolidated	NA
6. Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	15,89,345
7. Profit / (Loss) for the year 2015 - 16 (₹ '000)	
i. Considered in Consolidation	(14,837)
ii. Not Considered in Consolidation	1,67,656

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

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Nilesh S Vikamsey
Chairman
(DIN:00031213)

Directors:

Sudhir M Joshi	(DIN : 00349597)
K M Chandrasekhar	(DIN : 06466854)
Dilip G Sadarangani	(DIN : 06610897)
Harish H Engineer	(DIN : 01843009)
Grace Elizabeth Koshie	(DIN : 06765216)
Shubhalakshmi Panse	(DIN : 02599310)
C Balagopal	(DIN : 00430938)

Place: Kochi
Date : 30th April, 2016



14th K P Hormis Commemorative Lecture organized by Fedbank Hormis Memorial foundation by Dr Raghuram G Rajan (Governor, Reserve Bank of India) at Le- Meridien, Kochi in the presence of CA Nilesh Shivji Vikamsey (Managing Trustee & Chairman), Shri Shyam Srinivasan (Executive Trustee, MD & CEO), Shri Harish H Engineer (Trustee & Director), Shri Raju Hormis (Head- CSR Cell), Shri Paul Mundadan (Trustee), Shri Varghese P P (Trustee).



India's First Open-it-yourself Bank Account App launched by Union Finance Minister Shri Arun Jaitley: Union Finance Minister Shri Arun Jaitley dedicating to the nation FedBook Selfie, the nation's first mobile app for bank account opening launched by Federal Bank, in the presence of our MD & CEO Shri Shyam Srinivasan and other officials.



Federal Bank created history by launching India's first Mobile App for Bank Account Opening- Fedbook. The new App was Jointly launched by Shri Kochouseph Chittilappilly (Chairman, V Guard industries) and Shri Shyam Srinivasan (MD & CEO) by clicking a Selfi, held at a function held at the Corporate Office campus of V-Guard in the presence of Shri Varghese K I (CGM & Head Network 1), Shri Mithun Chittilappilly (MD, V Guard Industries), Shri Babu K A (DGM & Head Retail), Shri Sunny N V (DGM & ZH, Ernakulam), Shri Johnson K Jose (DGM & Head IT) and others.



Federal Bank creates history with the launch of the nation's first Mobile App for Bank Account Opening: Federal Bank launched India's first Mobile App for Bank Account Opening through Fedbook at Mumbai. The App was jointly launched by CA Nilesh Shivi Vikamsey, (Chairman, Federal Bank), and Shri R Venkataraman (Managing Director, IIFL), at a function held at the campus of India Infoline Ltd in Lower Parel, Mumbai.



RBI Governor Shri. Raghuram G Rajan presenting the IDRTB Banking Technology Excellence Award 2014-15, 'Best Bank for Digital Banking, Analytics and Big Data' among mid-sized banks segment, to Mr. Ganesh Sankaran, Executive Director, Federal Bank.



Federal Bank has won the Skoch Smart Technology Award 2015 for FedBook Selfie: The award was presented by Shri Sameer Kochhar (Chairman-Skoch Group) to Shri Prabhat Kumar Patney (Addl General Manager & Zonal Head-New Delhi) in the presence of Ms Manisha Kochhar (Director, Skoch Development Foundation), Dr Deepak B Phatak (Professor, IIT-B & Director- Skoch Development Foundation) and Shri Sumoth C (Chief Manager, New Delhi-Zonal Office).



Shri. Ganesh Sankaran (Executive Director) receiving the ET Best Corporate Brand 2016 Award at a function held at Mumbai in the presence of Network II Head, Shri. Sampath D, Shri. Aftab Shivdasani (Actor), Mr. Prahlad Kakkar (Founder – Genesis) and Shri Vinit Bagadiya (Sector Head, Times Conferences Ltd.)



Inauguration of Currency chest Attingal and Re Dedication of Branch Attingal on 21st July 2015 by Shri Nirmal Chand, Regional Director for Kerala and Lakshadweep, RBI Thiruvananthapuram) in the presence of MD & CEO Shri Shyam Srinivasan, Director Shri Balagopal & other officials.



FEDERAL BANK LAUNCHES 'SCAN N PAY'- Shri A P Hota (MD & CEO, National Payments Corporations of India -NPCI) launching Federal bank Scan N Pay in the presence of Shyam Srinivasan (MD & CEO, Federal bank), senior executives, Press officials and others.



Official launch of PM's Social Security Schemes in the State of Kerala was done by Hon'ble Governor of Kerala, Justice (Retd.) P. Sathasivam at Thiruvananthapuram. Seen in the picture, Our customer Shri Lal Mahesh of Thiruvananthapuram Statue branch receives the certificate of insurance from Dr Shashi Tharoor MP in the presence of Hon'ble Governor of Kerala, Justice (Retd) P Sathasivam, Smt Nirmala Sitharaman, Hon'ble Union Minister of State for Industries and Commerce, Shri V Y James (DGM & Zonal Head) and others.



Federal Bank-SBI Co-branded Credit Card launched, Federal Bank collaborates with SBI Card to launch 2 variants of Credit cards for customers - Platinum and Gold 'N More. Seen in the picture Shri Shyam Srinivasan (MD & CEO) & Shri Vijay Jasuja (CEO, SBI Cards) unveiling the Federal Bank SBI Credit Card.



Inauguration of "Launchpad, Federal Bank's exclusive outlet for Start-ups by Shri Sanjay Vijayakumar (Co-Founder & CEO, MOBME Wireless and Chairman, Startup Village) in the presence of Shri K I Varghese (CGM and Head, Network 1), Shri Sunny K P (Addl. General Manager & Strategic Initiative and Optimization Head), Shri Babu K A (Head – Digital Banking), Shri. Sunny N V, Ernakulam Zonal Head and others.



4th Currency chest in Kerala at Kalletumkara was inaugurated by Shri Nirmal Chand (Regional Director for Kerala and Lakshadweep, RBI, Thiruvananthapuram). The function was presided by Ms Shalini Warrier (COO) in the presence of Shri N V Sunny (DGM & ZH, Ernakulam), Shri Antu Joseph, (General Manager), Smt. Jayalakshmi P (AGM & RH, Irinjalakuda) and others. This is the 6th Currency chest pan India after Alva, Kozhikode, Mumbai, Chennai and Attingal. Currency Chest Kalletumkara is the 2nd Mega Currency Chest in the state of Kerala.



Federal Bank selected as The Best Bank at the National level among private sector Banks by the State forum of Bankers Clubs, Kerala. Seen in the picture is Shri Varghese K I, Chief General Manager and Network I Head receiving the Award on behalf of the Bank from the Hon'ble Chief Minister of Kerala, Shri Oommen Chandy.



Renowned writer Shri. M T Vasudevan Nair dedicating to the nation the Malayalam version of FedMobile, the Mobile Banking Application of Federal Bank, on the auspicious day of Vidyarambham at Tunjanparambu in the presence of Mr. Varghese T A, DGM and Kozhikode Zonal Head, Mr. Shaji KV, AGM and Malappuram Regional Head, and other officials of the bank.



The launch of the new and improved version of FedMobile was done by our MD & CEO, Shri Shyam Srinivasan at Federal Towers, Aluva in the presence of Shri Madhavakumar V R (GM-Quality & Operations), Shri Varghese K I (GM & Head-Network I), Shri Sunny KP (Addl GM & Technology & Digital Banking Head), Shri Sampath D (GM-Finance & Planning), Shri Antu Joseph (GM-Products), Shri Babu K A (DGM - Retail Business Department) and other executives.



Federal Bank bags Greentech HR excellence award 2015- Smt Usha Mary Mathan (Chief Manager-Training, Talent Development & Training, Federal Bank) receiving the 5th Annual Greentech HR Excellence Award 2015 from Shri K S Jamestin (Former Director – HR & Dir. I/C Business Development, ONGC Limited) and Shri K Sharan,(Founder & Chairman Greentech Foundation).



Federal Reach received two awards at the 7th In-house Communication Excellence Awards 2015 in the categories - Best Magazine among Banks and Best Design & Layout (among all organizations). Smt. Latha H, HR Department and Smt. Harsha P, Zonal Office-Mumbai received the awards at a glittering function held at The MCA, Mumbai.



Federal Bank received the Skoch Order of merit Award for Categories 'Capacity Building & Financial Literacy' and "Access to Banking and Financial Services" instituted by Skoch Group. Smt. Minimole Liz Thomas, Asst. General Manager, Financial Inclusion Dept receives the honour from Mr Ashishkumar Chauhan, Managing Director & CEO, BSE at Making India \$20 trillion economy 40th Skoch Summit held at International Convention Hall, Mumbai Stock Exchange, Mumbai.



Launch of Housing Project Approval System (HPAS) @ Federal Towers, Marine Drive by our MD & CEO Shri Shyam Srinivasan in the presence of Shri Antu Joseph (GM-Products), Shri Ajith Kumar K K (Addl. GM - NCH Head), Shri Babu K A (DGM – Head Retail), Shri Alex T Paikaday (DGM - EKM Credit Hub), Shri Nandakumar V (DGM – NCH), Shri Thomas P P (DGM – TXN Monitoring and Fraud Prevention) and others.



Federal Bank Speak for Kerala- The official flag off ceremony of Federal Bank Speak For Kerala jointly done by our Executive Director, Shri Ashutosh Khajuria, Shri K N Raghavan (Kochi Customs Commissioner), Shri K I Varghese (CGM and Head Network 1), Shri M V Shreyams Kumar (Director – Marketing & Electronic Media Mathrubhumi) in the presence of Shri Raju Hormis (Head- CSR Cell), Federal Bank executives & staffs and others.



A Federal Bank CSR initiative: Federal Bank Speak for Karnataka winner Ms Deepthi Nickam receives the award from Mr Harish Bijoor (Brand-expert & CEO, Harish Bijoor Consults Inc.) and Ms Pranitha Subash (Cine Artist) in the presence of Shri K M Chandrashekhar (Director), Shri Shyam Srinivasan (MD & CEO), Shri Harish H Engineer (Director) and others. Runner Up: Mr Chethan M, Popular Choice Winner: Mr Rakeshnayaka M



Inauguration of Federal Skill Academy jointly by Shri Harish H Engineer, Director, Federal Bank and Shri Shyam Srinivasan, MD & CEO, Federal Bank in the presence of Shri Balachandran, Chairman, SB Global Education Resources Pvt. Ltd and Shri Thampy Kurian, General Manager (HR), Federal Bank.



A Federal Bank CSR InitiativeWorld Malayalee Council & Madras Medical Mission organized "Federal Bank Hridayaraagam 2015" a grand Gala event towards fund raising for a noble cause at St George School grounds in Chennai on 26th July 2015. The fund raised is being used for heart surgeries for 20 people in association with Madras medical mission. Through "Federal Bank Hridayaraagam 2015" 25 lakh was raised and the same was handed over to Madras medical Mission in the presence of Shri Srinivasan S (DGM & Zonal Head), Shri Kamal Hassan, Shri Praveen (Global Chairman) and other Members of WMC.



A Federal Bank CSR initiative: "Palathulli", Water conservation Programme of Malayala Manorama supported by Federal Bank. Shri Varghese T A (Deputy General Manager) handing over the Prize money to Shri P Aboobacker (Head Master, Ferok GMUPS) - The District level award winning school, Kozhikode.



Inauguration of Priority Lounge at Br. Kozhencerry by H.G. Most. Rev. Dr. Joseph Mar Thoma Metropolitan in presence of Shri. Varghese K I (CGM & Head, Network 1), Shri. Anilkumar V V (DGM & Zonal Head) and others



Rededication of Br. Kolhapur/ R R Takala by His Excellency Hon Shahu Maharaj Ji in the presence of Shri Kiran Patil (CMD, Ghatge Patil Industries Ltd), Shri. Sampath D (Chief General Manager & Head- Network II), Shri Ajith Kumar K K (Additional General Manager & Zonal Head, Mumbai), Shri Raju S Nair (AGM & Kolhapur Regional Head)and others.



Federal Bank has been awarded the Banking Frontier's Finnoviti 2016 Award for its path-breaking innovation, FedBook Selfie. Shri Ashutosh Khajuria (Executive Director & CFO) with the Banking Frontier's Finnoviti 2016 Award. Also seen in the picture are Smt V R Iyer (former CMD of Bank of India), Shri Johnson K Jose (DGM, IT Dept), Shri Narendra Jadhav (Noted writer and educationist) and others



Federal Bank has partnered with National Institute of Speech and Hearing (NISH)-Thiruvananthapuram to set up an Assistive Technology Center at NISH. Shri Shyam Srinivasan, MD & CEO, Federal Bank and Dr. Samuel N. Mathew, Executive Director, NISH, formally signed the MOU in the presence of Shri Oommen Chandy, Chief Minister of Kerala, Shri K M Chandrasekhar, Vice Chairman – Kerala State Planning Board, Shri G. Vijaya Raghavan, Member, State Planning Board and Hon. Director-NISH, Shri James V Y, Federal Bank, Zonal Head – Thiruvananthapuram, and other dignitaries at a function held at CM's legislature Office at Thiruvananthapuram. A cheque for Rs. 2 crores as the initial funding was handed over to Shri. Oommen Chandy, Chief Minister at this function.



Rededication of Br Chalakudy by our MD & CEO Shri Shyam Srinivasan in the presence of Shri K I Varghese (GM and Network-I Head), Shri V O Pailappan (Chairman, Chalakudy Municipality), Kum Prayaga (cine artist), Smt Jayalakshmi P (AGM & Regional Head, Irinjalakuda), Shri Davis T V (AGM), Shri Jose P V (Chief Manager) and others.



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