

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

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 1274 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. 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 Section 133 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 (NPAs) 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.

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 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

4.2 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, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further,

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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.

The Bank also maintains provisions on loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt Restructuring (SDR) scheme as per the RBI guidelines.

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.

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

4.3 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

in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

4.4 Investments

Classification

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

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

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/fair value of quoted investments included in the 'AFS'

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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 amortized over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d) Units of Mutual Funds are valued at the latest repurchase price/ net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by 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;
 - Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.
- 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 August 23, 2006 are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- In case of investments in security receipts on or after April 1, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of - provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/ Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.
- f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.
- g) The Bank follows 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

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

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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.

4.5 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 (foreign branches) 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. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

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 amortized 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.

4.6 Derivative transactions

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

4.7 Proposed Dividend

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts.

4.8 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. Taxes like GST paid on Fixed assets are availed as ITC as per GST rules.

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 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. Improvements 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.
- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

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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 (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

4.9 Impairment of Assets

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

4.10 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.

4.11 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 Profit and Loss accounts.

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 Profit and Loss account.

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

e) New Pension Scheme ('NPS')

Employees who joined the services of the Bank on or after April 01, 2010 are covered under New Pension Scheme. Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

f) Other employee Benefits

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

4.12 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4.13 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.

4.14 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 except where the results are anti-dilutive.

THE FEDERAL BANK LIMITED**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)****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.

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 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 taxes relating to items directly recognised in reserves are adjusted in reserves and not in Profit and Loss Account.

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.

4.16 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.

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

Contingent assets 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.

4.17 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, which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

4.18 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is 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 bank follows 'Intrinsic value method' for accounting of ESOS based on which, 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.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange,

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then the stock exchange where there is highest trading volume on the said date is considered.

4.19 Share issue expenses

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

4.20 Corporate Social Responsibility

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

4.21 Input Credit under GST

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

4.22 Priority Sector Lending Certificates (PSLC)

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

4.23 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).

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019
1. Disclosures requirement as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in notes forming part of the financial statements for the year ended March 31, 2019 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

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 10.875 % (Previous Year 10.875 %) including Capital Conversion Buffer (CCB) at 1.875% (Previous Year 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous Year 7.375%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.875% (Previous Year 8.875%) from Tier 1 capital, including 1.875% (Previous Year 1.875%) towards CCB.

The capital adequacy ratio of the Bank is set out below:

Particulars	(₹ in Crore)	
	As at March 31, 2019	As at March 31, 2018
Common Equity Tier I*	12,545.71	11,776.03
Tier 1 Capital	12,545.71	11,776.03
Tier 2 Capital	714.47	436.74
Total Capital	13,260.18	12,212.77
Total risk weighted assets	93,764.32	83,059.86
Capital Ratios		
Common Equity Tier 1	13.38%	14.18%
Tier 1 Capital	13.38%	14.18%
Tier 2 Capital	0.76%	0.52%
Total CRAR	14.14%	14.70%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised Net of Share Issue Expenses (Refer Note 4.2 A)	-	2,463.88
Amount of Additional Tier I Capital raised of which:	-	-
a) Perpetual Non- Cumulative Preference Shares(PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:	-	-
a) Debt Capital instruments	-	-
b) Preference Share Capital Instruments:	-	-
[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

*Adjusted for proposed dividend of ₹1.40 per share (Previous year: ₹ 1 per share) and applicable taxes.

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. Investments

1.2.1. Details of Investments:

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	32,223.91	31,075.14
(b) Outside India	0.38	0.93
(ii) Provision for Depreciation		
(a) In India	308.98	206.05
(b) Outside India	0.02	-
(iii) Provision for Non-performing investments		
(a) In India	90.82	88.94
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	31,824.11	30,780.15
(b) Outside India	0.36	0.93
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	206.05	53.43
(ii) Add: Provisions made during the year	125.12	152.90
(iii) Less: Write off / Write back of excess provision during the year	22.19	0.28
(iv) Closing Balance	308.98	206.05
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	88.94	83.43
(ii) Add: Provisions made during the year	13.48	18.28
(iii) Less: Write off / Write back of excess provision during the year	11.60	12.77
(iv) Closing Balance	90.82	88.94

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

1.2.2. Additional Details on Investments:

- Investments under HTM (excluding specified investments as per RBI norms) account for 17.88% (Previous year 19.33%) of demand and time liabilities as at the end of March 2019 as against permitted ceiling of 19.50 % (Previous Year: 19.50%) stipulated by RBI.
- In respect of securities held under HTM category premium of ₹ 52.89 Crore (Previous year: ₹ 58.21 Crore) has been amortised during the year and debited under interest received on Government securities.
- Profit on sale of securities from HTM category amounting to ₹ 53.20 Crore (Previous year: ₹ 54.71 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 26.02 Crore (Previous year ₹ 26.83 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.
- As per RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

As on March 31, 2018 the Bank had an IFR of ₹ 189.72 Crore, which was considered as part of Tier I capital for capital adequacy purposes.

As on March 31, 2019, the requirement for appropriation to IFR as per the above mentioned circular was ₹ 166.45 Crore, the Bank redesignated the existing IFR of ₹ 189.72 Crore in compliance with the circular and considered it as part of Tier II capital for capital adequacy purposes.

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1.2.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2019 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2019
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	1,687.00	134.39	500.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	2,125.00	238.97	2,125.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	9.63	1,638.83	629.95	113.34
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,203.06	225.17	15.06
ii) Corporate Debt Securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the years ended March 31, 2018 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2018
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	1,687.00	202.53	1,687.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	2,500.00	541.00	1,385.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	1,999.56	511.70	616.33
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,680.00	361.61	363.72
ii) Corporate Debt Securities	-	-	-	-

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1.2.4. Details of Non-SLR investment portfolio:

a) Issuer composition as at March 31, 2019 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	16.27	6.50	-	-	-
2	Financial Institutions	768.88	729.13	-	-	-
3	Banks	1,999.06	1,997.36	-	-	-
4	Private Corporates	899.37	893.68	49.04	-	121.73
5	Subsidiaries / Joint ventures	403.00	403.00	-	-	-
6	Others*	786.88	783.50	616.74	-	5.00
7	Less: Provision held towards depreciation on investment	308.98	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	90.82	XXX	XXX	XXX	XXX
	Total	4,473.66	4,813.17	665.78	-	126.73

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

* Includes Investments in Non-SLR government securities amounting to ₹ 3.40 Crore.

** Excludes investments in equity shares, commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt and certificate of deposits in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16.

Issuer composition as at March 31, 2018 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	34.33	34.33	6.54	-	-
2	Financial Institutions	1,463.80	1,424.05	3.78	-	-
3	Banks	3,226.43	3,222.58	-	-	-
4	Private Corporates	703.87	703.87	87.99	-	100.00
5	Subsidiaries / Joint ventures	398.00	398.00	-	-	-
6	Others*	766.01	759.81	726.03	-	5.00
7	Less: Provision held towards depreciation on investment	188.61	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	88.94	XXX	XXX	XXX	XXX
	Total	6,314.89	6,542.64	824.34	0.00	105.00

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

* Includes Investments in Non-SLR government securities amounting to ₹ 6.21 Crore.

** Excludes investments in equity shares, commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt and certificate of deposits in line with RBI circular DBR No BP.BC.6/21.04.141/2015-16.

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

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Shares	240.53	209.52
Debentures and Bonds*	1,190.35	1,061.68
Subsidiaries/Joint Ventures	403.00	398.00
Others	2,639.78	4,645.69
Total	4,473.66	6,314.89

* - Includes Investments in Non-SLR government securities amounting to ₹ 3.40 Crore (Previous year: ₹ 6.21 Crore).

c) Non-performing Non-SLR investments is set out below:

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Opening Balance	91.64	268.07
Additions during the year	13.04	26.25
Reductions during the year	11.60	202.68
Closing Balance	93.08	91.64
Total Provision held	90.82	88.94

1.2.5. 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.

1.3. Derivatives

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

1.3.1 A) Exchange Traded Interest Rate Derivatives:

Sl.No	Particulars	(₹ in Crore)	
		March 31, 2019	March 31, 2018
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
	a) 7.17 G-Sec 2028	1,768.08	-
	b) 6.79 G-Sec 2027	1,270.96	5,102.76
	c) 6.97 G-Sec 2026	-	1,042.64
	d) 7.59 G-Sec 2026	-	1,204.08
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	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

1.3.1. B) The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2019 and March 31, 2018. As at March 31, 2019 and March 31, 2018 the open contracts on the exchange was Nil.

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1.3.2 Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

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

(₹ in Crore)

Particulars		March 31, 2019	March 31, 2018
(i)	The notional principal of swap agreements	2,800.88	1,600.00
(ii)	Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	9.50	2.03
(iii)	Collateral required by the bank upon entering into swaps	Nil	Nil
(iv)	Concentration of credit risk arising from the swaps	37.26	18.03
(v)	The fair value of the swap book	(1.11)	(0.34)

The nature and terms of the IRS as on March 31, 2019 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	43	₹1225.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	42	₹1225.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹175.44 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹ 175.44 Crore	USD LIBOR 3M	Fixed payable v/s floating receivable

The nature and terms of the IRS as on March 31, 2018 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	26	₹ 800.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	25	₹ 800.00 Crore	MIOIS	Fixed receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2019 and March 31, 2018.

1.3.3. Disclosure on Risk exposure in Derivatives

Qualitative disclosures:

(a) Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or Mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ mitigants:

Derivatives are financial instruments whose characteristics are derived from an underlying asset like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc) in over the counter/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, operational, legal, and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

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

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back

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office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals. The current outstanding under the derivatives portfolio were executed for trading purposes.

(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.

Transactions related to foreign exchange forward, Interest rate Future/IRS/Currency future are marked to market every month and the MTM is accounted in the books.

(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.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	-
	b) For trading	-	-	2,800.88	1,600.00
(ii)	Marked to Market positions				
	a) Asset (+)	-	-	39.12	5.26
	b) Liabilities (-)	-	-	40.23	5.60
(iii)	Credit Exposure		-	29.78	18.03
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	0.62	2.59
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	Max = 4.68 Min = 0.47	Max = 2.64 Min = 0.57

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2019 amounted to ₹ 4,116.95 Crore (Previous year ₹ 4,364.45 Crore) and ₹ 9,997.27 Crore (Previous year ₹ 13,967.17 Crore) respectively. For the hedging contract, as at March 31, 2019 the marked to market position was asset ₹ 109.82 crores and liability of ₹ 73.05 crores (Previous year asset ₹ 53.26 crores and liability of ₹ 111.07 crores). For the trading contract, as at March 31, 2019 the marked to market position was asset ₹ 133.46 crores and liability of ₹ 274.09 crores (Previous year asset ₹ 245.60 crores and liability of ₹ 193.18 crores). Credit exposure on forward exchange contracts at March 31, 2019 was ₹ 845.42 Crore (Previous year ₹ 718.51 Crore).

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- 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.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
 - a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
 - b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1 Net non-performing assets

Particulars	March 31, 2019 (%)	March 31, 2018 (%)
Net non-performing assets as a percentage of net advances.	1.48	1.69

1.4.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	2,795.62	1,727.05
Additions during the year	1,667.98	2,200.67
Reductions during the year	1,202.92	1,132.10
Closing balance	3,260.68	2,795.62

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

1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,551.96	941.20
Additions during the year	767.39	1,243.42
Reductions during the year	693.15	632.66
Closing balance	1,626.20	1,551.96

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

1.4.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,215.13	754.45
Additions during the year	898.87	948.42
Reductions during the year	507.68	487.74
Closing balance	1,606.32	1,215.13

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

1.4.5 Divergence in Asset classification and Provisioning for NPAs

The divergence observed by RBI for the Financial year 2017-18 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Circulars DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 on 'Divergence in the asset classification and provisioning', is not required to be made.

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1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2019:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
		Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2018 (Opening Balance)	No. of borrowers	3	-	3	1	7	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	79.61	-	20.56	-	100.17	-	-	-	-	-
	b) Other facility	38.21	-	20.05	3.78	62.04	-	-	-	-	-
	Provision thereon	16.99	-	0.46	-	17.45	-	-	-	-	-
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-4.58	-	-1.49	-	-6.07	-	-	-	-	-
	b) Other facility	-12.61	-	-	-	-12.61	-	-	-	-	-
	Provision thereon	-4.59	-	-0.46	-	-5.05	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2019 ²	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2019	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 March 31, 2019 ³	No. of borrowers	-1				-1					-
	Amount Outstanding – (a) Restructured facility	-27.78				-27.78					-
	b) Other facility	-3.44				-3.44					-
	Provision thereon	-1				-1					-
Downgradation of restructured accounts during the year ended March 31, 2019	No. of borrowers	-1	-	1	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-17.77	-	17.77	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-2.63	-	2.63	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2019 ⁴	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured accounts as at March 31, 2019 (closing figures) ⁵	No. of borrowers	1	-	4	1	6	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	29.48	-	36.84	-	66.32	-	-	-	-	-
	b) Other facility	22.16	-	20.05	3.78	45.99	-	-	-	-	-
	Provision thereon	8.77	-	2.63	-	11.40	-	-	-	-	-

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(₹ in Crore)

Type of Restructuring		Others					Total				
		Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2018 (Opening Balance)	No. of borrowers	23	3	68	77	171	26	3	71	78	178
	Amount Outstanding – (a)Restructured facility	366.75	0.45	440.46	2.21	809.87	446.33	0.46	461.03	2.21	910.03
	b)Other facility	26.42	-	16.87	-	43.29	64.63	-	36.92	3.78	105.33
	Provision thereon	55.17	0.02	12.32	-	67.51	72.16	0.02	12.77	-	84.95
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-2	-	-15	-18	-35	-2	-	-15	-18	-35
	Amount Outstanding – (a) Restructured facility	-6.2	-	-26.26	-0.89	-33.35	-10.78	-	-27.75	-0.89	-39.42
	b) Other facility	-10.50	-	-1.26	0	-11.76	-23.11	-	-1.26	-	-24.37
	Provision thereon	0.01	-	-10.88	-10.22	-21.11	-4.60	-	-11.34	-10.22	-26.16
Fresh Restructuring during the year ended March 31, 2019 ²	No. of borrowers	1492	2	-	-	1494	1492	2	-	-	1494
	Amount Outstanding – (a) Restructured facility	104.82	0.15	-	-	104.97	104.82	0.15	-	-	104.97
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	5.25	0.01	-	-	5.26	5.25	0.01	-	-	5.26
Upgradation to restructured standard category during the year ended March 31, 2019	No. of borrowers	4	-	-	-4	-	4	-	-	-4	-
	Amount Outstanding – (a)Restructured facility	0.08	-	-	-0.08	-	0.08	-	-	-0.08	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2019 ³	No. of borrowers	-17	-	-	-	-17	-18	-	-	-	-18
	Amount Outstanding – (a) Restructured facility	-68.67	-	-	-	-68.67	-96.45	-	-	-	-96.45
	b)Other facility	-3.25	-	-	-	-3.25	-6.69	-	-	-	-6.69
	Provision thereon	-0.06	-	-	-	-0.06	-1.06	-	-	-	-1.06
Downgradation of restructured accounts during the year ended March 31, 2019	No. of borrowers	-28	18	5	5	-	-29	18	6	5	-
	Amount Outstanding – (a)Restructured facility	-29.02	0.01	-5.69	34.7	-	-46.79	0.01	12.08	34.7	-
	b)Other facility	-12.17	-	-	12.17	-	-12.17	-	-	12.17	-
	Provision thereon	-8.86	0.02	-1.38	10.22	-	-11.49	0.02	1.25	10.22	-
Write-offs of restructured accounts during the year ended March 31, 2019 ⁴	No. of borrowers	-	-	-6	-	-6	-	-	-6	-	-6
	Amount Outstanding – (a) Restructured facility	-	-	-130.39	-	-130.39	-	-	-130.39	-	-130.39
	b) Other facility	-	-	-13.49	-	-13.49	-	-	-13.49	-	-13.49
	Provision thereon	-	-	-0.03	-	-0.03	-	-	-0.03	-	-0.03
Restructured accounts as at March 31, 2019 (closing figures) ⁵	No. of borrowers	1472	23	52	60	1607	1473	23	56	61	1613
	Amount Outstanding – (a)Restructured facility	367.76	0.61	278.12	35.94	682.43	397.24	0.61	314.96	35.94	748.75
	b)Other facility	0.50	-	2.12	12.17	14.79	22.66	-	22.17	15.95	60.78
	Provision thereon	51.48	0.05	0.03	-	51.56	60.25	0.05	2.66	-	62.96

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019
(CONTD...)**

- 1 Includes account closed during the year on account of payment of outstanding facilities by the borrower also includes the difference of amount between the balance of FY18 and FY19.
- 2 Fresh restructured and also added few accounts during the year - amount reported here represents outstanding as on March 31, 2019.
- 3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.
- 4 Includes Sale of Restructured accounts ₹ 96.57 Crore.
- 5 Other Facility also includes investment in Bond/Debentures amounting to ₹ 58.16 Crore.
- 6 There are no SME accounts which have been restructured during the year ended March 31, 2019.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
Details of loan assets subjected to restructuring during the year ended March 31, 2018:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured accounts as at April 01, 2017 (Opening Balance)	No. of borrowers	5	-	3	1	9	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	232.36	-	34.11	-	266.47	-	-	-	-	-
	b) Other facility	1.56	-	11.82	3.78	17.16	-	-	-	-	-
	Provision thereon	31.04	-	4.45	-	35.49	-	-	-	-	-
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-18.96	-	2.33	-	-16.63	-	-	-	-	-
	b) Other facility	36.65	-	-1.82	-	34.83	-	-	-	-	-
	Provision thereon	6.01	-	0.46	-	6.47	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2018 ²	No. of borrowers	-	-	1	-	1	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	15.55	-	15.55	-	-	-	-	-
	b) Other facility	-	-	10.05	-	10.05	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2018	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 March 31, 2018 ³	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Downgradation of restructured accounts during the year ended March 31, 2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2018 ⁴	No. of borrowers	-2	-	-1	-	-3	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-133.79	-	-31.43	-	-165.22	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-20.06	-	-4.45	-	-24.51	-	-	-	-	-
Restructured accounts as at March 31, 2018 (closing figures) ⁵	No. of borrowers	3	-	3	1	7	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	79.61	-	20.56	-	100.17	-	-	-	-	-
	b) Other facility	38.21	-	20.05	3.78	62.04	-	-	-	-	-
	Provision thereon	16.99	-	0.46	-	17.45	-	-	-	-	-

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

(₹ in Crore)

Type of Restructuring		Others					Total				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured accounts as at April 01, 2017 (Opening Balance)	No. of borrowers	28	9	81	84	202	33	9	84	85	211
	Amount Outstanding – (a) Restructured facility	567.29	6.78	62.59	2.25	638.91	799.65	6.78	96.70	2.25	905.38
	b) Other facility	52.11	207.20	12.61	0.02	271.94	53.67	207.20	24.43	3.80	289.10
	Provision thereon	88.53	0.05	0.81	0.10	89.49	119.57	0.05	5.26	0.10	124.98
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-2	-1	-16	-6	-25	-2	-1	-16	-6	-25
	Amount Outstanding – (a) Restructured facility	14.10	0.39	7.68	-0.18	22.00	-4.86	0.39	10.01	-0.18	5.36
	b) Other facility	-44.63	0.79	-3.52	-0.02	-47.37	-7.98	0.79	-5.34	-0.02	-12.55
	Provision thereon	-31.85	-0.02	1.14	-0.11	-30.84	-25.84	-0.02	1.60	-0.11	-24.37
Fresh Restructuring during the year ended March 31, 2018 ²	No. of borrowers	3	2	1	-1	5	3	2	2	-1	6
	Amount Outstanding – (a) Restructured facility	100.31	0.33	56.04	-	156.68	100.31	0.33	71.59	-	172.23
	b) Other facility	21.99	-	-	-	21.99	21.99	-	10.05	-	32.04
	Provision thereon	8.84	0.02	-	-	8.86	8.84	0.02	-	-	8.86
Upgradation to restructured standard category during the year ended March 31, 2018	No. of borrowers	5	-	-3	-2	-	5	-	-3	-2	-
	Amount Outstanding – (a) Restructured facility	0.18	-	-0.10	-0.08	-	0.18	-	-0.10	-0.08	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	0.01	-	-	-	0.01	0.01	-	-	-	0.01
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2018 ³	No. of borrowers	-6	-	-	-	-6	-6	-	-	-	-6
	Amount Outstanding – (a) Restructured facility	-6.16	-	-	-	-6.16	-6.16	-	-	-	-6.16
	b) Other facility	-0.01	-	-	-	-0.01	-0.01	-	-	-	-0.01
	Provision thereon	-0.01	-	-	-	-0.01	-0.01	-	-	-	-0.01
Downgradation of restructured accounts during the year ended March 31, 2018	No. of borrowers	-5	-3	6	2	-	-5	-3	6	2	-
	Amount Outstanding – (a) Restructured facility	-308.97	-7.05	315.80	0.22	-	-308.97	-7.05	315.80	0.22	-
	b) Other facility	-3.04	-5.74	8.78	-	-	-3.04	-5.74	8.78	-	-
	Provision thereon	-10.35	-0.02	10.38	-	0.01	-10.35	-0.02	10.38	-	0.01
Write-offs of restructured accounts during the year ended March 31, 2018 ⁴	No. of borrowers	-	-4	-1	-	-5	-2	-4	-2	-	-8
	Amount Outstanding – (a) Restructured facility	-	-	-1.56	-	-1.56	-133.79	-	-32.99	-	-166.78
	b) Other facility	-	-202.26	-1.00	-	-203.26	-	-202.26	-1.00	-	-203.26
	Provision thereon	-	-	-0.01	-	-0.01	-20.06	-	-4.46	-	-24.52
Restructured accounts as at March 31, 2018 (closing figures) ⁵	No. of borrowers	23	3	68	77	171	26	3	71	78	178
	Amount Outstanding – (a) Restructured facility	366.75	0.45	440.46	2.21	809.87	446.33	0.46	461.03	2.21	910.03
	b) Other facility	26.42	-	16.87	-	43.29	64.63	-	36.92	3.78	105.33
	Provision thereon	55.17	0.02	12.32	-	67.51	72.16	0.02	12.77	-	84.95

1 Includes account closed during the year on account of payment of outstanding facilities by the borrower also includes the difference of amount between the balance of FY17 and FY18.

2 Fresh restructured and also added few accounts during the year - amount reported here represents outstanding as on March 31, 2018.

3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.

4 Includes TWO/Sale of Restructured accounts as follows – (Bond sold value is ₹ 202.26 Cr.)

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(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	2	-	1	-	3	-	4	1	-	5
Amount Outstanding (a) Restructured facility @	133.79	-	31.43	-	165.22	-	-	1.56	-	1.56
b) Other Facility @	-	-	-	-	-	-	202.26	1.00	-	203.26
Provision thereon @	20.06	-	4.45	-	24.51	-	-	0.01	-	0.01

@ Represent balance as on March 31, 2017

5 Other Facility also includes investment in Bond/Debentures amounting to ₹ 84.04 Crore.

6 There are no SME accounts which have been restructured during the year ended March 31, 2018.

1.4.6 B) Additional Disclosures with relation to Certain Restructuring Schemes:

1. Flexible Structuring of Existing Loans as at March 31, 2019: Nil (Previous Year: Nil).

2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period)

(₹ in Crore)

Financial Year ended	No. of accounts where SDR has been invoked	Gross amount outstanding as on the reporting date		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
		Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
March 31, 2019	-	-	-	-	-	-	-
March 31, 2018	2	53.35	-	-	-	53.35	-

3. Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2019: Nil (Previous Year: Nil)

4. Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period) at March 31, 2019: Nil (Previous Year: Nil)

5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)
March 31, 2019

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	1	51.63	29.47	22.16	10.33
Classified as NPA	1	25.13	15.08	10.05	23.74

March 31, 2018

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	1	64.77	30.00	34.77	13.91
Classified as NPA	1	25.60	15.55	10.05	5.51

6. Details of MSME accounts restructured as per RBI circular No.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019
Position as on March 31, 2019

(₹ in Crore)

No. of accounts restructured	Amount Restructured	Amount outstanding
7	11.68	11.74

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
1.4.7 A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:

(₹ in Crore)

	Particulars	March 31, 2019		March 31, 2018	
		Standard	NPA#	Standard	NPA#
a)	No of accounts	-	4	-	46
b)	Aggregate value (net of provision) of accounts sold to SC/RC	-	99.61	-	128.79
c)	Aggregate consideration	-	113.44	-	177.20
d)	Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e)	Aggregate gain/(loss) over net book value	-	13.83	-	48.41

including written off assets

B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at March 31, 2019 and March 31, 2018 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 March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Book value of investments in security receipts	558.16	661.67	-	-	558.16	661.67

Note: In addition to above, bank holds security receipts of ₹ 58.58 Crore (Previous year: ₹ 64.36 Crore) which are backed by standard assets sold by the bank.

C) Details of ageing of Investments held as Security Receipts as at March 31, 2019 are as follows:

(₹ in Crore)

Particulars		SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	314.43	243.73	-
	Provision held against (i)	117.52	147.72	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		314.43	243.73	-
Total provision held against above		117.52	147.72	-
Net Book value		196.91	96.01	-

Note: In addition to above, bank holds security receipts of ₹ 58.58 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. Total Provision of ₹ 0.05 Cr is held against security receipts backed by standard assets sold by the bank.

Details of ageing of Investments held as Security Receipts as at March 31, 2018 are as follows:

(₹ in Crore)

Particulars		SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	621.20	40.47	-
	Provision held against (i)	153.20	27.65	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		621.20	40.47	-
Total provision held against above		153.20	27.65	-
Net Book value		468.00	12.82	-

Note: In addition to above, bank holds security receipts of ₹ 64.36 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. No provision is held against security receipts backed by standard assets sold by the bank.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

1.4.8 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased from other banks

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
1. (a) No. of accounts purchased during the year	NIL	NIL
(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 to other banks

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
1.No of accounts sold	NIL	NIL
2. Aggregate outstanding		
3.Aggregate consideration received		

1.4.9 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
(a) Opening balance	437.36	394.93
(b) Addition/adjustments during the year	97.86	42.43
(c) Deduction during the year	8.19	-
(d) Closing balance *	527.03	437.36

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 5.97Crore (Previous Year: ₹ 5.26 Crore)

1.5 The Key business ratios and other information:

Particulars	March 31, 2019	March 31, 2018
(i) Interest Income as a percentage to Working Funds* (%)	8.05	8.31
(ii) Non-interest income as a percentage to Working Funds* (%)	0.95	0.99
(iii) Operating Profit as a percentage to Working Funds* (%)	1.95	1.95
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.88	0.75
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	19.95	17.09
(vi) Profit per employee (₹ in Crore)**	0.10	0.07

* 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 number of employees for the year.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)
1.6. Asset Liability Management

Maturity pattern of certain items of assets and liabilities at March 31, 2019 and March 31, 2018 is set out below:

Year ended March 31, 2019

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	515.15	1,539.05	4,742.80	448.34	573.75	91.74
2 -7 days	2,272.46	1,668.47	122.31	577.50	905.78	99.40
8-14 days	1,125.06	539.10	91.82	220.57	33.38	65.22
15-30 days	2,572.38	2,517.40	218.17	2.00	224.82	39.98
31 days to 2 months	6,550.62	3,489.84	920.16	230.89	174.56	312.85
More than 2 months and up to 3 months	6,339.50	9,502.26	1,742.37	322.29	408.49	458.71
Over 3months and upto 6 months	12,222.52	8,989.99	1,186.08	1,023.79	853.16	411.87
Over 6 months and upto 1 Year	24,618.27	12,918.43	1,336.78	976.56	1,219.56	799.77
Over 1 Year and upto 3 Years	51,221.27	41,822.33	3,418.00	2,545.50	611.85	1,639.49
Over 3 Years and upto 5 Years	2,858.82	12,263.54	4,530.36	1,138.03	727.24	2,064.01
Over 5 Years	24,658.29	14,972.54	13,515.62	295.85	134.57	-
Total	134,954.34	110,222.95	31,824.47	7,781.32	5,867.16	5,983.04

Year ended March 31, 2018

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	666.16	1,365.43	6,135.95	67.96	659.45	130.60
2 -7 days	994.69	861.64	334.94	2,433.77	1,524.12	45.96
8-14 days	931.63	610.62	258.37	439.77	45.65	16.81
15-30 days	2,312.54	1,672.46	299.38	656.14	254.11	644.10
31 days to 2 months	4,674.46	3,557.67	347.54	224.26	267.42	292.34
More than 2 months and up to 3 months	4,563.53	5,690.58	3,238.84	440.85	507.13	506.54
Over 3months and upto 6 months	8,893.11	7,874.43	1,144.51	1,499.22	996.42	961.96
Over 6 months and upto 1 Year	17,206.81	12,001.11	2,060.92	902.44	1,085.55	890.62
Over 1 Year and upto 3 Years	48,355.75	35,994.41	3,507.70	3,376.29	726.54	1,125.53
Over 3 Years and upto 5 Years	2,274.80	11,135.64	3,029.98	1,417.80	813.38	1,655.35
Over 5 Years	21,119.00	11,193.48	10,422.94	75.00	78.57	-
Total	111,992.48	91,957.47	30,781.07	11,533.50	6,958.33	6,269.83

Note:

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD...)

1.7. Exposures

1.7.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	March 31, 2019	March 31, 2018
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)	18,514.29 (4,248.49)	13,991.72 (3,021.78)
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;	6,394.51	6,272.80
(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).	6,434.15	5,764.56
Total Exposure to Real Estate sector	31,342.95	26,029.08

1.7.2 Exposure to Capital Market

(₹ in Crore)

Category	March 31, 2019	March 31, 2018
(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;	247.32	261.92
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.55	24.18
(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;	576.58	368.46
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	11.30	6.40
(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)	65.46	27.84
Total Exposure to Capital Market	901.21	688.80

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1.7.3 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: (₹ in Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2019	March 31, 2019	March 31, 2018	March 31, 2018
Insignificant	1,315.91	-	1,560.60	-
Low	140.09	-	522.70	-
Moderate	20.58	-	24.59	-
High	15.65	-	14.35	-
Very High	0.60	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	1,492.83	-	2,122.24	-

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

1.7.4. During the year ended March 31, 2019 and March 31, 2018, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.7.5 During the year ended March 31, 2019 and March 31, 2018 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.

1.8. Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	March 31, 2019	March 31, 2018
a) Penalty imposed on currency chests	0.28	0.42
Dates of Payment	Various dates	Various dates
b) Penalty imposed by RBI with regard to remittance of mutilated notes, forged notes and shortage in remittance	-	0.82
Date of Payment	-	February 12, 2018
c) Penalty imposed by RBI in connection with bouncing of SGL	-	3.50
Date of Payment	-	July 07, 2017
d) Penalty imposed on deficiency in regulatory compliances#	500.00	0.00
Date of Payment	October 15, 2018	-

#Penalty was imposed by RBI vide letter EFD. CO. SO. 287 / 02.02.003 / 2018-19 dated 25.09.2018.

2. Disclosure requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts'
2.1. Employee Benefits (AS 15)
a) Defined Contribution Plan
Provident Fund

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

The Bank recognized ₹ 0.48 Crore (Previous Year: ₹ 0.48 Crore) for provident fund contribution in the Profit and Loss Account.

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New Pension Scheme

As per the industry level settlement dated April 27, 2010, employees who joined the services of the Bank on or after April 01, 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 April 01, 2010.

The Bank recognized ₹ 30.22 Crore (Previous year: ₹ 25.34 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 lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

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 monthly pension is paid 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, 2019.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Projected benefit obligation, beginning of the year	311.55	260.48	899.64	737.39
Service Cost	17.09	88.51	131.58	164.62
Interest cost	22.99	19.33	63.99	51.07
Actuarial (gain)/ loss	9.53	(27.11)	40.37	108.36
Benefits paid	(31.97)	(29.66)	(152.19)	(161.80)
Projected benefit obligation, end of the year	329.19	311.55	983.39	899.64

ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Plan assets at beginning of the year at fair value	265.75	261.54	893.06	746.33
Expected return on plan assets	21.82	20.43	71.18	56.42
Actuarial gain/(loss)	1.83	(0.60)	0.52	3.33
Employer's Contributions	76.80	14.04	165.52	248.78
Benefits paid	(31.97)	(29.66)	(152.19)	(161.80)
Plan assets at end of the year, at fair value	334.23	265.75	978.09	893.06

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

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Fair value of plan assets at the end of the year	334.23	265.75	978.09	893.06
Present value of the defined benefit obligations at the end of the year	329.19	311.55	983.39	899.64
Liability/ (Asset) recognized in the Balance Sheet	(5.04)	45.80	5.30	6.58

iv) Gratuity / pension cost for the year ended March 31, 2019

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Service cost	17.09	88.51	131.58	164.62
Interest cost	22.99	19.33	63.99	51.08
Expected return on plan assets	(21.82)	(20.43)	(71.18)	(56.42)
Actuarial (gain)/loss	7.70	(26.50)	39.85	105.03
Employee Cost	25.96	60.91	164.24	264.31
Unamortised Gratuity expenditure of previous year expensed during current year#	53.58	-	-	-
Net cost Debit to Profit and Loss account	79.54	7.33	164.24	264.31
Amount not debited in profit and loss account, but carried over to be amortised#	-	53.58	-	-
Actual return on plan assets	23.65	19.83	71.70	59.75

- Ministry of Labour and Employment, Government of India on March 29, 2018 has enhanced the gratuity ceiling to an employee under Payment of Gratuity Act, 1972 to ₹ 20 Lakhs from earlier limit of ₹10 lakhs. This change has resulted to an incremental gratuity liability amounting to ₹71.43 Crore. As per the RBI circular DBR.BP.9730/21.04.018/2017-18 dated April 27, 2018 the bank has an option to spread the impact of change in gratuity ceiling over four quarters beginning with the quarter ended March 31, 2018. The bank had availed the option to spread the incremental gratuity expenditure over four quarters beginning with the quarter ended March 31, 2018. Accordingly, during the quarter ended March 31, 2018 the bank has charged to the profit and loss account an amount of ₹ 17.85 Crore and there was an unamortised gratuity expenditure of ₹53.58 Crore. However, during the quarter ended 30 June 2018, the bank has charged to the profit and loss account the entire unamortised gratuity expenditure of ₹53.58 Crore.

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Central and state Government bonds	-	-	-	-
Other debt securities	-	4.35	10.99	29.49
Balance in Saving bank account with the Bank	2.62	0.25	2.68	1.76
Net current assets	0.01	0.06	0.57	0.99
Balance with LIC#	331.60	261.09	963.85	860.82
Total	334.23	265.75	978.09	893.06

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.

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vi) Experience adjustments

i) Gratuity Plan

(₹ in Crore)

	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit Obligations	329.19	311.55	260.48	246.09	209.34	201.26
Plan Assets	334.23	265.75	261.54	225.66	223.52	230.83
Surplus/[Deficit]	5.04	(45.80)	1.06	(20.43)	14.18	29.57
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(6.56)	(7.08)	2.18	(46.00)	(6.31)	(5.74)
Experience Adjustments on Plan Assets [Gain / (Loss)]	0.77	1.97	(0.42)	(1.97)	1.19	1.76

ii) Pension Plan

(₹ in Crore)

	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Defined Benefit Obligations	983.39	899.64	737.38	637.50	587.48	531.78
Plan Assets	978.09	893.06	746.33	578.27	544.40	416.25
Surplus/ [Deficit]	(5.30)	(6.58)	8.95	(59.23)	(43.08)	(115.53)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(39.39)	(33.27)	93.67	(142.49)	(79.75)	(8.18)
Experience Adjustments on Plan Assets [Gain / (Loss)]	(3.14)	9.60	6.66	0.18	2.19	3.03

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Discount rate	7.78%	7.87%	7.77%	7.78%
Annuity rate per Rupee	-	-	134.98313	134.98313
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	8.21%	7.81%	7.97%	7.56%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
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 absences. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as

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the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹7.10 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. During the Previous year as sum of ₹15.17 Crore has been reversed to profit and loss account due to reduction of the liabilities.

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

(₹ in Crore)

	March 31, 2019	March 31, 2018
Privilege leave	149.47	142.10
Sick leave	13.36	17.82
Leave Travel Concession	18.76	14.28
Casual Leave	1.37	1.66
Total actuarial liability	182.96	175.86
Assumptions		
Discount rate	7.78%	7.87%
Salary escalation rate	5.00%	5.00%
Attrition Rate	2.00%	2.00%

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

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

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

2.2. Segment Reporting (AS 17)
A. Business Segments

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

Treasury

Treasury operations include trading and investments in Government 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 para banking 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 March 31, 2019:

(₹in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,547.61	5,073.76	4,883.42	265.26	12,770.05
Result (net of provisions)	410.85	259.69	1,201.86	66.90	1,939.30
Unallocated expense					(32.05)
Operating profit (PBT)					1,907.25
Income taxes					(663.36)
Extraordinary profit/loss					-
Net Profit					1,243.89
OTHER INFORMATION					
Segment Assets	35,752.97	58,169.60	56,680.73	11.38	150,614.68
Unallocated assets					8,725.31
Total assets					159,339.99
Segment liabilities	34,761.44	56,007.30	54,611.30	0.04	145,380.08
Unallocated liabilities					686.87
Total liabilities					146,066.95

As on March 31, 2018:

(₹in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,395.56	3,786.95	4,543.86	185.61	10,911.98
Result (net of provisions)	256.50	(137.97)	1,200.93	52.51	1,371.97
Unallocated expense					(28.11)
Operating profit (PBT)					1,343.86
Income taxes					465.01
Extraordinary profit/loss					-
Net Profit					878.85
OTHER INFORMATION					
Segment Assets	35,108.41	50,727.66	45,396.27	5.33	131,237.67
Unallocated assets					7,076.28
Total assets					138,313.95
Segment liabilities	33,485.14	48,492.17	43,415.85	0.01	125,393.17
Unallocated liabilities					710.55
Total liabilities					126,103.72

Geographical Segment Information

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

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

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2.3. Related Party Disclosures (AS 18)
a) Details of Related Parties:

Name of the Party	Nature of Relationship
FedBank Financial Services Limited	Subsidiary
Federal Operations and Services Limited (From October 26, 2018)	Subsidiary
IDBI Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited (From July 12, 2018)	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran, Executive Director (Upto February 15, 2019)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties
For the year ended March 31, 2019:

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Total
Deposits# (₹ in Crore)	75.42 (76.08)	22.34 (29.35)	0.29 (0.50)	98.05 (105.93)
Advances# (₹ in Crore)	677.58 (677.58)	-	0.54 (2.12)	678.12 (679.70)
Investments# (₹ in Crore)	195.00 (195.00)	227.54 (227.54)	-	422.54 (422.54)
Interest paid (₹ in Crore)	*	0.45	0.01	0.46
Interest received (₹ in Crore)	38.44	-	0.05	38.49
Income from Services Rendered to (₹ in Crore)	2.00	39.78	-	41.78
Expenses for Receiving services from (₹ in Crore)	19.32	-	-	19.32
Remuneration paid (₹ in Crore)	-	-	3.12	3.12
Dividend Paid (₹ in Crore)	-	-	0.86	0.86
Share capital received on exercise of ESOS (₹ in Crore)	-	-	17.56	17.56
No. of Options granted under ESOS (in numbers)	-	-	900,000	900,000
No. of Options outstanding under ESOS (in numbers)	-	-	3,189,430	3,189,430

- Represents outstanding as on March 31, 2019

* Denotes figures less than ₹1 Lakh.

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

For the year ended March 31, 2018:

Particulars	Key Management Personnel
	March 31, 2018
Remuneration paid (₹ in Crore)	3.61
Deposits# (₹ in Crore)	0.24
Advances# (₹ in Crore)	1.97
Interest received (₹ in Crore)	0.18
Interest paid (₹ in Crore)	0.05
Dividend Paid (₹ in Crore)	0.02
Share capital received on exercise of ESOS (₹ in Crore)	22.11
No. of Options granted under ESOS (in numbers)	1,900,000
No. of Options outstanding under ESOS (in numbers)	7,773,250

Represents outstanding as on March 31, 2018

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

2.4. Deferred Tax Assets / Liability (AS 22)

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

(₹ in Crore)

	March 31, 2019	March 31, 2018
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	186.66	-
(ii) Depreciation on Investments	48.72	67.32
(iii) Depreciation on Fixed assets	5.72	-
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	157.59	128.24
(v) Others	14.31	23.63
Total - (A)	413.00	219.19
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	22.14	55.55
(ii) Provision for Standard Assets	184.17	152.83
(iii) Depreciation on Fixed assets	-	1.07
(iv) Others	106.89	81.50
Total - (B)	313.20	290.95
Net Deferred tax liability/ (Asset) (A-B)	99.80	(71.76)

3. Additional Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

3.1 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

	Year ended March 31, 2019	Year ended March 31, 2018
i) Provision towards NPAs	630.55	752.68
ii) Provision for Depreciation in Value of Investments (Net)	102.93	167.43
iii) Provision for Non - Performing Investments	20.28	5.51
iv) Provision for Standard Assets	97.86	42.43
v) Provision for Taxation	663.36	465.01
vi) Provision towards other contingencies etc.	4.23	(20.88)
Total	1,519.21	1,412.18

3.2 Movement in floating provision is set out below:

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
a) Opening balance	12.75	12.75	69.18	69.18
b) Provision made during the year	-	-	-	-
c) Provision utilised during the year	-	-	-	-
d) Closing balance	12.75	12.75	69.18	69.18

3.3. Draw Down from Reserves

The Bank has not drawn down from any reserves during the year ended March 31, 2019 (Previous Year ₹ 23.57 crore was drawn down from investment reserve in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks').

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3.4. A) Disclosure of customer complaints

Particulars		ATMs Complaints relating to the Bank's customers (1)		Complaints relating to other than ATM transactions (2)		Total complaints (1)+(2)	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
(a)	No. of complaints pending at the beginning of the year	310 *	4	66	54	376*	58
(b)	No. of complaints received during the year	68,559	899	6,649	2,740	75,208	3,639
(c)	No. of complaints redressed during the year	67,572	898	6,658	2,728	74,230	3,626
(d)	No. of complaints pending at the end of the year	1,297	5	57	66	1354	71

* Until 31 March, 2018, only those grievances relating to ATM complaints which were escalated due to non-resolution and those received from Banking Ombudsman were included in the total complaints for a financial year. From FY 2019 onwards, all ATM grievances received at Bank's end have been reported.

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

B) Disclosure of Awards passed by the Banking Ombudsman

Particulars		March 31, 2019	March 31, 2018
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	1	Nil
(c)	No. of awards implemented during the year	Nil	Nil
(d)	No. of unimplemented awards at the end of the year	2@	1@

@ Appeals filed by Bank are still pending at Appellate authority/High court.

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

3.5. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended March 31, 2019 and March 31, 2018.

3.6 The Provision coverage ratio of the bank as on March 31, 2019, computed in terms of the RBI Guidelines was 67.16 % (Previous Year 64.50%).

3.7. Bancassurance Business

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income *	March 31, 2019	March 31, 2018
1	For selling life insurance policies	39.72	26.58
2	For selling non-life insurance policies	16.24	8.44
3	For selling mutual fund products	3.98	3.98
4	Others#	3.57	3.32

* - includes receipts on account of marketing activities undertaken on behalf of Bancassurance partners.

- includes income on DP/Trading/PIS

3.8 Concentration of Deposits, Advances, Exposures and NPAs
3.8.1 Information on Concentration of deposits:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total deposits of twenty largest depositors	5,268.91	4,840.90
Percentage of deposits of twenty largest depositors to total deposits of the bank	3.90%	4.32%

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

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3.8.2 Information on Concentration of advances:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total advances to twenty largest borrowers	13,331.28	12,396.68
Percentage of advances to twenty largest borrowers to total advances of the bank	9.83%	10.57%

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.

3.8.3 Information on Concentration of exposure:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total exposures to twenty largest borrowers/customers	14,189.96	12,958.30
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	10.04%	10.46%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 3.8.1 to 3.8.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

3.8.4 Information on Concentration of NPAs:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Total exposures to top four NPA accounts	411.96	460.75

3.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2019 and March 31, 2018 are given below:

(₹ in Crore)

Sl. No.	Sector*	March 31, 2019			March 31, 2018		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
A	Priority Sector						
1.	Agriculture and allied activities	13,704.56	678.15	4.95	11,608.59	420.52	3.62
2.	Advances to industries sector eligible as priority sector lending	5,737.95	322.43	5.62	5,472.76	314.68	5.75
	<i>Of which:</i>						
	<i>Infrastructure</i>	1,342.71	45.18	3.36	984.83	44.83	4.55
3.	Services	7,288.54	526.39	7.22	5,837.83	366.33	6.28
	<i>Of which:</i>						
	<i>Trade</i>	4,808.04	427.97	8.90	4,126.12	293.08	7.10
	<i>Commercial Real Estate</i>	355.30	5.06	1.42	171.87	-	-
	<i>NBFCs</i>	505.26	0.80	0.16	133.94	0.80	0.60
	<i>Other Services</i>	644.39	65.53	10.17	970.32	37.52	3.87
4.	Personal loans	-	-	-	-	-	-
5.	Others	4,151.34	247.06	5.95	3,663.98	244.40	6.67
	Sub-total (A)	30,882.39	1,774.03	5.74	26,583.16	1,345.93	5.06
B	Non-Priority Sector						
1.	Agriculture and allied activities	738.02	-	-	95.73	-	-
2.	Industry	19,070.98	893.97	4.69	14,128.17	954.01	6.75

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(₹ in Crore)

Sl. No.	Sector*	March 31, 2019			March 31, 2018		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
	<i>Of which :</i>						
	Infrastructure	7,089.20	499.01	7.04	4,892.46	619.90	12.67
3.	Services	31,392.43	224.95	0.72	29,255.31	216.57	0.74
	<i>Of which :</i>						
	Trade	3,883.87	105.15	2.71	4,216.79	56.66	1.34
	Commercial Real Estate	4,761.75	33.6	0.70	5,266.06	46.48	0.88
	Non-Banking Finance Companies	14,257.92	2.32	0.02	7,727.14	2.81	0.04
	Other services	8,274.95	74.13	0.90	10,857.71	100.79	0.93
4.	Personal loans	741.63	11.98	1.62	394.34	5.26	1.33
5.	Others	29,003.82	355.75	1.23	22,715.90	273.85	1.21
	Sub-total (B)	80,946.88	1,486.65	1.84	66,589.45	1,449.69	2.18
	Total (A+B)	111,829.27	3,260.68	2.92	93,172.60	2,795.62	3.00

*Classification into sectors/subsectors as above has been done based on Bank's internal norms, which has been relied upon by the auditors.

3.10 A) Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Gross NPAs as at the beginning of the year	2,795.62	1,727.05
Additions (Fresh NPAs) during the year#	1,667.98	2,200.67
Sub-total (A)	4,463.60	3,927.72
Less: Reduction#		
(i) Upgradations	464.57	407.96
(ii) Recoveries (excluding recoveries made from upgraded accounts)	385.73	285.71
(iii) Technical/ Prudential Write – offs	150.81	194.23
(iv) Write –offs other than those under (iii) above	35.50	17.37
(v) Reduction by Sale of Assets to ARCs	166.31	226.83
Sub-total (B)	1,202.92	1,132.10
Gross NPAs as at the end of the year* (A-B)	3,260.68	2,795.62

Aggregate of quarterly movement during the year

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 4,951.86 Crore (Previous Year ₹ 4,371.51 Crore)

B) Movement in technical/prudential written off accounts is set out below:

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance	1,575.89	1,716.18
Add: Technical write-offs during the year	150.81	194.23
Sub total (A)	1,726.70	1,910.41
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	35.27	79.72
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	0.25	42.99
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	-	211.81
Sub total (B)	35.52	334.52
Closing balance at the end of the year (A-B)	1,691.18	1,575.89

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3.11. Details of Overseas Assets, NPAs and Revenue

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Centre (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(s) as on March 31, 2019 and March 31, 2018. Details of Assets, NPAs and Revenue of IBU are given below: (₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Total Assets	2,499.72	2,796.11
Total NPAs	-	-
Total Revenue	115.27	79.46

3.12. 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 as at March 31, 2019 and March 31, 2018.

3.13 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 March 31, 2019, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. Dilip G Sadarangani
- Mr. Nilesh Shivji Vikamsey
- Ms. Grace Koshie

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. ED, CCO, CFO etc. 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 Bank.
- To ensure financial stability of the Bank; 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-Grander Compensation Package)
- Executives (On Grander Compensation 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 Bank.

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 Bank by an individual decision taken by a senior level executive, MD & CEO or ED, the bank has constituted various committees to take decisions on various aspects:

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

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, and profit earned, NPA position and other intangible factors like leadership and employee

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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 is fixed based on the periodic industry level settlements with Indian Banks Association. The compensation package applicable to Executives in Level 4 to 7 was fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance based compensation package called "Grander Compensation Package" has been introduced for Executives in Level 4 (Assistant Vice President) and above with effect from May 01, 2017

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, ESOS and variable PLI to decide the compensation of employees in all categories. The distribution of ESOS 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

		March 31, 2019	March 31, 2018
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	6 ₹540,000	6 ₹ 510,000
(b)	(i) Number of employees having a variable remuneration award during the financial year.	3	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
(c)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii) Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)	Fixed – 3.12 Variable – Nil	Fixed – 3.06 Variable – 0.55
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil

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3.14 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2019 and March 31, 2018.

3.15 Details of Intra-Group Exposure

(₹ in Crore)

Sl. No.	Particulars	March 31, 2019	March 31, 2018
1	Total amount of intra-group exposures*	705.17	768.74
2	Total amount of top-20 intra group exposures*	705.17	768.74
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.50%	0.621%
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.

3.16 Transfers to Depositor Education and Awareness (DEA) Fund

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

(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Opening balance of amounts transferred to DEA Fund	103.07	93.26
Add: Amounts transferred to DEA Fund during the year	13.56	12.33
Less: Amounts reimbursed by DEA Fund towards claims	2.08	2.52
Closing balance of amounts transferred to DEA Fund	114.56	103.07

3.17 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 ₹ 5.97 Crore (Previous year ₹ 5.26 Crore) as provision and ₹ 4.42 Crore (Previous year ₹ 4.39 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2019.

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3.18 Liquidity Coverage Ratio (LCR)
a) Quantitative Disclosure

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2019: (₹ in Crore)

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018		
	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	
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	21,563.71		19,933.03		17,619.80		15,557.37	
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	111,575.95	10,375.88	108,544.80	10,085.88	104,405.49	9,685.13	100,516.12	9,313.40
(i)	Stable deposits	15,634.39	781.72	15,372.12	768.61	15,108.34	755.42	14,764.24	738.21
(ii)	Less stable deposits	95,941.55	9,594.16	93,172.68	9,317.27	89,297.15	8,929.71	85,751.88	8,575.19
3	Unsecured wholesale funding, of which:	8,446.61	4,925.79	7,321.66	3,842.60	7,088.42	3,603.26	6,827.43	3,917.01
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	8,446.61	4,925.79	7,321.66	3,842.60	7,088.42	3,603.26	6,827.43	3,917.01
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	7.83	7.83	17.53	17.53	3.02	3.02	4.52	4.52
(i)	Outflows related to derivative exposures and other collateral requirements	7.83	7.83	17.53	17.53	3.02	3.02	4.52	4.52
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	20,179.39	1,968.52	19,441.07	1,953.23	18,449.07	1,904.60	17,883.84	1,821.54
7	Other contingent funding obligations	7,110.67	213.32	7,502.76	225.08	7,214.25	216.43	6,857.79	205.73
8	TOTAL CASH OUTFLOWS		17,491.34		16,124.32		15,412.44		15,262.20
Cash Inflows									
9	Secured lending (e.g. reverse repos)	152.78	-	385.11	-	738.01	-	744.41	-
10	Inflows from fully performing exposures	5,105.01	3,675.38	5,820.52	4,152.27	6,407.81	4,578.82	6,761.64	5,026.87
11	Other cash inflows	6.64	6.64	0.80	0.80	1.46	1.46	7.41	7.41
12	TOTAL CASH INFLOWS	5,264.42	3,682.02	6,206.43	4,153.07	7,147.28	4,580.28	7,513.45	5,034.28
13	TOTAL HQLA		21,563.71		19,933.03		17,619.80		15,557.37
14	TOTAL NET CASH OUTFLOWS		13,809.32		11,971.25		10,832.15		10,227.92
15	LIQUIDITY COVERAGE RATIO (%)		156.15%		166.51%		162.66%		152.11%

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The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2018
(₹ in Crore)

Particulars	Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September 30, 2017		Quarter ended June 30, 2017		
	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	
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		15,262.91		14,675.80		13,583.59		13,673.65
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	94,009.81	8,677.76	91,306.51	8,417.06	89,636.44	8,256.41	87,971.35	8,092.57
(i)	Stable deposits	14,464.36	723.22	14,271.70	713.58	14,144.73	707.24	14,091.30	704.57
(ii)	Less stable deposits	79,545.45	7,954.55	77,034.81	7,703.48	75,491.71	7,549.17	73,880.05	7,388.01
3	Unsecured wholesale funding, of which:	6,452.14	3,904.86	4,074.57	1,919.64	3,757.10	2,061.82	4,004.47	2,213.92
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	127.69	25.74
(ii)	Non-operational deposits (all counterparties)	6,452.14	3,904.86	4,074.57	1,919.64	3,757.10	2,061.82	3,876.79	2,188.18
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		-		-		-		-
5	Additional requirements, of which	1.00	1.00	0.50	0.50	0.25	0.25	10.07	10.07
(i)	Outflows related to derivative exposures and other collateral requirements	1.00	1.00	0.50	0.50	0.25	0.25	10.07	10.07
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	23,584.37	2,275.30	20,320.34	2,113.34	19,473.26	2,186.61	17,808.05	2,066.77
7	Other contingent funding obligations	6,790.06	203.70	6,771.47	203.14	6,662.19	199.87	6,714.47	201.43
8	TOTAL CASH OUTFLOWS		15,062.62		12,653.68		12,704.95		12,584.76
Cash Inflows									
9	Secured lending (e.g. reverse repos)	439.95	-	951.66	-	929.31	-	1,249.74	-
10	Inflows from fully performing exposures	5,542.09	4,290.16	4,775.59	3,782.02	4,405.49	3,237.15	3,708.96	2,791.60
11	Other cash inflows	4.81	4.81	10.31	10.31	12.35	12.35	15.22	15.22
12	TOTAL CASH INFLOWS	5,986.86	4,294.97	5,737.56	3,792.33	5,347.15	3,249.50	4,973.92	2,806.82
13	TOTAL HQLA		15,262.91		14,675.80		13,583.59		13,673.65
14	TOTAL NET CASH OUTFLOWS		10,767.64		8,861.35		9,455.46		9,777.94
15	LIQUIDITY COVERAGE RATIO (%)		141.75%		165.62%		143.66%		139.84%

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

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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. LCR is computed on a daily basis from January 1, 2017. Bank has computed the LCR of the IFSC banking Unit at GIFT City on a standalone basis as per the extant guidelines. 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. Bank has consistently maintained LCR above 100% during Fiscal 2019, as against the regulatory minimum of 90% (till December 2018)/ 100% (from January 2019).

On an average, 98% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (13% 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 provides 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 appraises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

3.19 Disclosure in respect of ILFS and ILFS entities.

Position as on March 31, 2019

(₹ in Crore)

Amount Outstanding (1)	Of (1), total amount of exposures which are NPA as per IRAC norms and not classified as NPA (2)	Provisions required to be made as per IRAC norms (3)	Provision actually held (4)
246.20	32.37	4.86	21.03*

* This comprises of provision @ 15% on exposure, which is NPA as per IRAC norms and not classified as NPA and provision @ 7.5% on exposure, which is standard as per IRAC norms. In respect of balance exposure, the Bank is receiving due payment from tolls and annuities from the operating assets through an escrow account. The amount of ₹ 21.03 Crore has been considered as provision for standard assets.

4. Other Disclosures

4.1. Earnings per Share ('EPS')

Particulars	March 31, 2019	March 31, 2018
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,980,208	1,902,184
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	1,992,628	1,926,275
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	6.28	4.62
Diluted earnings per share (in ₹)	6.24	4.56
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	12,438,883	8,788,458

4.2 A. Equity Issue

During the year ended March 31, 2019, the Bank has allotted 12,905,764 equity shares consequent to exercise of ESOS which resulted in an increase of ₹ 2.58 Crore in Share Capital and ₹ 52.79 Crore in Share premium account.

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During the year ended March 31, 2018, the Bank has issued 215,517,241 equity shares of ₹ 2 each for cash pursuant to a Qualified Institution Placement (QIP) as per the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations at ₹ 116.00 per share aggregating to ₹ 2,500.00 Crore (including share premium). This resulted in an increase of ₹ 43.10 Crore in Share Capital and ₹ 2,420.78 Crore (net of issue expenses) in Share premium account.

Further during the year ended March 31, 2018 the Bank had allotted 32,577,034 equity shares consequent to exercise of ESOS and 4,750 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹ 6.52 Crore in Share Capital and ₹ 129.03 Crore in Share premium account.

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) 29,273,675 underlying equity shares of ₹ 2/- each (Previous Year 32,925,590 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

- (i) Allotment of 6,530 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
- (ii) 262,100 shares of ₹ 2/- each (Previous year 262,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share
- (iii) 1,075,665 equity shares of ₹ 2/- each (Previous year 1,075,665 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

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

- a) 407,670 shares of ₹ 2/- each (Previous year 407,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- b) 613,505 bonus shares of ₹ 2/- each (Previous year 613,505 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):
(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	March 31, 2019	March 31, 2018
Outstanding at the beginning of the year	38,476,532	71,802,986
Surrendered during the year	-	-
Granted during the year	-	100,000
Exercised during the year	12,903,339	32,577,034
Forfeited/lapsed during the year	1,425,680	849,420
Outstanding at the end of the year	24,147,513	38,476,532
Options exercisable	23,640,013	35,889,722

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 May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the

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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.

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	March 31, 2019	March 31, 2018
Outstanding at the beginning of the year	15,770,539	-
Surrendered during the year	-	-
Granted during the year	37,231,307	22,318,348
Exercised during the year	2,425	-
Forfeited/lapsed during the year	2,663,140	6,547,809
Outstanding at the end of the year	50,336,281	15,770,539
Options exercisable	7,766,862	-

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

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.

iii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 70.36 Crore (Previous Year: ₹ 25.79 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 5.93 and ₹ 5.80 (Previous Year: ₹ 4.48 and ₹ 4.43) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 335.03 Crore from the Profit and loss account for the year ended March 31, 2019, also the same has not been shown as an Other Liabilities. (Schedule 5). However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of the capital adequacy ratios.

4.3. 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	March 31, 2019	March 31, 2018
Gross Block		
At the beginning of the year	205.50	174.01
Additions during the year	43.25	34.36
Deductions / Adjustments during the year	-	2.87
At the end of the year	248.75	205.50

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(₹ in Crore)

Particulars	March 31, 2019	March 31, 2018
Depreciation / Amortisation		
At the beginning of the year	153.37	120.27
Charge for the year	37.13	35.97
Deductions / Adjustments during the year	-	2.87
Depreciation to date	190.50	153.37
Net Block	58.25	52.13

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2019 and March 31, 2018.

4.4. Operating Leases:

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 154.67 Crore (Previous year: ₹ 143.17 Crore) was charged to Profit and loss account.

4.5 Provisions and Contingencies
a) Movement in provision for non-credit related* frauds included under other liabilities:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Opening balance at the beginning of the year	4.71	4.05
Additions during the year	0.31	1.97
Reductions during the year	0.56	1.31
Balance at the end of the year	4.46	4.71

* Provision for credit related frauds included in Provision for Bad and doubtful debts.

b) Movement in provision for debit card reward points:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Opening provision at the beginning of the year	4.60	4.08
Provision made during the year	15.61	10.25
Reductions during the year	15.02	9.73
Closing provision at the end of the year *	5.19	4.60

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilized towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	March 31, 2019	March 31, 2018
Opening provision at the beginning of the year	34.33	60.06
Provision made during the year	4.28	14.92
Reductions during the year	9.58	40.65
Closing provision at the end of the year	29.03	34.33

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4.6 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Provision for Income tax		
a) Current tax	687.64	461.03
b) Deferred tax	(24.28)	3.98
Total	663.36	465.01

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

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which the bank is contingently liable

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

(Refer schedule 12 for amounts relating to contingent liability.)

4.8 Provisioning Pertaining to Fraud Accounts

Particulars	March 31, 2019	March 31, 2018
No. of frauds reported during the year	96	44
Amount involved in fraud (₹ in crore)	175.60	5.34
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year (₹ in crore)	35.82	3.56
Provision made during the year (₹ in crore)	35.82	3.56
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ in crore)	-	-

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4.9 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, 2019 was ₹2,672.22 Crore (Previous Year: ₹ 1,444.50 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2019 was ₹ 973.73 Crore. (Previous Year: ₹ Nil).

4.10 Factoring Exposure

The factoring exposure of the Bank as on March 31, 2019 is ₹ 409.03 Crore (Previous Year: ₹ 805.63 Crore)

4.11 Priority Sector Lending Certificates (PSLC)

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold is given below:

(₹ in Crore)

Particulars	March 31, 2019		March 31, 2018	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-	-	-
PSLC – SF/MF	-	-	-	-
PSLC – Micro Enterprises	-	-	-	-
PSLC - General	3,750	-	-	-

4.12 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.

4.13 Corporate Social Responsibility (CSR)

(₹ in Crore)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Amount required to be spent	22.47	23.65
Amount spent during the year	17.04	14.02

The Bank has spent of 1.52 % of its average net profit for the last three financial years as part of its CSR activities for the year ended March 31, 2019. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilizing 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.

4.14 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.

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4.15 Small and Micro Industries

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

4.16 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 Senior Vice President	Girish Kumar Ganapathy Company Secretary	Ashutosh Khajuria Executive Director & CFO (DIN:05154975)	Shyam Srinivasan Managing Director & CEO (DIN:02274773)
		Dilip G Sadarangani Chairman (DIN:06610897)	
As per our report of even date		<u>Directors:</u>	
For B S R & Co. LLP Chartered Accountants Firm's Reg.No: 101248W/W-100022	For M. M. Nissim & Co. Chartered Accountants Firm's Registration No: 107122W	Nilesh S Vikamsey Grace Elizabeth Koshie Shubhalakshmi Panse C Balagopal A P Hota K Balakrishnan	(DIN : 00031213) (DIN : 06765216) (DIN : 02599310) (DIN : 00430938) (DIN : 02593219) (DIN : 00034031)
Akeel Master Partner Membership No.046768	Sanjay Khemani Partner Membership No. 044577		
Place: Mumbai Date : May 4, 2019			