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IFC Equity Investment in Federal Bank to Promote Green Recovery, Improve Access to Finance for Smaller Businesses

New Delhi, India, July 29, 2021—Increased financing for climate friendly projects as well as more financing for small businesses to help accelerate India’s economic recovery from COVID-19 are expected in the wake of a \$126 million (₹916 crore) equity investment in Federal Bank, one of the country’s leading private sector banks.

IFC, and two investment funds managed by IFC Asset Management Company, IFC Financial Institutions Growth Fund, LP and IFC Emerging Asia Fund, LP have made an equity investment for a 4.99 percent stake in Federal Bank Limited (FBL). The investment will also support FBL’s commitment to environmental, social and governance (ESG) standards, while strengthening its Tier 1 capital adequacy ratio (CAR) and expanding its micro, small and medium sized enterprises (MSME) and climate finance portfolios – key for growth opportunities as the country recovers from the pandemic.

Mr. Shyam Srinivasan, MD & CEO of Federal Bank said, “After the Bank’s board approved issuance of shares to the IFC group to an extent of 4.99 percent of the bank’s paid-up capital, IFC has become a significant shareholder of the bank. The addition of this marquee name to the list of our prominent shareholders reinforces the trust and confidence reposed by the IFC group on the bank and its management. The infusion of quality capital further strengthens Tier 1 and overall CAR of the bank.”

The equity investment is expected to see Federal Bank grow and strengthen its ESG portfolio, with increased green portfolio financing for projects including energy efficiency, renewable energy, climate smart agriculture, green buildings, and waste management.

India ranks third globally in terms of greenhouse-gas (GHG) emissions, with the country needing substantial investments to meet its goals under the Paris Agreement to reduce GHG emissions by 2030. IFC estimates a total climate-smart investment opportunity of \$3 trillion in India to the year 2030.

“This move is in line with IFC’s strategy to support green growth by spurring investments to build back better and greener, seizing the opportunities to help India meet its climate goals and build a greener, resilient future,” said **Roshika Singh, Acting Country Manager for IFC in India.** “The investment is also expected to create tens of thousands of jobs, with micro, small and medium sized enterprises gaining access to much needed financing, which will also help ensure an inclusive recovery.”

India’s MSMEs have faced increasing difficulty gaining access to the financing they need, even before the impacts of the pandemic. Critical for the country’s development, around 63 million MSMEs typically contribute nearly 30 percent to GDP, but about 11 million MSMEs remain fully or partially excluded from India’s formal financial system with an estimated financing gap of around \$400 billion. The COVID-19 pandemic has further squeezed the availability of funding for MSMEs.

In addition, the investment also marks IFC’s first in India aligned to the Greening Equity Approach, which will enable FBL—an IFC partner for over a decade—to reduce its exposure to coal and increase its climate lending.

With Federal Bank’s focus on ESG, IFC will also consult with the bank on developing a new Environmental and Social Management System (ESMS) that will be applied to its entire portfolio. To further strengthen FBL’s environmental and social sustainability (E&S) capacity, IFC will also implement an E&S technical advisory program.

Under the [World Bank Group \(WBG\) Climate Change Action Plan](#), IFC is putting climate action at the heart of its development work. IFC is working to align investments with the goals of the Paris Agreement, intensifying support to help clients decarbonize, and deploying standards and tools to catalyze private sector financing for climate

About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

About IFC Asset Management Company

IFC Asset Management Company (AMC), a division of IFC, mobilizes and manages capital to invest in businesses in developing and frontier markets. Created in 2009, AMC provides leading institutional investors with unique access to IFC's emerging markets investment pipeline and investment expertise, while providing positive development impact in the countries in which it invests. Investors in AMC managed funds include sovereign wealth funds, pension funds, and development-finance institutions. It has raised over \$10 billion across 13 investment funds covering equity, debt, and fund of-funds products. For more information, visit www.ifcamc.org

About the IFC Emerging Asia Fund

The \$693 million IFC Emerging Asia Fund, launched in 2016, makes equity and equity-like investments across all sectors in emerging markets in Asia.

About the IFC Financial Institutions Growth Fund

The \$505 million IFC Financial Institutions Growth Fund, launched in 2015, makes equity and equity-like investments in financial services sector in emerging markets globally.

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About Federal Bank Limited

Federal Bank (NSE: FEDERALBNK) is a leading Indian private sector bank with a network of 1,289 banking outlets and 1,957 ATMs/Recyclers spread across the country. The Bank's total business mix (deposits + advances) stood at ₹ 3.05 Lakh Crore as on March 31, 2021. Capital Adequacy Ratio (CRAR) of the Bank, computed as per Basel III guidelines, stood at 14.62% as on 31st March 2021. Federal Bank has its Representative Offices at Dubai and Abu Dhabi that serve as a nerve center for Non Resident Indian customers in the UAE. The Bank also has an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City). Federal Bank is transforming itself, keeping its principles intact, into an organization that offers services beyond par. It has a well-defined vision for the future as a guidepost to its progress.

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