

# Message from the MD & CEO



Dear Shareholders,

As I sit down to write this letter, my last one as the MD of this fantastic franchise, I am filled with both gratitude and pride. I can't help but cast my mind back to my first letter, fourteen years ago. In that note, I had promised - "As I settle into my role, I am confident that our cherished dream of making our bank, one that delivers quality and consistency in results, exceeds customer expectations, rewards stakeholders profusely, and makes its competitors feel that here is a bank worth reckoning will be a reality not far from now."

Today, I am reasonably reassured that we have worked very hard as a team to remain true to that statement. The Bank has consistently delivered record profits. We have built a strong edifice poised to further accelerate and become the **Most Admired Bank (MAB)**. Many have often asked me what Most Admired Bank means and how it is measured?



To my mind, **MAB** is always about the pursuit of excellence. And we all know that in the race to excellence, there is no finish line—there are only milestones. We have certainly accomplished several significant milestones over the years. Business and profit have grown well over seven times in the last fourteen years, ensuring that we have constantly gained market share across India. We have stayed true to our purpose, dominating our home market and increasing our prominence across the country. The theme of this year's Annual Report, **R.E.A.C.H**, sets the tone for how we will scale up and ensure that we become a household name across India.

This, I believe is well within our grasp."

## TRANSFORMATIVE DECADE

In a recent report by a multinational brokerage, our Bank was called out as a "decadal opportunity." Inspired by this, let me do some future gazing about the country, the industry, and the Bank.

Over the next decade, India is projected to become a ten trillion dollar-plus economy with a per capita income of around US\$ 6,000, driven by a high GDP growth rate. Positive economic sentiment is reflected in stock market highs, record demat account openings, and strong retail investor participation. Sound macroeconomic fundamentals have ensured that the Indian Rupee was among the best performing currencies among Asian peers thereby attracting foreign investment.

Digital public infrastructure has enabled financial inclusion through platforms like Aadhaar, UPI, and Digi Locker. Government investments in physical and digital infrastructure, along with "Make in India" and Production Linked Incentives, are transforming India into a global manufacturing hub. Reforms like the Insolvency and Bankruptcy Code and Banking Regulation Act amendments have strengthened the Banking sector.

Looking ahead, India's financial sector is set to transform further with artificial intelligence, machine learning, and decentralised finance. This will contribute to a competitive Banking sector, universal access to financial services, and efficient capital markets. The Banking sector stands at the forefront of catalysing economic growth, ensuring financial stability, and promoting inclusive development.

Federal Bank's **R.E.A.C.H** strategy capitalises on India's burgeoning economy, marked by increased income, infrastructural growth, rapid urbanisation, and evolving

Banking practices. This forward-thinking approach involves expanding the Bank's services and presence both digitally and physically. In the last fiscal year, our network flourished with 141 new banking outlets augmenting our digital framework to establish a pan-India presence. The strategy aligns with the '**More Federal per Federal**' initiative, aiming to increase efficiency and extend reach, with the ultimate goal of competing with top private sector Banks. It also supports a robust retail franchise by offering innovative products and comprehensive Banking solutions. As India progresses towards a developed nation, Federal Bank's growth is intertwined with the country's advancement, striving to be the most admired Bank and positively impacting society.

## HUMAN AT THE CORE

Humanity and sustainability are central to our corporate ethos, as being admired goes beyond numbers. Our flagship Sanjeevani campaign has supported nearly 3000 cancer patients, demonstrating our commitment to health and well-being. We have empowered communities by supporting women's self-employment in Shillong, conducting education-based empowerment programmes in Chitradurga, and offering training for women in Ranchi. The Clean Mookkannur project is an ambitious initiative aimed at transforming the village into a model of sustainability. The project's goals include full digitisation, promoting green practices, utilising renewable energy, and implementing effective waste management. The vision is to elevate Mookkannur to the esteemed status of Indore, renowned for its cleanliness and sustainable living standards.

We support municipalities with solar streetlights, organic farming, and solid waste management. Our Grow Green Project yielded over 15,000 kgs of vegetables across Kerala. Our efforts in digitisation include providing support in the form of e-rent collection platforms for enhancing administrative efficiency of municipalities. We help build sporting infrastructure and support football clubs like Kochi City FC and Sree Gokulam FC, promoting health and sports in the community.

Through all these Federal Bank has consistently showcased its commitment to societal growth and financial stability. Our comprehensive projects and initiatives are a testament to our dedication to enriching the communities we serve. This steadfast commitment has garnered recognition from esteemed institutions like World Bank, culminating in a significant investment by IFC, making it one of our largest Shareholders.



Embodying our **C.A.R.E.S'** framework\*, we relentlessly pursue operational excellence, underpinned by robust governance and risk management practices. Sustainability is woven into the fabric of our operations, a commitment we proudly articulate through our adherence to both national and international sustainability frameworks. Our progress is a narrative of continuous improvement and transparent communication of our sustainability milestones. Our integrated reporting aligns with the International Integrated Reporting Council's framework, combining financial and non-financial reporting."

As we forge ahead with our sustainability journey, we are guided by the ethos of '**Digital at the Fore, Human at the Core.**' This principle ensures that our digital strides are complemented by a human touch, reflecting our belief that technology should enhance, not replace, the human element in Banking. Our initiatives have yielded measurable impacts, from community development projects that uplift local economies to environmental efforts that significantly reduce our carbon footprint. Moreover, our digital Banking advancements have tangibly improved customer experiences, reinforcing our position as a Bank that truly cares. This commitment has earned us significant recognition, including being named 'ESG Champions of India 2024' at the Dun & Bradstreet ESG Leadership Summit, receiving the 'Amity Banking Excellence for Sustainable Banking' award, and being recognised by IFC among the top financial institutions for climate reporting in 2023.

## ASSET QUALITY AND FINANCIAL PERFORMANCE

Federal Bank has demonstrated a remarkable performance in the last fiscal year, showcasing robust business growth and exceptional asset quality. The Bank's GNPA and NNPA have been maintained at commendable levels. Over the past four quarters, the GNPA has not exceeded 2.38%, and the NNPA has remained below 0.69%. The Provision Coverage Ratio (PCR) has been increased to 71%, reflecting the Bank's strong risk management and credit underwriting standards.

The ROA for the fiscal year was a solid 1.32%, indicating efficient asset utilisation and profitability. The Annual Profit reached ₹ 3,721 crore, with a notable increase in the share of high-yielding retail advances to 24.6% from 21.8% (Y-o-Y),

\*C.A.R.E.S- Value System of the Bank  
C- Commitment to Excellence | A-Agility | R- Relationship Orientation | E- Ethics | S- Sustainability

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aligning with the strategic focus on profitable growth segments.

The Net Worth of Federal Bank as of March 31, 2024, is ₹ 29,089 crore, up significantly from ₹ 21,419 crore on March 31, 2023.

The Bank's consistent growth trajectory is bolstered by its refined credit underwriting expertise, which, coupled with benign asset quality and robust business expansion, has laid the foundation for sustained growth across various market cycles. These financial metrics not only demonstrate Federal Bank's strong performance but also our commitment to delivering value to our Stakeholders while maintaining a prudent approach to growth and risk management. Our focus on being an NPS (Nimble, Passionate, and Sharp) Bank continues to drive our success, ensuring we remain at the forefront of India's Banking sector.

### **NIMBLE. PASSIONATE. SHARP**

Federal Bank has always been committed to achieving measurable outcomes, with our processes meticulously crafted to reflect this principle. The Net Promoter Score (NPS) stands as one of the most telling indicators of our brand's performance, and we accord it the importance it deserves. Our senior leadership's KRAs are intricately designed to secure a commendable NPS for the Bank. When we speak of NPS, it resonates with our aspiration to be a Bank that is nimble in action, passionate in pursuit of our vision, and sharp in ensuring operational excellence. These attributes are not just buzzwords but are the very essence of our ethos, propelling us to consistently exceed benchmarks and solidify our status as a customer-centric Bank.

### **KICKSTARTING THE AI AGE**

Our Bank is pioneering the integration of artificial intelligence in Banking, setting benchmarks

with its innovative use of AI and other new-age technologies to advance penetration, protection, productivity, and performance. This transformative approach heralds an era of heightened efficiency and a deepened commitment to customer centricity. We harness the power of AI, Machine Learning, and Blockchain to provide real-time personalised services, enhance customer engagement, and extend our market reach. Our Anti-Money Laundering defences are fortified with AI and robotic process automation, keeping pace with the evolving nature of financial crimes.

A prime example of our AI application is the vigilant inspection of offsite ATMs. An AI engine continuously analyses CCTV footage against a set of prime conditions, promptly notifying our team of any anomalies, thereby maintaining the security and functionality of our ATM network.

In our talent acquisition, AI has been instrumental in ensuring a thorough and unbiased evaluation of candidates, while Augmented Reality and Virtual Reality technologies have revolutionised employee training, enhanced learning outcomes and productivity.

Moreover, our Federal Hive division exemplifies our proactive stance in reputation management. This AI-driven system meticulously monitors social media for mentions of the Bank, with any detected negative sentiment triggering an immediate response from our team to address and resolve the issue.

Federal Bank's embrace of AI and other cutting-edge technologies underscore our commitment to innovation, security, and customer satisfaction, positioning us as a leader in the Banking industry and a champion of the digital age. A staggering 94% of our transactions are now conducted digitally,

supported by a network of 400+ APIs. Our unique QR codes have revolutionised payments for over 5.1 Million merchants. Feddy, our AI chatbot, has significantly enhanced operational efficiency by adeptly handling over 1.2 Million queries across various platforms. Our portfolio boasts pioneering products like UPI for NRIs, e-BG, sound box, career book, collect pro, and the soon-to-be-launched Smile Pay™, which utilises facial recognition for payment processing, possibly the first product of its kind.



**We executed the first digital cross-border trade transaction through blockchain and have partnered with various fintech platforms for digital loans and credit cards. By simplifying processes and leveraging technology, such as credit card applications through WhatsApp, enabling fund transfers, mobile recharges, and cheque requests through conversational Banking with our AI bot Feddy, we have redefined Banking convenience. Our 'Bus as a Platform' initiative and the CBDC scan and pay functionality, which works in sync with UPI, are testaments to our innovative spirit and digital prowess. While Federal Bank is one of the oldest financial institutions in the country, we are also a "Young Bank," thanks to our technology and the forward-thinking mindset that is inculcated in our employees."**

### **YOUTH THAT BANKS ON US**

Over the past decade, the average age of India has risen, yet the average age at Federal Bank has decreased to the mid-30s from the mid-40s, reflecting our youthful vigour not only in age but also in mindset. Our employees embody the spirit of 'nayi soch' - a philosophy that encourages thinking differently and devising unique solutions. This youthful dynamism translates into an enhanced ability to connect with the aspirations of India's youth,

leading to the creation of innovative products like Stellar and Eve plus, designed by and for the young India, addressing their specific needs.

While the Banking industry is facing high attrition challenges, Federal Bank has maintained a remarkable sub 4% attrition rate within our system. This low attrition rate, along with our recognition by the Great Place to Work® Institute as one of the Best Workplaces for Women™ and Millennials™ in 2023, underscores our commitment to nurturing a young and dynamic workforce. Our workforce is not only young in age but also in diversity, with 42% being women, many of whom are in leadership positions. This dedication to gender diversity and empowering female leadership ensures an inclusive and supportive environment for all our employees. As the average age of the Bank decreases, the institution is becoming increasingly mature and it is essential that I reflect on the past, which has paved way for the Bank as it exists today.

### **ODE TO THE PAST**

Reflecting on our storied past, Federal Bank's journey is a testament to strategic foresight and steadfast dedication. Our evolution from a regional entity to a national Banking powerhouse is marked by pivotal milestones and deliberate choices. The establishment of a comprehensive business architecture and the redefinition of business verticals have been instrumental in adopting a hybrid distribution framework, fortifying credit underwriting, and ensuring robust risk management.

The inception of the "Digital Centre of Excellence" in 2015 catalysed the creation of groundbreaking products like FedBook, Lotza, and BYOM, which have significantly enhanced customer experience and operational efficiency. Our dedicated

verticals for credit, market, and operational risks, supported by a robust credit management framework, have guaranteed sustainable growth and the trust of our stakeholders. The elevation of our compliance department has ingrained a culture of regulatory adherence, while detailed analysis and real-time monitoring have bolstered operational and market risk management. Our approach to credit underwriting and monitoring has matured with a centralised methodology and specialised hubs, leveraging advanced models and digital underwriting.

Our internal audit and governance have transitioned to risk-based audits with standardised and automated processes. Our significant focus on digital Banking and innovation in products and services has revolutionised customer experiences. Our strategy is reinforced by our subsidiaries and associates, including Federal Operations and Services Limited, FedBank Financial Services Limited, Ageas Federal Life Insurance Company Limited, and Equirus Capital Private Limited, laying a solid foundation for continued growth and capability building.

### **UMBRELLA OF TRUST AND SUPPORT**

Under the umbrella of trust and support offered by our esteemed Board Members, my past fourteen years at Federal Bank have been a journey marked by growth, challenges, and triumphs, for which I am immensely grateful. I am optimistic about Federal Bank's future under the Board's capable guidance. To our shareholders, whose faith in our vision has been crucial, your support has uplifted our pursuits and elevated us to new heights. To our valued customers, whose trust and patronage motivate our pursuit of excellence, you are the core of our endeavours. Our

partners, essential to our journey, have provided the necessary tools and support to excel in our services.



**My deepest gratitude goes out to our senior management team, whose collaborative and engaged leadership has been instrumental in charting the course for Federal Bank's future. To our devoted employees, your dedication and tireless efforts are the bedrock of our success. You are the true architects of our Bank's achievements, and without your contributions, none of our progress would have been possible. You have been the pillar of support that I have relied upon for the past 14 years. Thank you!"**

I am pleased to welcome Mr. Krishnan Venkat Subramanian, who will take over as the MD&CEO in September, when I complete my term. Mr Manian, a very accomplished and seasoned Banker, I am sure will build on this strong platform and take Federal Bank to newer heights in the years ahead, I wish you all the best.

As I sign off after fourteen years, I am proud of the legacy we have built together—a legacy of resilience, innovation, and commitment to our customers and the community. I am confident I leave behind a Bank that is not only financially robust but also rich in values and ethos.

### **THANK YOU**

all for allowing me to be part of this incredible journey.

Keep soaring, keep shining, and may the force be with you!

Regards,

**Shyam Srinivasan**  
Managing Director &  
Chief Executive Officer