

## Message from the Chairman



# A Brighter Future in Banking

## Dear Stakeholders,

**It is my privilege to present to you the Federal Bank Annual Report FY 2023-24, which marks our first integrated report.**

Reflecting on the past year, the Indian economy achieved robust growth in FY 2023-24, expanding by 8.2%, surpassing the previous year's 7% growth. This remarkable performance showcases a strong post-pandemic recovery and resilience. Consumer expenditure also grew notably, fueled by an increasing number of middle-to-high-income households. This has led to heightened demand for luxury goods and services, a relatively new phenomenon in India. Our per capita income saw a significant increase, reflecting the nation's economic vitality. Although the closing quarter showed a moderate slowdown with GDP growth at 7.8%, the overall trajectory remains robust and promising. Agricultural performance is expected to flourish due to favorable monsoons, contributing positively to the economic outlook. The fiscal deficit was effectively managed, coming in lower than projected at 5.6% of GDP, supported by higher-than-expected net tax receipts and continued record infrastructure spending. This prudent fiscal management underscores the government's commitment to economic stability and growth. Considering all these factors, I believe the Indian economy is set to expand and soar, poised for continued success and prosperity.

## EXPANDING R.E.A.C.H

Mirroring India's growth, our ambitions swell, and this year's Annual Report is a testament to our drive for expansion and scale. With the fiscal year's addition of 141 new banking outlets, our network has grown to a robust 1,504 banking outlets across the nation, a testament to our journey toward becoming the most admired Bank. Our reachability, bolstered by significant branch expansion and technological advancements, has made Federal Bank's presence more accessible and widespread than ever before. By expanding our reach, we have brought Federal Bank closer to our customers, enhancing accessibility and ensuring our services are within easy reach for all.

# 1,504

**Robust Banking Outlets across Nation**

## PERFORMANCE HIGHLIGHTS FOR FY24

Federal Bank's commitment to expanding its reach and enhancing its services is evident in its performance over the past fiscal year. The Bank has achieved significant milestones across various financial metrics. Our total business grew substantially, reaching ₹ 461,937 Crore, with net profit soaring to the highest-ever at ₹ 3,721 Crore, marking a growth of 23.58%. The operating profit stood at ₹ 5,174 Crore, and we maintained robust asset quality with GNPA and NNPA at 2.13% and 0.60%, respectively. Total deposits and net advances saw impressive increases of 18.35% and 20.04%, respectively. Our net interest income reached a new high of ₹ 8,293 Crore, growing by 14.68%. These achievements underscore Federal Bank's strong operational efficiency and strategic initiatives that have propelled its growth trajectory.

## OUR RISHTA WITH TECHNOLOGY

We are in an era of rapid growth and expansion, with technology, particularly artificial intelligence, playing an increasingly crucial role. FY 2023-24 was a landmark year, witnessing the transformative power of AI. Once confined to science fiction, AI has now become an integral part of everyday life, from writing articles and summarising notes to creating artworks and more. At Federal Bank, we have always believed in the power of technology to transform lives. We have been actively researching and exploring ways to harness AI's potential to better serve our customers. With this in mind, Federal Bank has implemented technology and AI in multiple ways to enhance and customise customer interactions, providing an experience that goes beyond traditional norms.



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## ADVANCEMENTS IN AI

Our AI-powered chatbot, 'Feddy,' provides 24/7 resolutions for queries that require immediate solutions and has handled around 73% of queries, freeing up manpower for more complex tasks. When additional support is needed, Feddy swiftly connects customers to Bank's agents, ensuring a pleasant experience. We have also recognised the need to provide customised product and service offerings, as every customer's requirements are unique. Sophisticated algorithms evaluate customers' creditworthiness, allowing us to present tailored loan offerings. Transitioning between various pages of our website, opening accounts or fixed deposits, and obtaining credit cards can be done with just a few clicks. AI interfaces have enhanced the overall experience for customers, making our website easy to navigate and enabling seamless transactions online or via our mobile application. This has undoubtedly improved the banking experience for our customers.

Through constant innovation and conscious design, the digital share of the Bank has crossed the landmark figure of 94%. We have also launched the Central Bank Digital Currency app after RBI empanelled our Bank to be part of the Digital Rupee Framework. Many experiments are being conducted across the Bank to understand the best way to move forward with AI and other new-age technologies, leading India to Amrit Kaal and Federal Bank to be the Most Admired Bank in India.

# 94%+

**Share of Digital Transactions**

## Message from the Chairman



**We follow ESG policies and with IFC support, have targets to increase sustainable lending. By incorporating ESG in letter and spirit, the Bank has been striving to construct more green buildings, use solar for power generation, and recycle wastewater. When we say ESG focus, it is not just the 'E' that is highlighted; the Social and Governance aspects are given equal importance."**

### COMMITMENT TO ESG

India's growth story is closely watched by the entire world. Federal Bank, mirroring India's growth, is equally responsible for representing India by adopting the best global practices that benefit the institution, stakeholders, and the environment. With this guiding principle, Federal Bank has made concerted strides in becoming an ESG-compliant institution. Our efforts have been recognised through many awards, and it is a matter of pride that the World Bank has also taken notice and invested significantly in us. By focusing on the development of not just financial capital but also human capital, social capital, intellectual capital, and natural capital, we strive to take small steps for each individual but giant leaps for the institution. We follow ESG policies and with IFC support, have targets to increase sustainable lending. By incorporating ESG in letter and spirit, the Bank has been striving to construct more green buildings, use solar for power generation, and recycle wastewater. When we say ESG focus, it is not just the 'E' that is highlighted; the Social and Governance aspects are given equal importance.

Recently, on Women's Day, we proudly announced through a national daily ad, that 42.28% of the Federal Workforce is women. This ever-increasing workforce ensures that gender diversity becomes an ingrained value in the institution. Our commitment to governance standards has been a cornerstone of our operations. The priority of protecting depositors' money and ensuring a robust financial sector for the country is continuously emphasised by regulators. Governance and stability are top priorities for the Board, underpinning our objective of growing within the guardrails of risk and compliance. The Board has focused on ensuring competency and independence to contribute objectively and responsibly towards the Bank's progress. Quality discussions, information sharing at the Board level, and transparency in the Bank's disclosures remain a priority. With a commitment to the highest levels of corporate governance, the Board continuously strengthens various policies and frameworks, maintaining oversight over risk management, audit, and compliance through various Committees. The Board ensures that the assurance functions have adequate independence and stature to establish values and culture integral to sustainable banking.

### EMPOWERING COMMUNITIES

Through concerted CSR efforts, the institution has been able to give back to society with various initiatives such as Skill Academies, which have been churning out an employable workforce across geographies, and Sanjeevani, a cancer screening awareness and patient support programme, among many others. The Bank has also done significant work in the field of sustainability through the clean Mookkannur project. This initiative aims to transform the village into a model of sustainability, aligning with the UNSDG for Sustainable Cities and Communities. The comprehensive

plan involves Waste Management, Tree Plantation, and Community Development, alongside promoting Renewable Energy, to foster a clean and green village environment.

### IGNITED MINDS

The year 2024 is significant globally, with at least 64 countries engaging in electoral processes, which will undoubtedly have economic implications worldwide. Our nation recently concluded its democratic exercise, maintaining its position as a magnet for global investments. In my message last year, I spoke of the 'Ignited India' story. Today, that fire burns even brighter, fueled by the collective efforts of our dedicated team.

I take this opportunity to express my deepest gratitude to our MD & CEO, Mr. Shyam Srinivasan, for steering Federal Bank's remarkable journey over the past 14 years. Shyam's dedication, perseverance, and innovative thinking have been the catalysts in transforming the Bank into one of the country's premier financial institutions. On behalf of everyone at the Bank, I extend our heartfelt thanks to Shyam for establishing Federal on foundations of strength and transparency. His visionary leadership has united a diverse and motivated team and developed a cutting-edge, innovative infrastructure that stands as a testament to his exceptional guidance.

I am also pleased to congratulate Mr. KVS Manian, who has been appointed as the new MD & CEO of Federal Bank. I am confident that under Mr. Manian's capable leadership, the Bank will reach new heights of success and continue its legacy of excellence.

A special thank you to my fellow Board Members, whose unparalleled expertise and diverse perspectives have elevated the Bank to new heights. Our senior leadership is second to none, guiding every member of the Federal family by exemplifying the highest standards of excellence. I would like to congratulate our MD & CEO Shyam Srinivasan for 14 years of dedicated pursuit of perfection.

I extend my heartfelt gratitude to all the 'ignited minds' that guide our Bank. Their relentless pursuit



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of excellence continues to set higher benchmarks, propelling us closer to our goal of becoming the Most Admired Bank. Reflecting once more on my message from last year, I emphasised the power of leveraging the 4 Ds - Data, Digitalisation, Distribution, and Depth of Relationship. I firmly believe that the culmination of these efforts is another D - Development. This development encompasses all our stakeholders, including the nation. As we strive towards becoming the Most Admired Bank, we significantly contribute to the broader 'India Story.'

On behalf of the entire Board, I extend our sincere thanks to all stakeholders for your continued support. We hope that you will continue to stand by us with the same level of commitment in the years to come. Together, let us make the vision of becoming the Most Admired Bank a reality.

With best wishes,

**A P Hota**  
Chairman