

Secretarial Department

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

SEC/ /2017-18

08.05.2017

**Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Floor 25, Dalal Street,
MUMBAI – 400 001.**

Dear Sir,

Presentation to Investors/ Analysts

As required under the SEBI (Listing Obligations and Disclosure Requirements) 2015 and other applicable regulations of SEBI, if any, we wish to inform you that an Investor Non Deal Roadshow Presentation is attached herewith and the same will be simultaneously uploaded on the Bank's website also.

Regards,


**Girish Kumar G
Company Secretary**





FEDERAL BANK

YOUR PERFECT BANKING PARTNER

Investor Presentation



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Key Focus Areas

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Performance Snapshot

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#1 Well defined business architecture to tap opportunities across the full product spectrum

#2 Relationship model overlay on distribution spanning chosen geographies across India

#3 Inherent strength in serving mid market clients and geographies

#4 Retail oriented and granular liability franchise a core strength and key differentiator

#5 Preferred bank to NR client base uniquely positions the bank. Presence in Abu Dhabi and Dubai

#6 Robust credit underwriting architecture and delivery with sound risk management practices

#7 Digital at the fore and human at the core

#8 Well capitalized and diversified ownership

#9 Experienced, confident and committed management team focused on delivery



FEDERAL BANK - OVERVIEW



Customer

- ◆ Digitally enabled bank focused on small, medium, mid market and local geography enterprises
- ◆ Strong customer base of non residents for liability profile and remittances



Geography & Distribution

- ◆ Pan India network with focus on expansion in markets by leveraging core strengths
- ◆ Wholly owned subsidiary for marketing of retail assets products of the bank
- ◆ Banking gateway set up for non residents in UAE



Products

- ◆ Relevant market offerings – Full Service Bank
- ◆ Contemporary products for all Segments
- ◆ Diversified product mix focused towards retail



Asset Quality

- ◆ Consistent improvements in asset quality with lower GNPA vis-à-vis Scheduled Commercial Banks
- ◆ Minimal exposure to stressed sectors
- ◆ Strong client selection criteria backed by relationship reach out model



Digital Focus

- ◆ Guiding philosophy of 'Digital at the fore, Human at the Core'
- ◆ Enhancing customer experience through Digital adoption
- ◆ Superior digital offerings



Management & Employees

- ◆ Committed management driving strategy and delivering consistent performance
- ◆ Rich and diverse experience of top management
- ◆ Talented and culturally diversified workforce; Young work force of average age <37 years



Partnership & Alliances

- ◆ Wholly owned NBFC subsidiary
- ◆ Strong Third Party distribution tie-ups
- ◆ 26% stake in IDBI Federal Life Insurance Co Ltd



Strong, sustainable and high quality growth in advances with low risk

- ◆ Well diversified business mix
- ◆ Scaling up with technology through operational integration
- ◆ Pursuing inorganic loan growth opportunities
- ◆ Propelling growth through redefined business vertical architecture and sharpen market focus
- ◆ Robust credit delivery and management with the already built set up of regional credit underwriting hubs
- ◆ Building robust asset quality and turbocharging recovery mechanisms

Gain market share in Rest of India with continued focus on home market

- ◆ Focus and leverage on strength created through home market
- ◆ Concentrate on expansion into similar geographies : Maharashtra, Gujarat, NCR, Tamil Nadu, Punjab and Karnataka
- ◆ Growth in both asset and liability side product offerings with balance across urban and rural areas
- ◆ Tapping various retail channels like in house sales channel, tie ups for allied products, digital offerings, strategic partnerships and alliances, telepresence, among others

Transformation through technology with continuous investments in digital / technology

- ◆ Belief in digitally influencing life of customers with a guiding philosophy of 'Digital at Fore, Human at Core'
- ◆ Adoption of high technological platform to drive revenue as well as improve customer engagement
- ◆ Creation of more innovative products with the successful launch and operations of Selfie (instant account opening), Lotza (UPI App), online personal loans, etc.
- ◆ Blending data insights through customer analytics and behavioural patterns

Continue to strengthen liability profile

- ◆ Continue to build strong liabilities profile with granular deposit portfolio
- ◆ Focus on maintaining stable and growing CASA by strategically focusing on high savings bank balance accounts
- ◆ Ensure stickiness of NR deposits with continuous remittance offerings
- ◆ Continue to provide cushion against high funding costs with consistent increase in NRI deposits

Delight stakeholders with quality and build pride

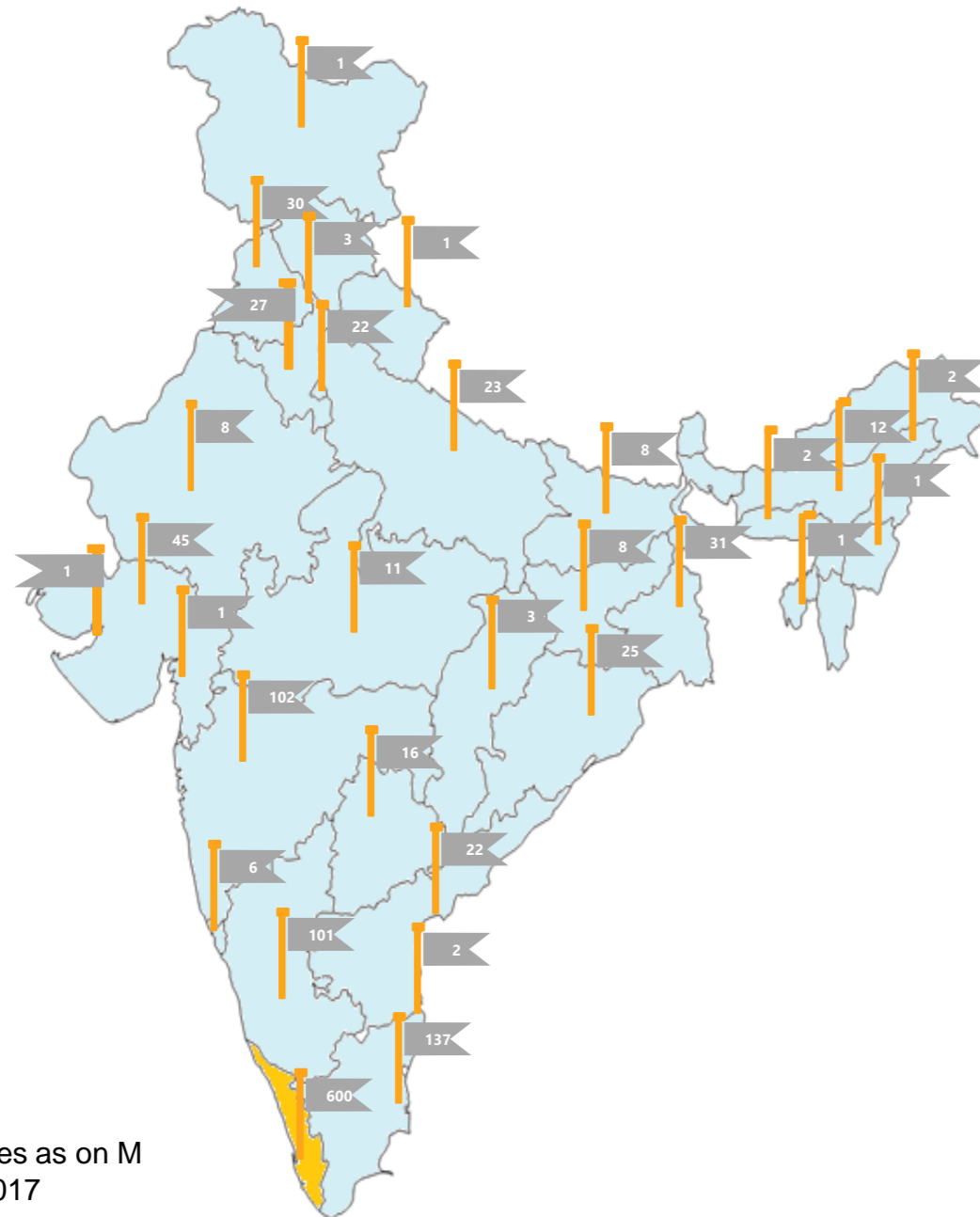
- ◆ Devote balanced attention to the interests and expectations of stakeholders
- ◆ Focus on Shareholder value creation
- ◆ Build finesse in employees leading to high degree of pride and loyalty in serving the bank
- ◆ Meet and exceed customer expectations with appropriate products, leveraging branch infra, capitalising on multiple avenues of distribution
- ◆ Maintain robust standard of corporate governance
- ◆ Ensure highest standards of services to all stakeholders



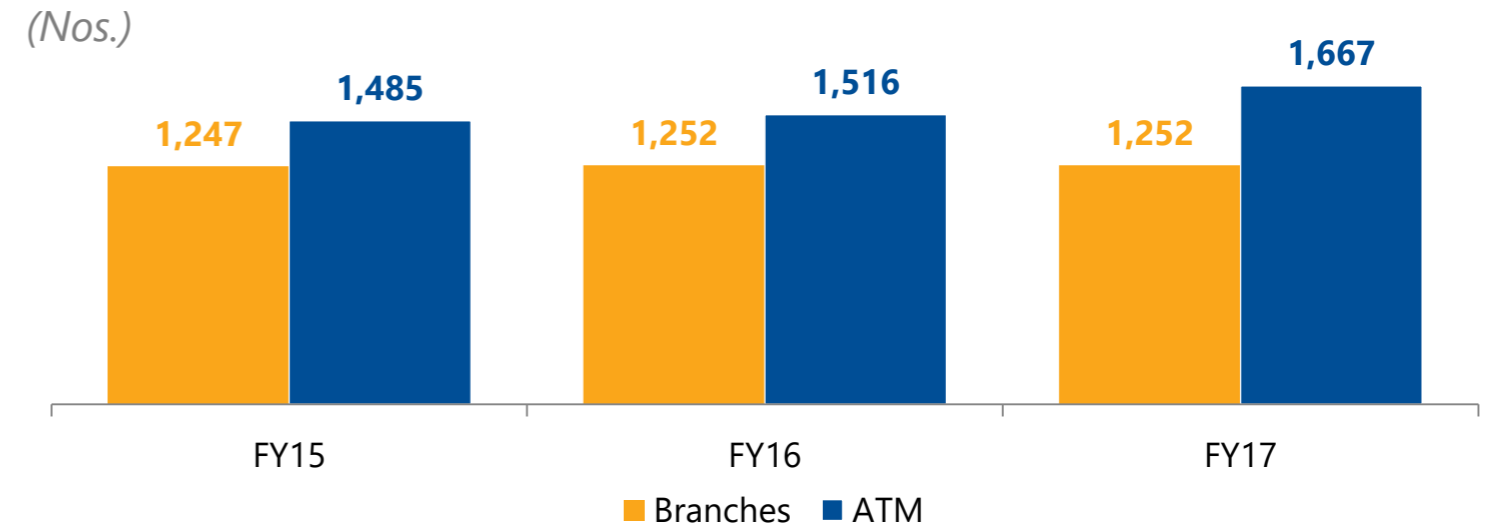


A. DERIVING EFFICIENCY FROM EXPANDING FOOTPRINT ACROSS INDIA

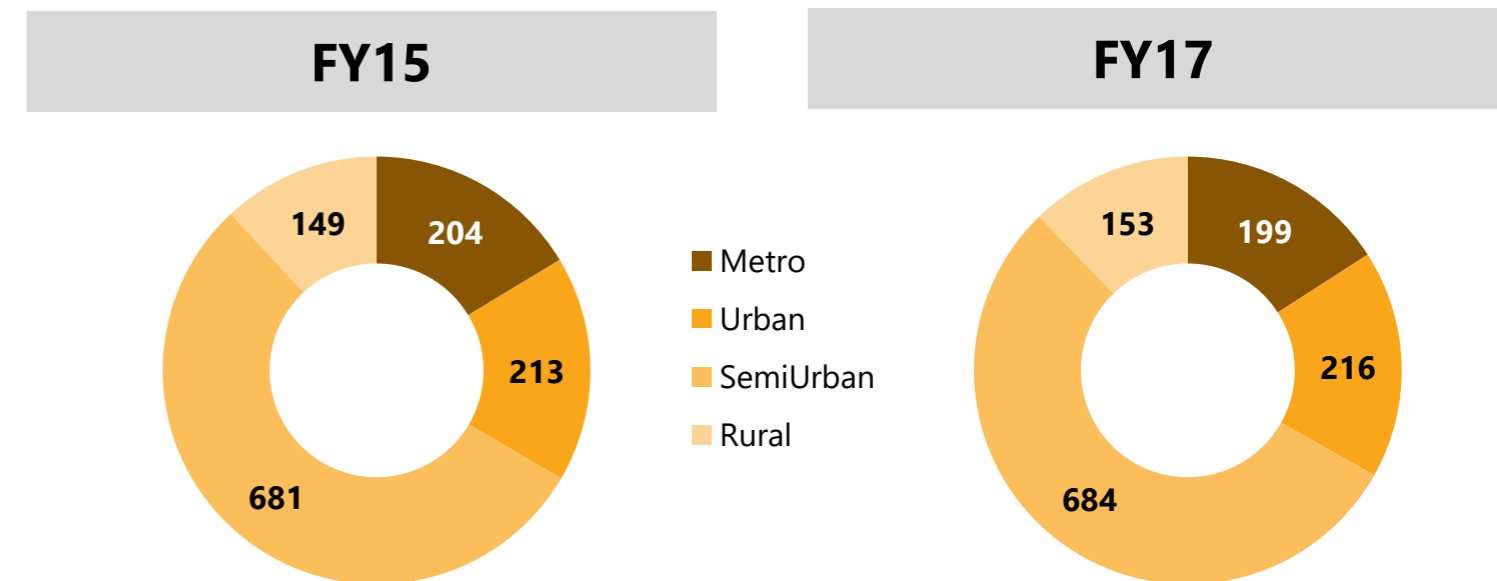
Pan-India Presence



Branch expansion already operationalized, looking for growth through digital channel



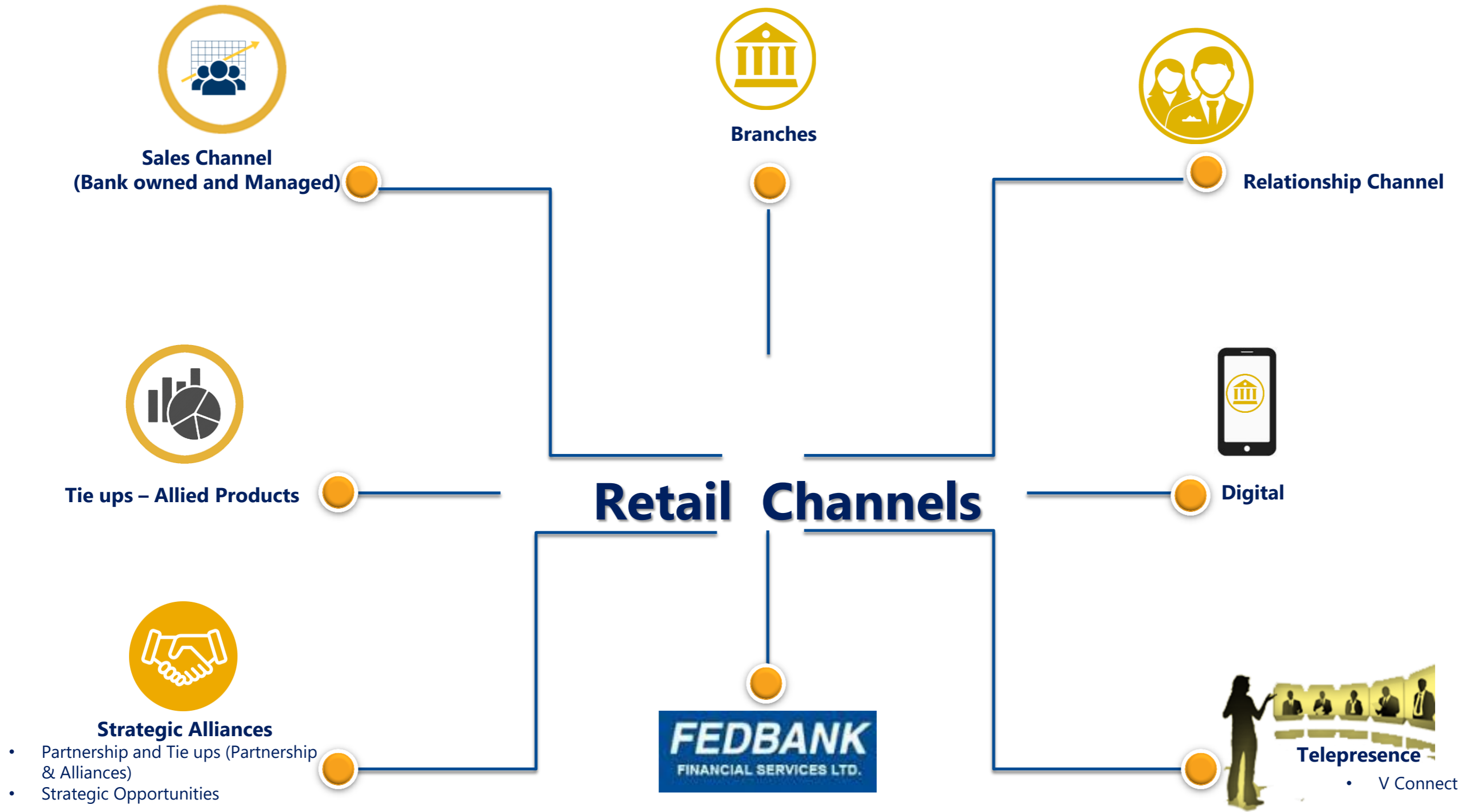
Balanced presence across urban and rural areas



Added 227 branches, 347 ATMs outside Kerala during the period FY13-FY16
Investments made in distribution platform, time to leverage it through significant efficiencies and productivity



MULTI PRONGED RETAIL DISTRIBUTION

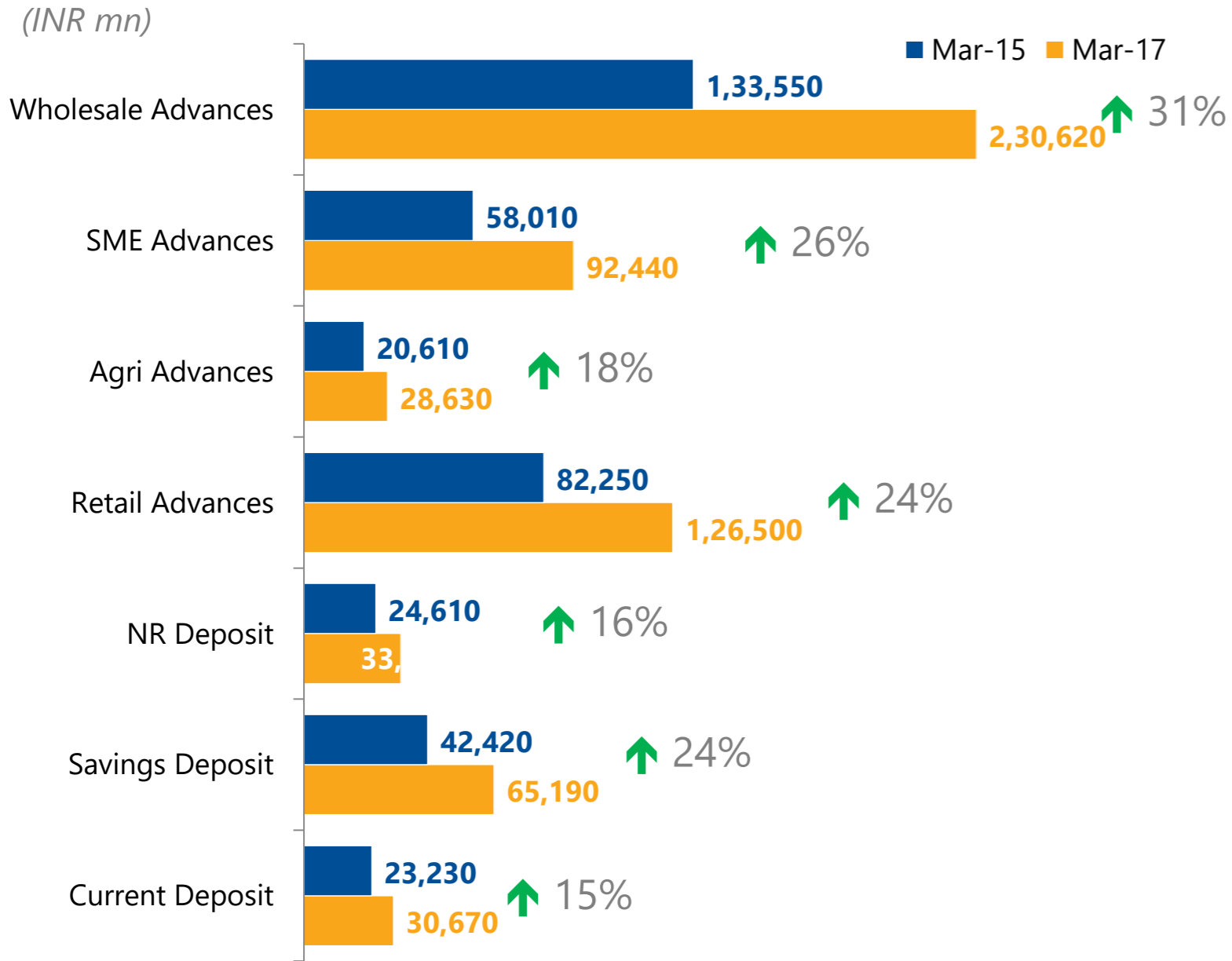


The bank has a dedicated distribution subsidiary, partnership with independent ATM companies and associate company, IDBI Federal Life Insurance, which further aids in creating market presence and branding

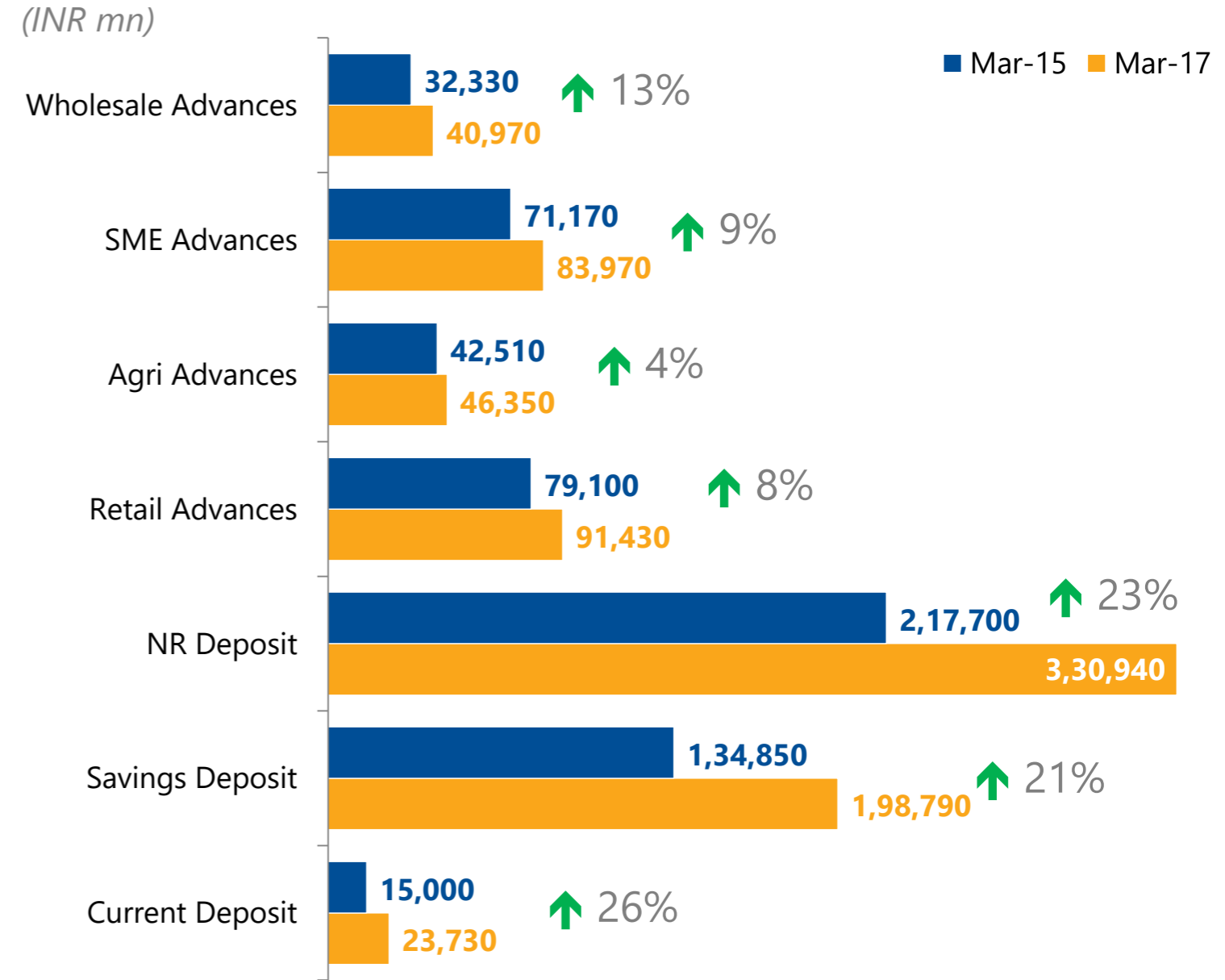


DIVERSIFICATION OUTSIDE KERALA LEADING TO STRONG GROWTH ACROSS CATEGORIES

Pan-India presence leading to strong growth



Continued growth in Kerala



Focused expansion across Punjab, Haryana, Delhi, Maharashtra, Gujarat, TN and Karnataka

% growth indicates CAGR from Mar 15 till Mar 17

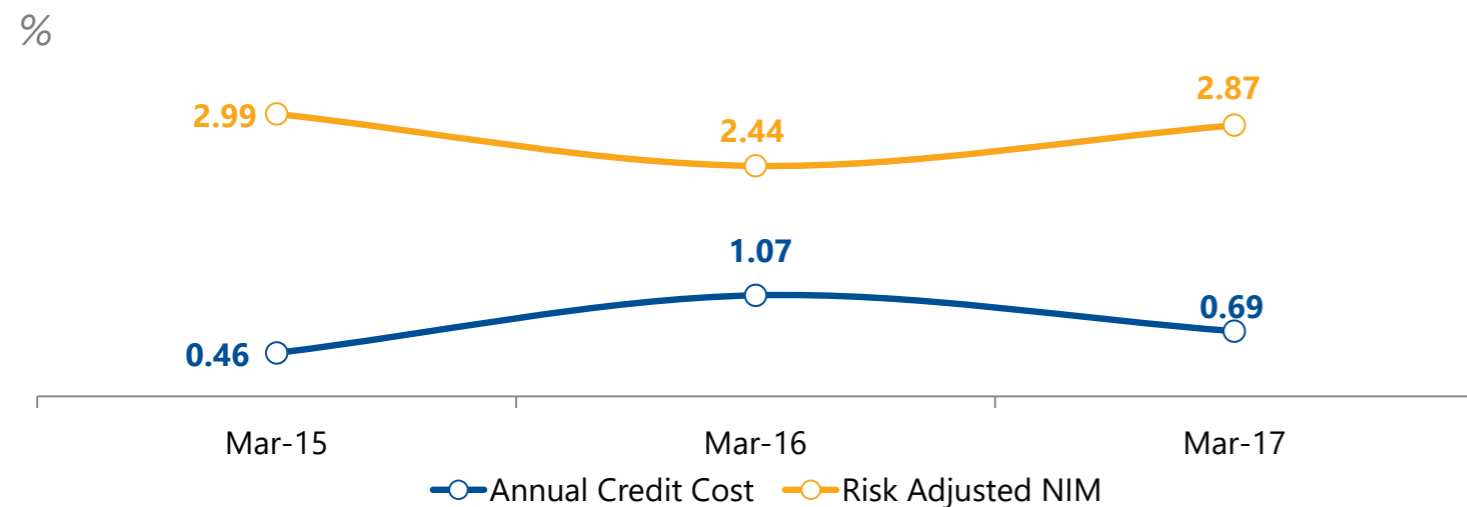


B. EARLY IDENTIFICATION OF RISKY ASSETS SHOWING RESULTS

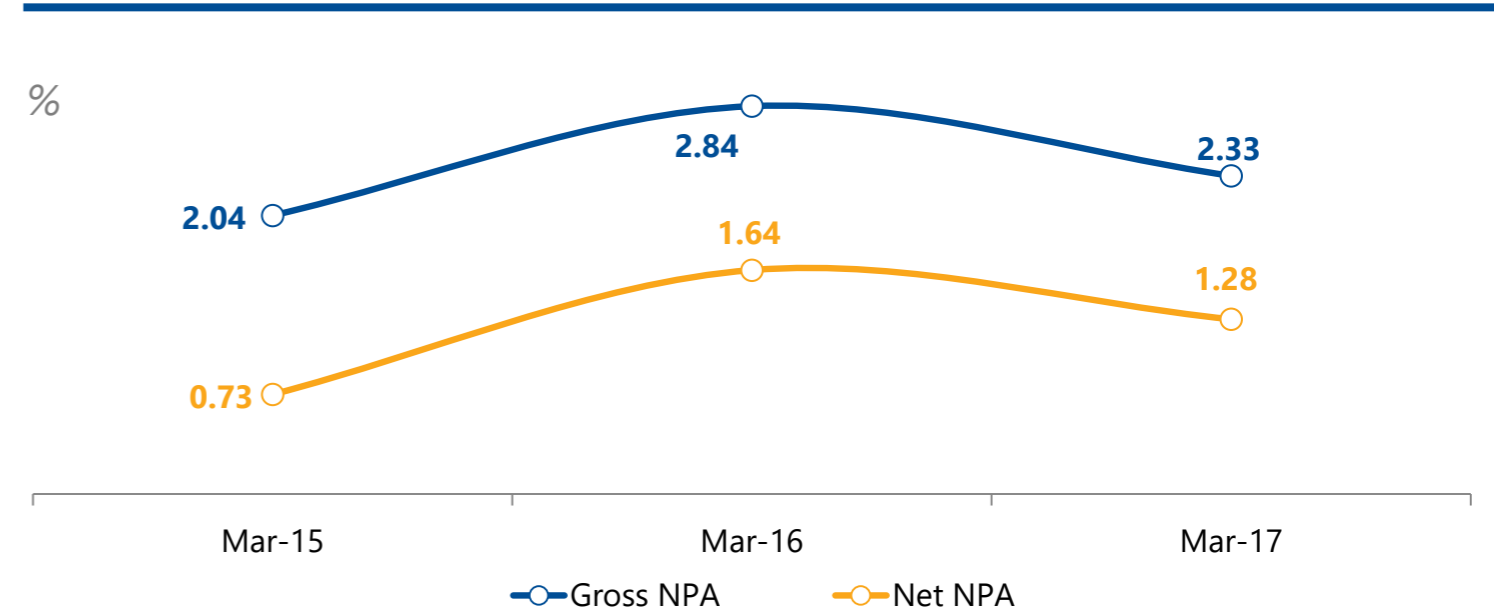
Segregation of sourcing and underwriting have led to high quality assets

Sourcing	Independence of origination and underwriting function Relationship managers for the corporate and large ticket SME loans; Network originated small ticket loans
Underwriting	Distinct underwriting verticals for corporate, SME and retail
Monitoring	Early warning and remedial management processes in place
Recovery	Dedicated Recovery Team to look after recovery of potentially risky assets

Credit costs have come down leading to improved interest margins



... Improvement in asset quality



◆ The RBI Financial Stability Report (December 2016) has noted that the gross NPA ratio of scheduled commercial banks increased to 9.1% in September 2016 from 7.8% in March 2016, pushing the overall stressed advances ratio to 12.3% from 11.5% during the same period

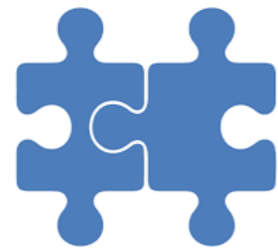
Bank remains ahead of the curve in dealing with NPAs



C WELL ROUNDED APPROACH TO GROWTH



Seasoning of the Relationship Manager Model. RM at the fore, Branch at the Core



Integrated offerings along the supply chain to create better value for SME clients



Leveraging distribution to offer credit solutions for small Businesses



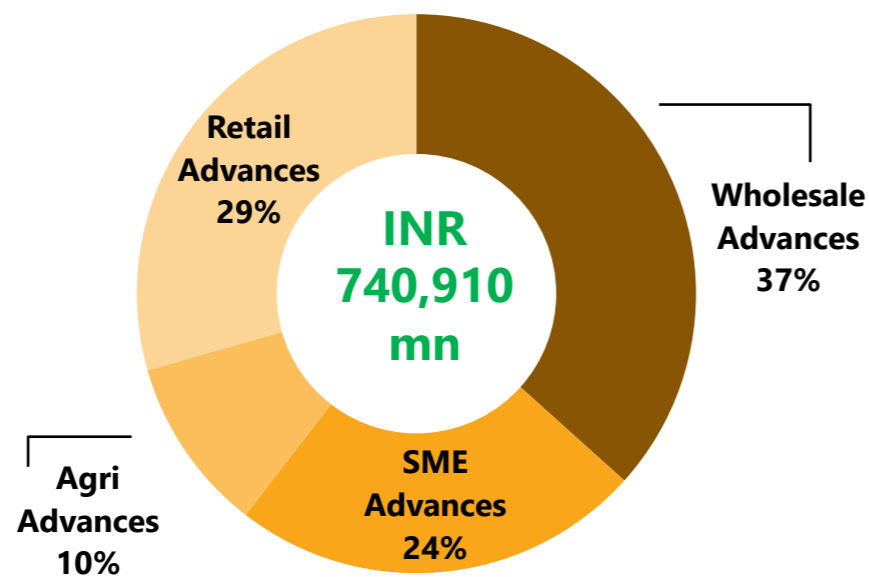
Historical strength of neighborhood Banking with wide product suite



Leveraging technology, analytics and innovation to offer more Self-service DIY products

Increased focus towards Retail and SMEs has provided opportunities for growth and reduced exposure risk

FY2017



- ◆ Wholesale comprises high rated companies including AAA and AA rated companies
- ◆ Well distributed segment of customers across each category



D. FOCUS ON DIGITAL/ TECHNOLOGY: ESTABLISHING RELEVANCE IN A CROWDED DIGITAL SPACE



E-Mail Marketing



Search Engine Optimization / Retarget



SMS Marketing

Undercutting the digital payment rates to acquire leading online merchants



Event / Tradeshows



Blogging / Microsites

Cash Backs / Offers



Paid insertion of payment system in high transaction online merchant websites



Social Media Ads / marketing



Videos / pamphlet / brochures





Online Personal Loans

Instant Online Personal loans to pre approved customers. Real time credit to customer operative accounts



Online Merchant Solutions

E-POS- enabling card based payments
U-POS- A POS machine under the UPI platform.

Lotza Merchant App- Merchant Application under the UPI platform.

Mobile Banking services

Mobile banking services with host of features available for Retail, SME and Corporate Clients



Account opening through Mobile App- FedBook Selfie App

Aadhaar based authentication for online account opening. Immediate activation of account



Instant Account Opening at branches

Aadhaar biometric KYC enabled to open instant accounts through branches.



LOTZA

UPI App

Lotza- App under the new UPI platform.

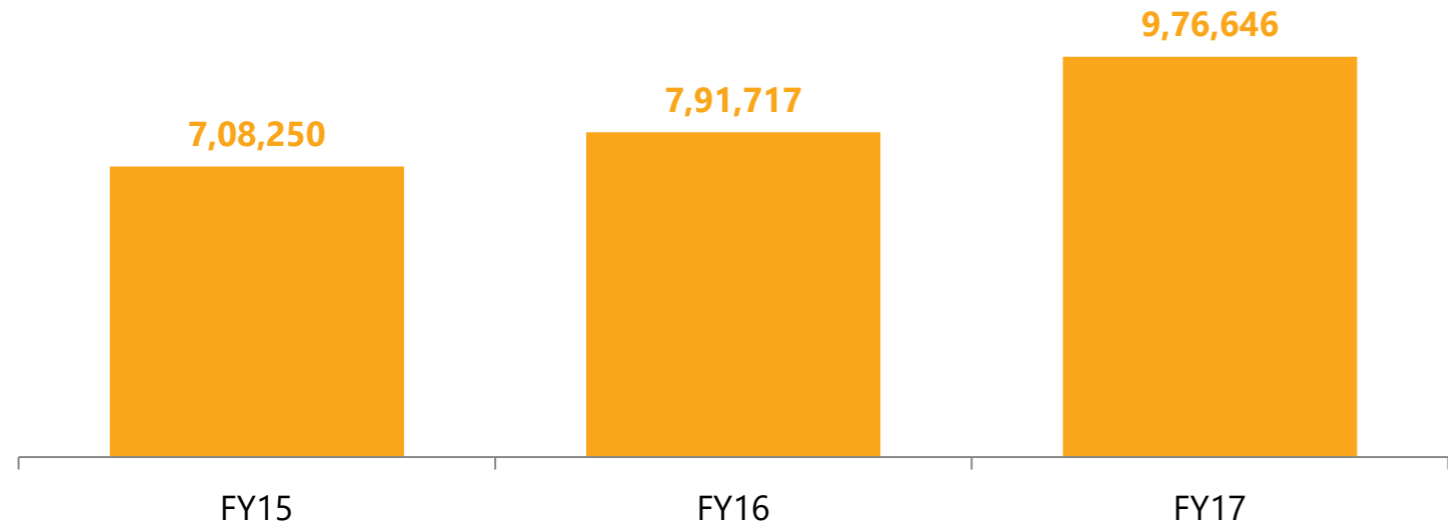


E. STRONG LIABILITIES PROFILE WITH LOW DEPENDENCE ON BULK DEPOSITS AND HIGHER EXPOSURE TO RETAIL DEPOSITS



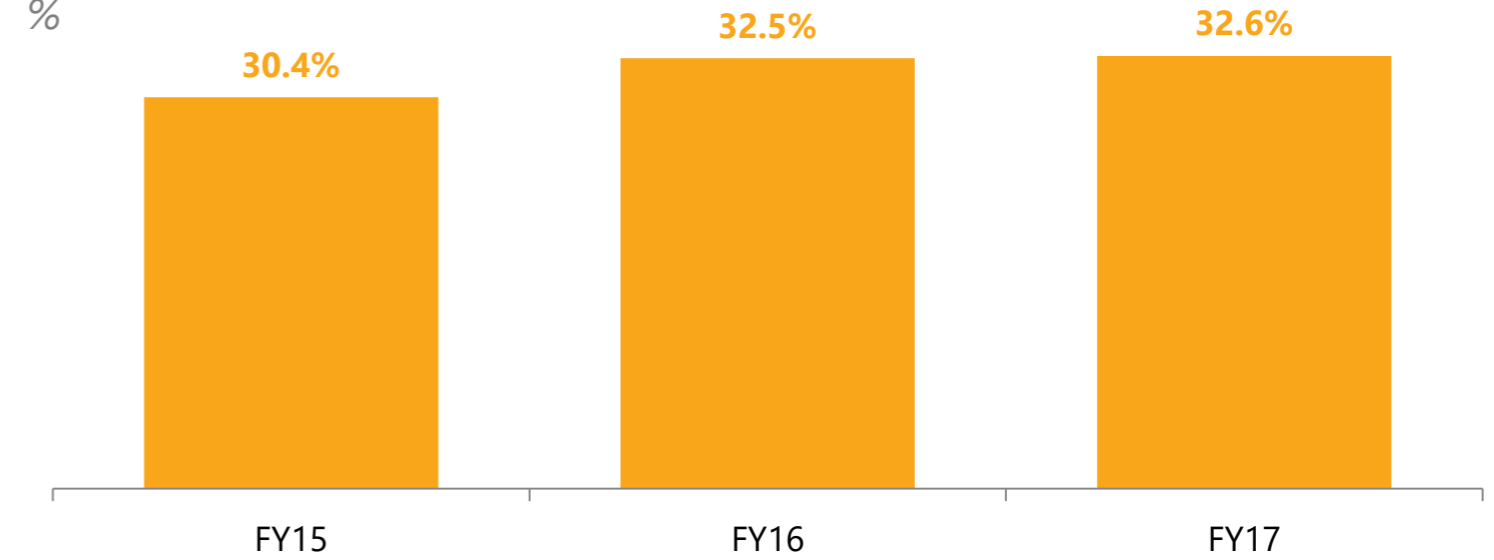
Deposits

(INR mn)



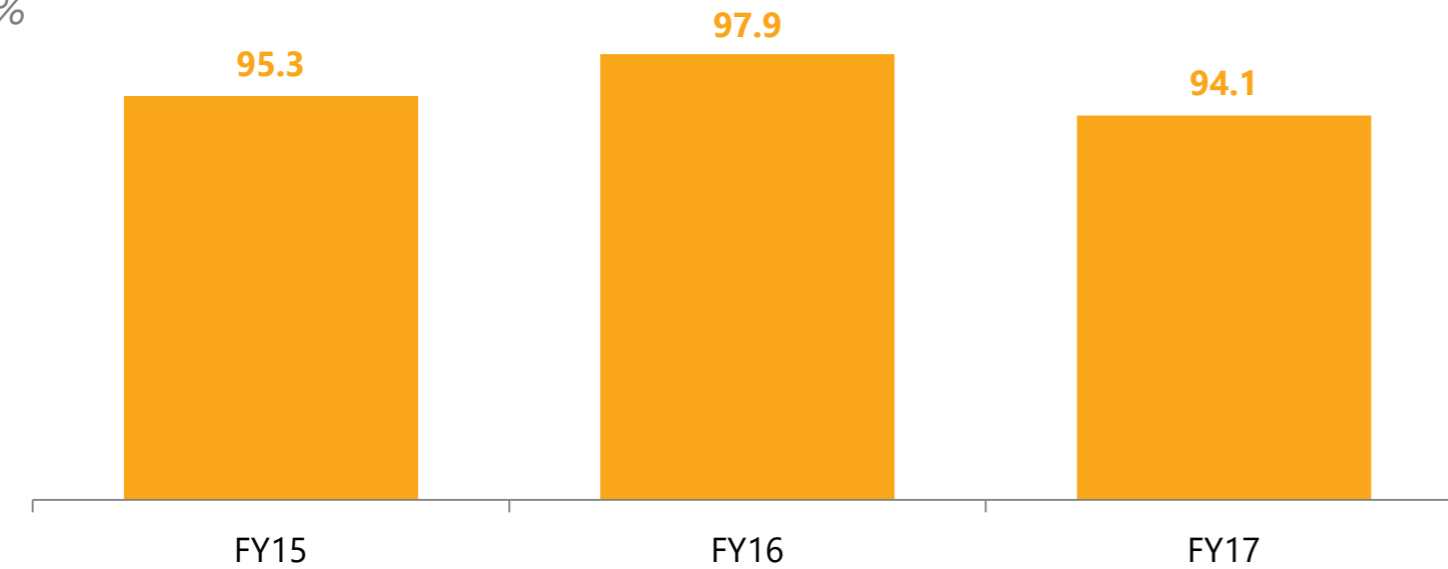
Low-cost CASA has been a major contributor over years

%



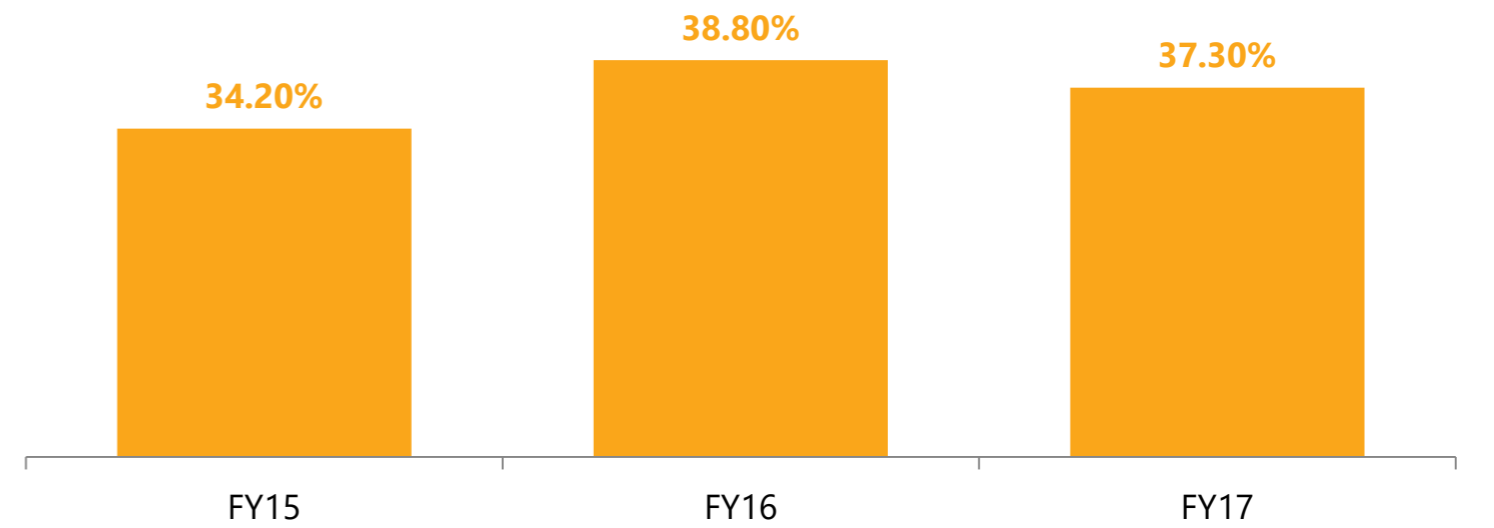
Retail Deposit Ratio

%



NRI deposits are major contributor to deposits

%

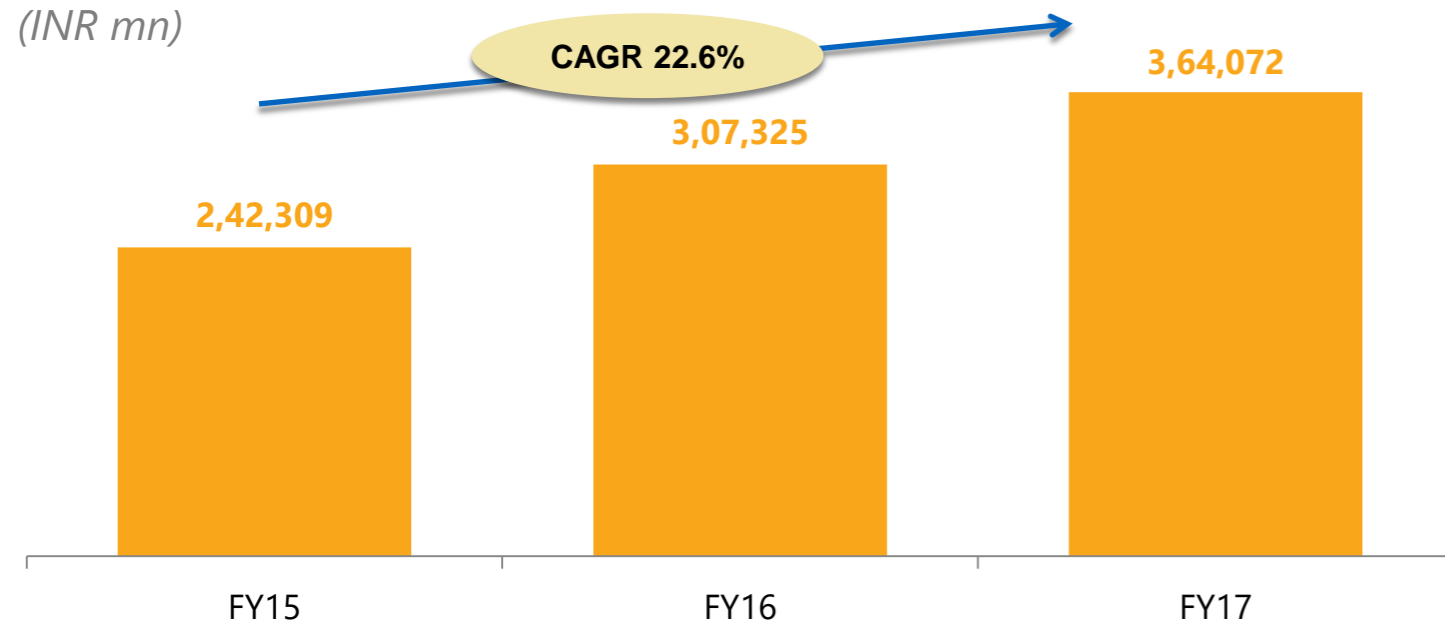


Exposure to Retail deposits have grown significantly with >94% of deposits below INR 10 mn ticket size

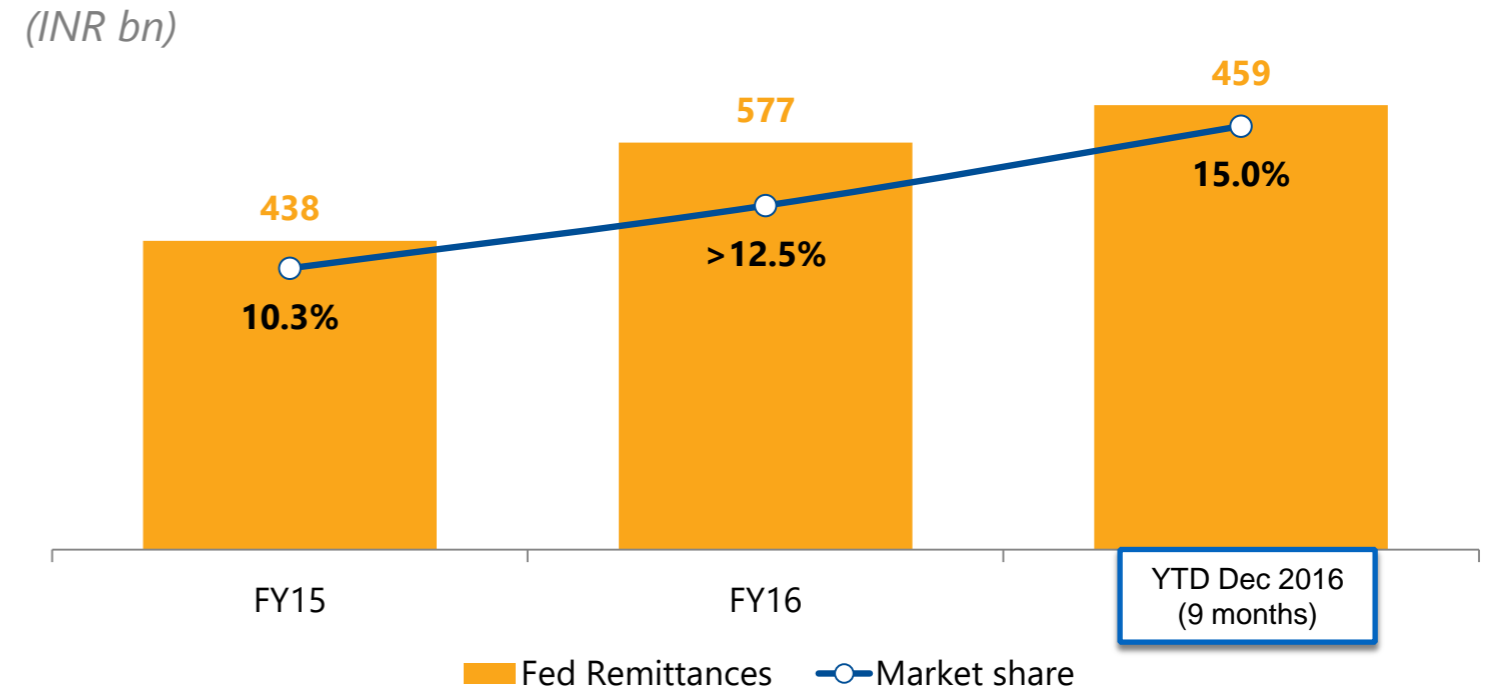




NR Deposits have seen significant growth



Bank's market share of remittances has grown to 15%



^ From RBI data - Table 146 - Invisibles in Rupees (<https://www.rbi.org.in/scripts/PublicationsView.aspx?id=17279>)
 ~ Fed remittance consists of personal remittances handled through Vostro & Nostro routes

The NR franchise has been built on the back of strong partnerships and presence in Middle East



G. BOARD OF DIRECTORS



Mr. K. M. Chandrasekhar

Part Time Chairman



Mr. Shyam Srinivasan

Managing Director & CEO



**Mr. Nilesh Shivji
Vikamsey**

Director



**Mr. Dilip Gena
Sadarangani**

Director



Mr. Harish H Engineer

Director



**Smt. Grace Elizabeth
Koshie**

Director



**Smt. Shubhalakshmi
Panse**

Director



Mr. C Balagopal

Director



Mr. Ashutosh Khajuria

Executive Director



Mr. Ganesh Sankaran

Executive Director



EXPERIENCED AND CAPABLE MANAGEMENT TEAM LEADING A YOUNG AND TECH SAVVY WORKFORCE



	Mr. Shyam Srinivasan	Mr. Ashutosh Khajuria	Mr. Ganesh Sankaran	Ms. Shalini Warriar	Mr. Sumit Kakkar	Mr. Jose V Joseph	Mr. Sampath D	Mr. Harsh Dugar	Mr. Jose K Mathew
Designation	MD & CEO	ED & CFO	ED	Chief Operating Officer	Chief Credit Officer	Chief General Manager	Chief General Manager	Head- Corporate & Institutional Banking	Head – Retail Banking
Total Experience (Years)	>27	>36	>22	>26	>21	>40	>35	>20	>36
Association with Federal Bank	>6 Years	>5Years	1-2 Years	1-2 Years	<1 Year	>40 Years	>35 Years	<1 Year	>36Years
Prior Experience	Standard Chartered	IDBI Bank SBI	HDFC Bank	Standard Chartered	Yes Bank HDFC Bank			HDFC Bank	
Core Focus	Overall Strategy, Growth and Institution Building	Financial Reporting, Treasury	Building the Business Architecture	Operations, Technology and Service Quality	Credit Underwriting Architecture - delivery and remedial Management	Head- Network 1	Head- Network 2	Building the Corporate & Institutional Banking Business	Leveraging the distribution and partnerships

- ◆ 11,500+ employees
- ◆ Young and skilled employee pool with average age at 37 years; balanced gender ratio 60:40 (M:F)
- ◆ Training Workshops, ESOPs, Career Enhancement opportunities to keep young employees agile, active and responsive
- ◆ Performance based incentive structure



PERFORMANCE SNAPSHOT



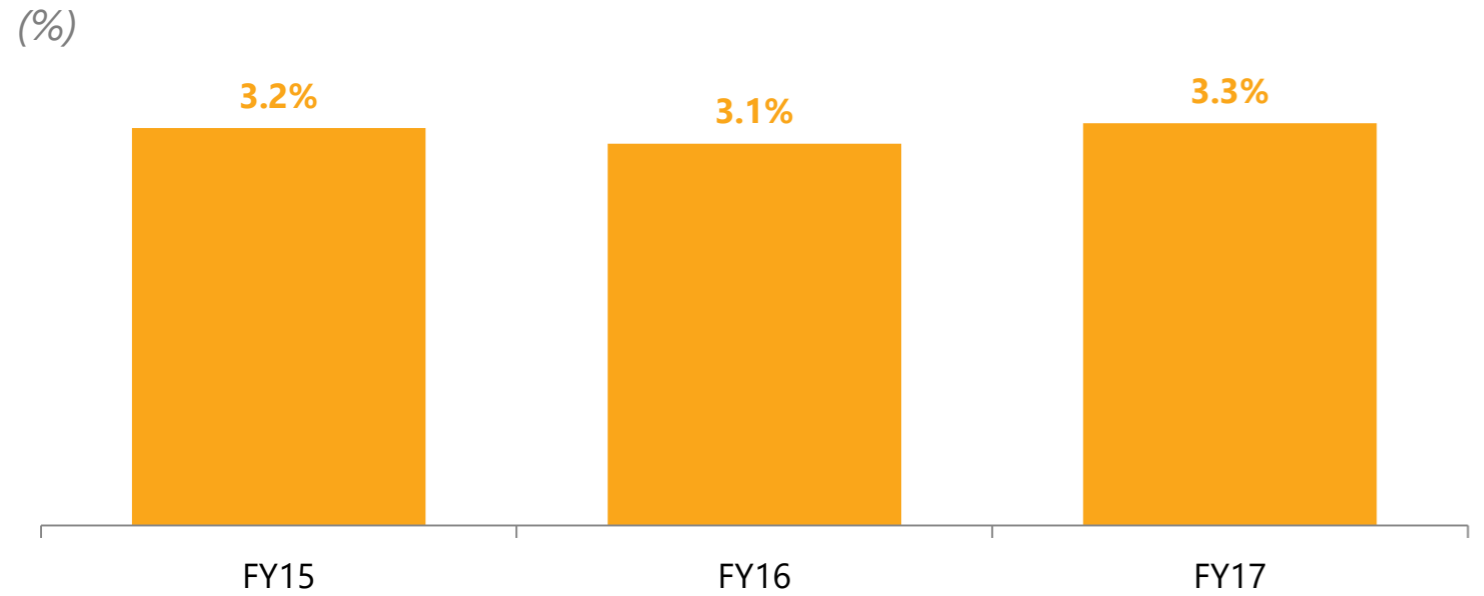
PROFITABILITY AND KEY RATIOS (STANDALONE FINANCIALS)

INR mn	FY15	FY16	FY17
Interest Income	74,195	77,482	86,774
Interest Expenses	50,391	52,405	56,248
Net Interest Income (NII)	23,804	25,077	30,526
Other Income (OI)	8,783	8,082	10,818
Net Total Income (NII + OI)	32,587	33,159	41,344
Total Expenditure (excl. Interest expenses)	16,309	18,921	22,095
Operating Profit	16,278	14,238	19,249
Total Provisions	6,221	9,481	10,941
Net Profit	10,057	4,757	8,308

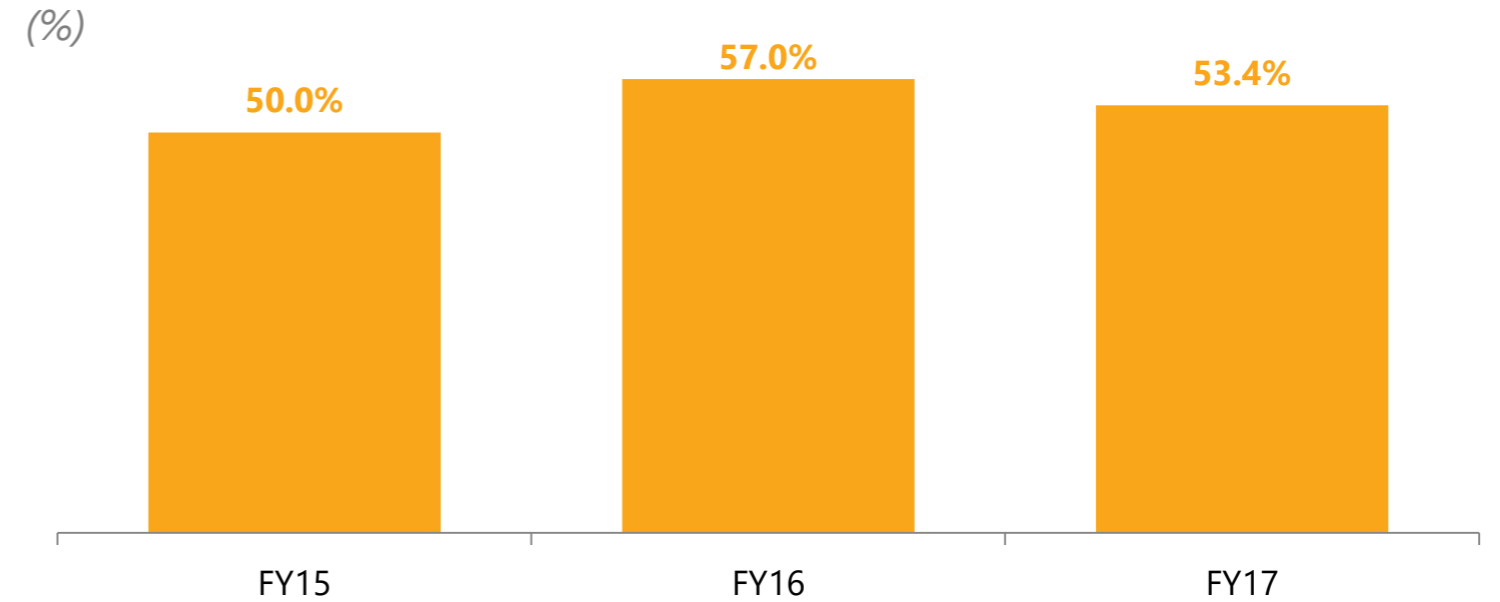




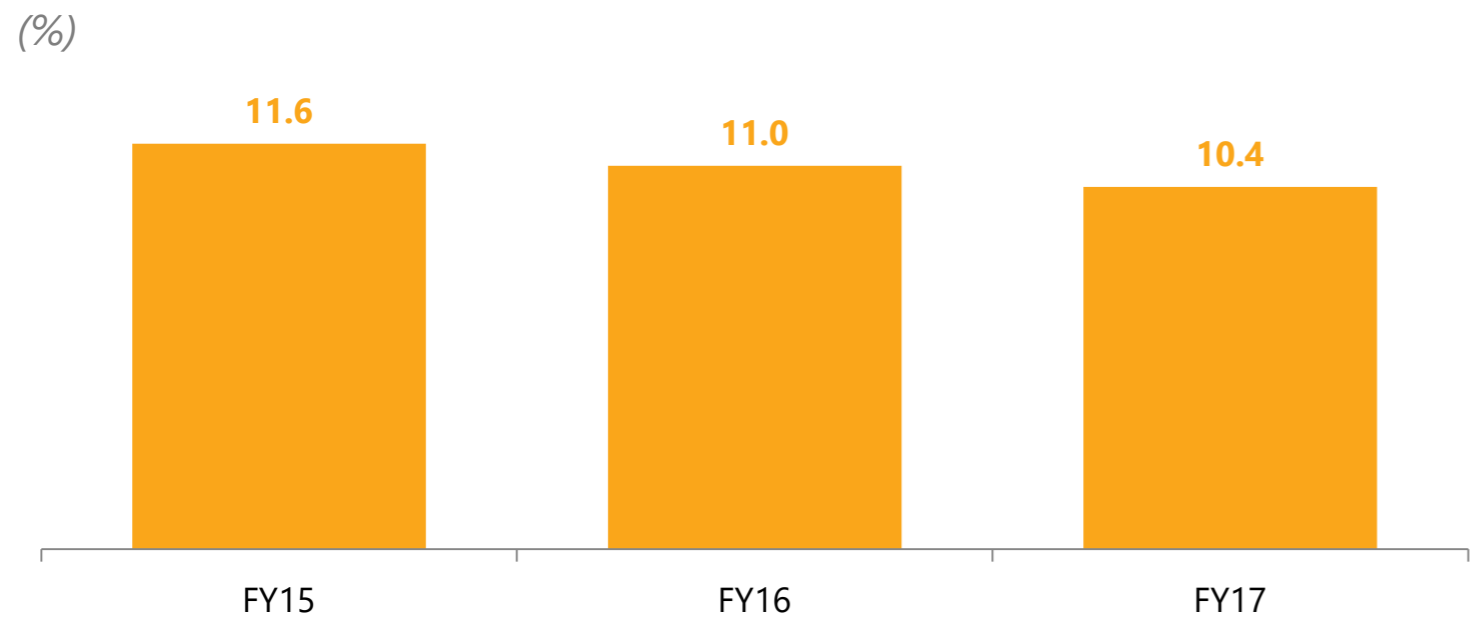
Net Interest Margin



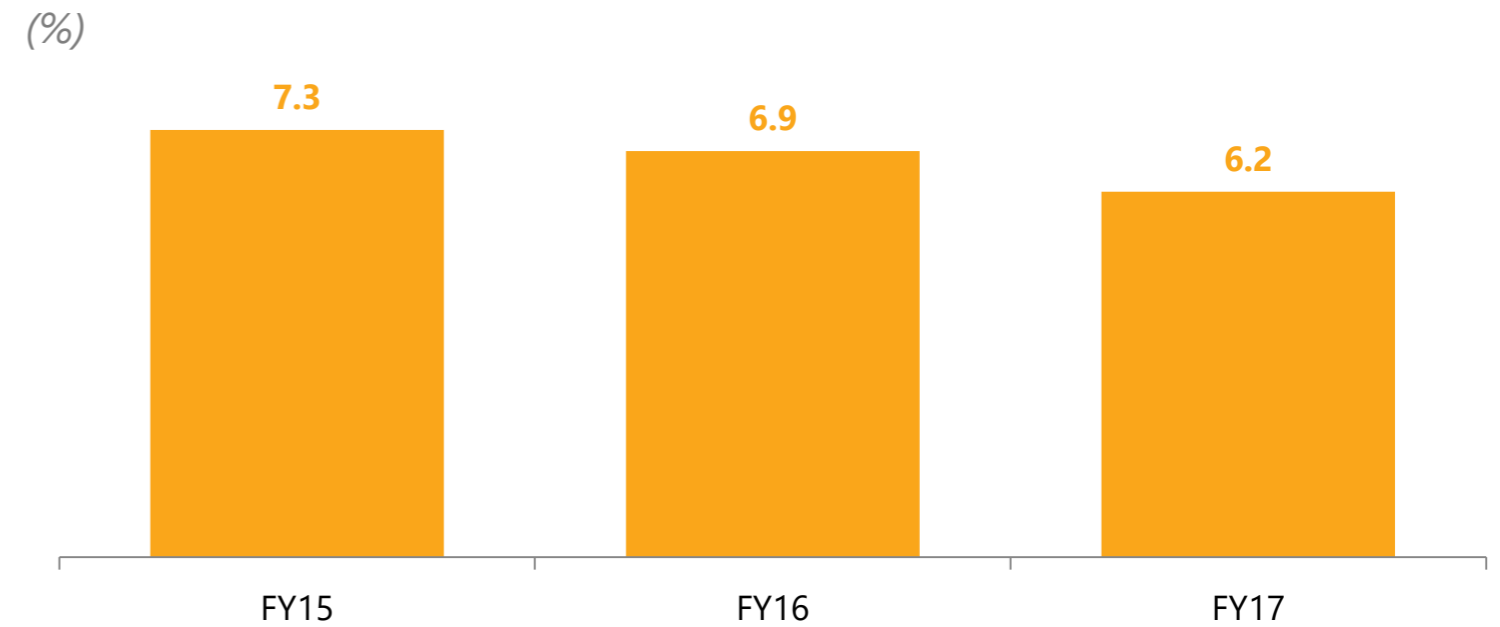
Cost / Income



Yield on Advances



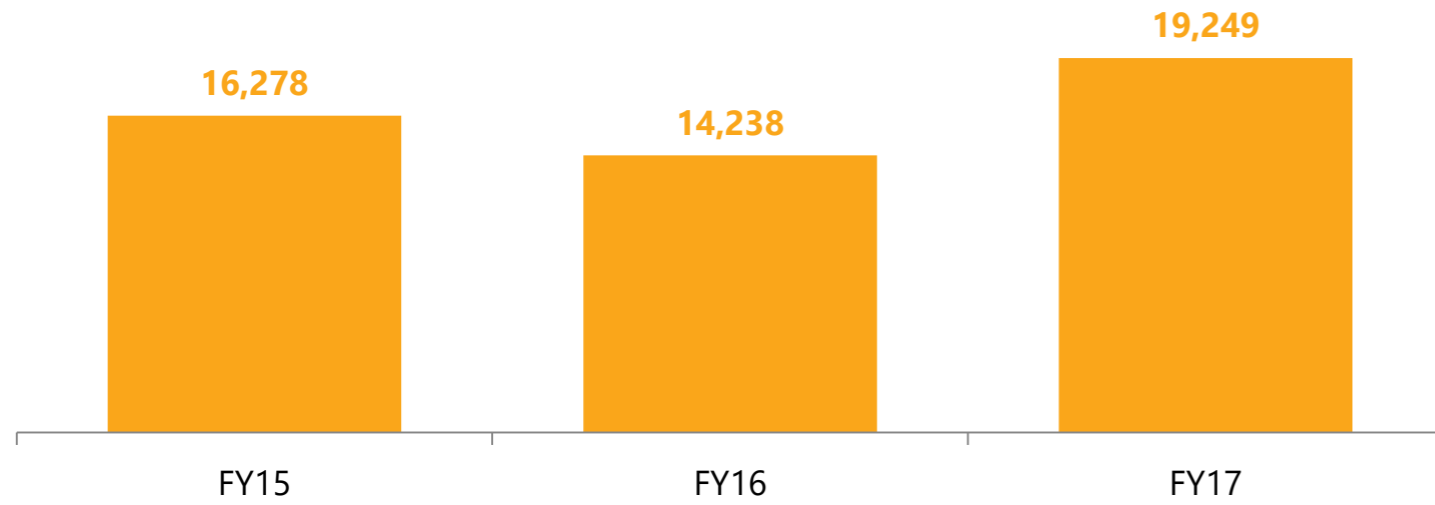
Cost of Deposits





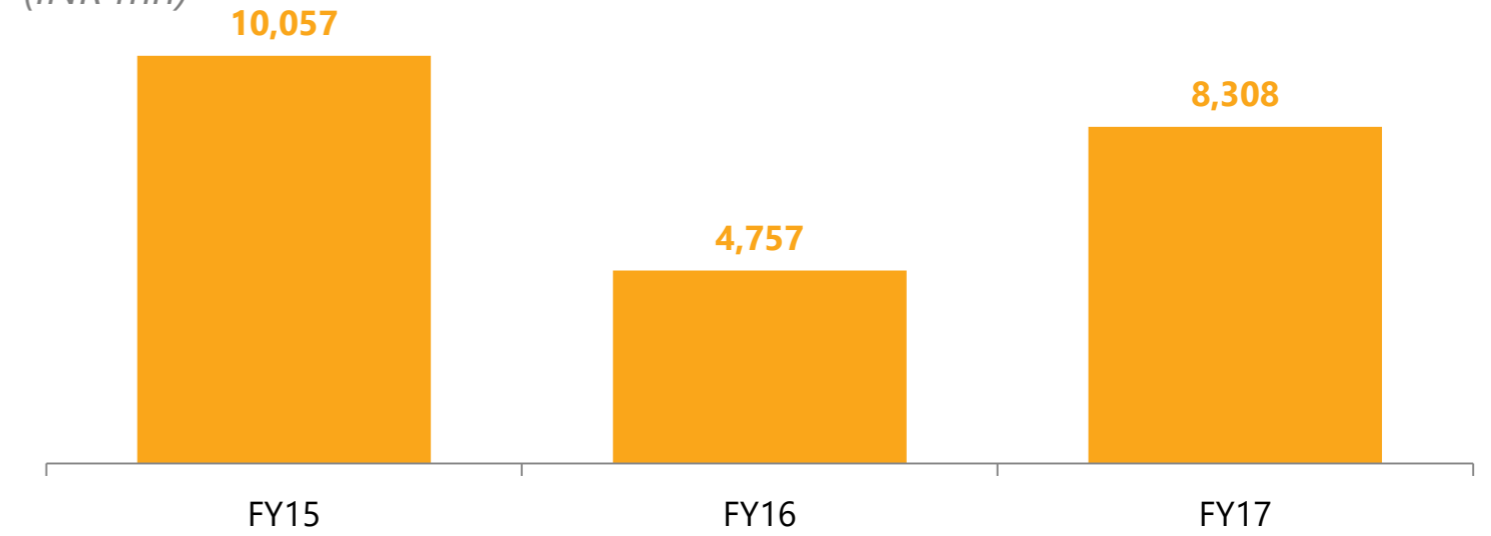
Operating Profit

(INR mn)



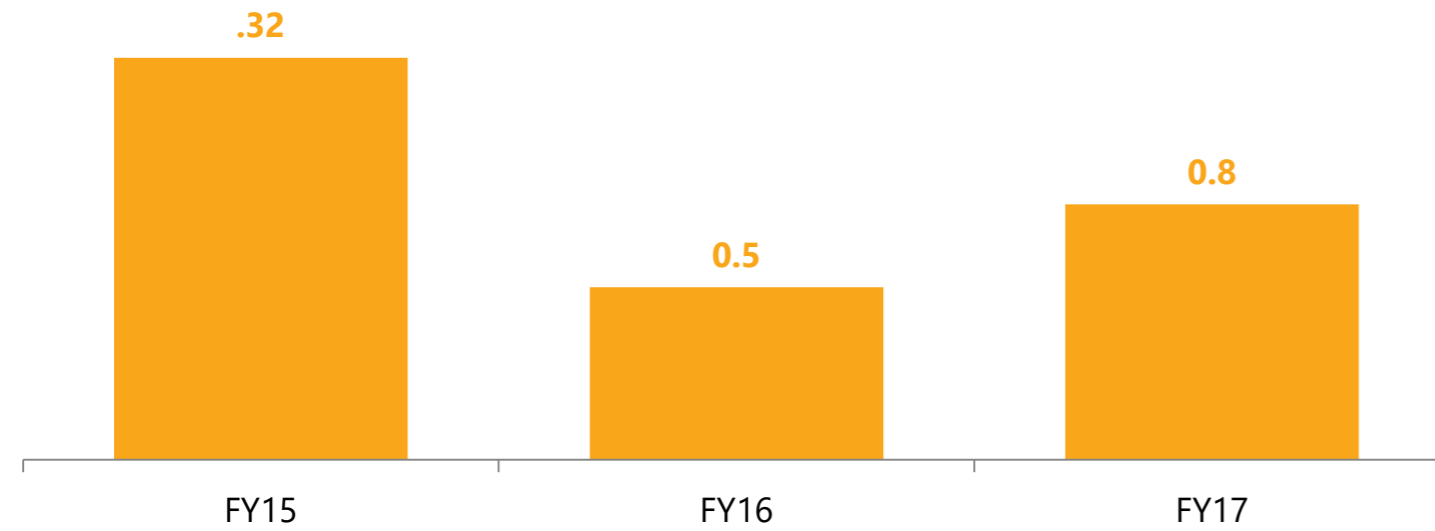
Net Profit

(INR mn)



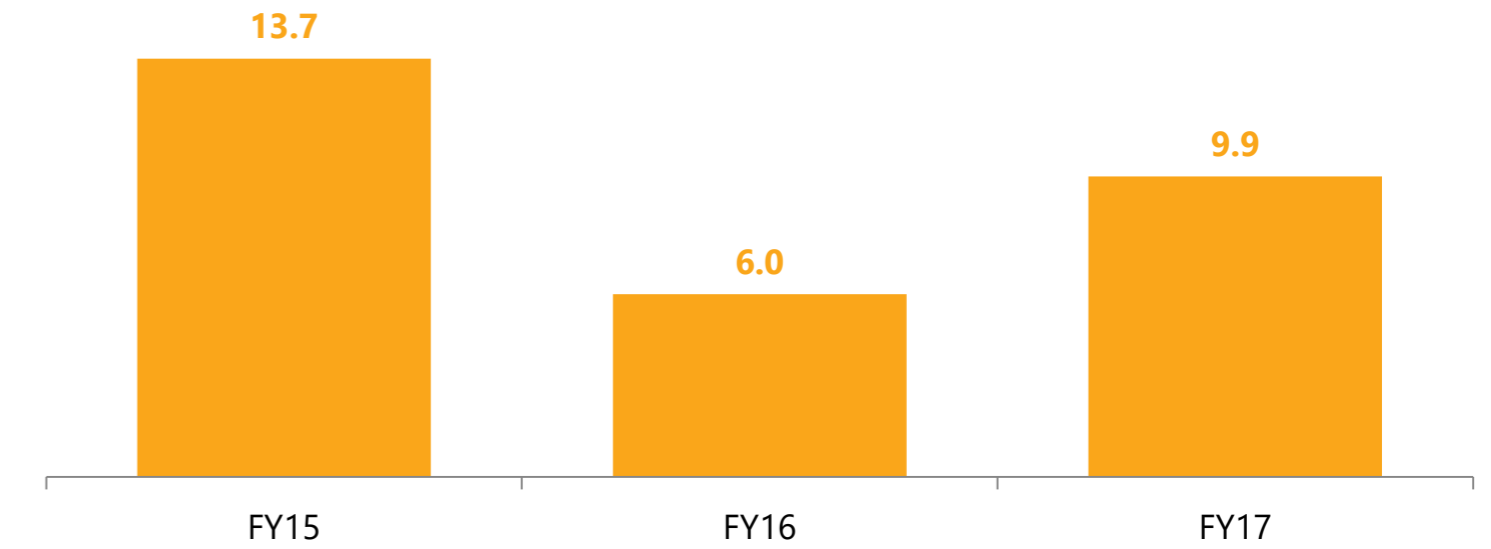
RoA

(%)



RoE

(%)



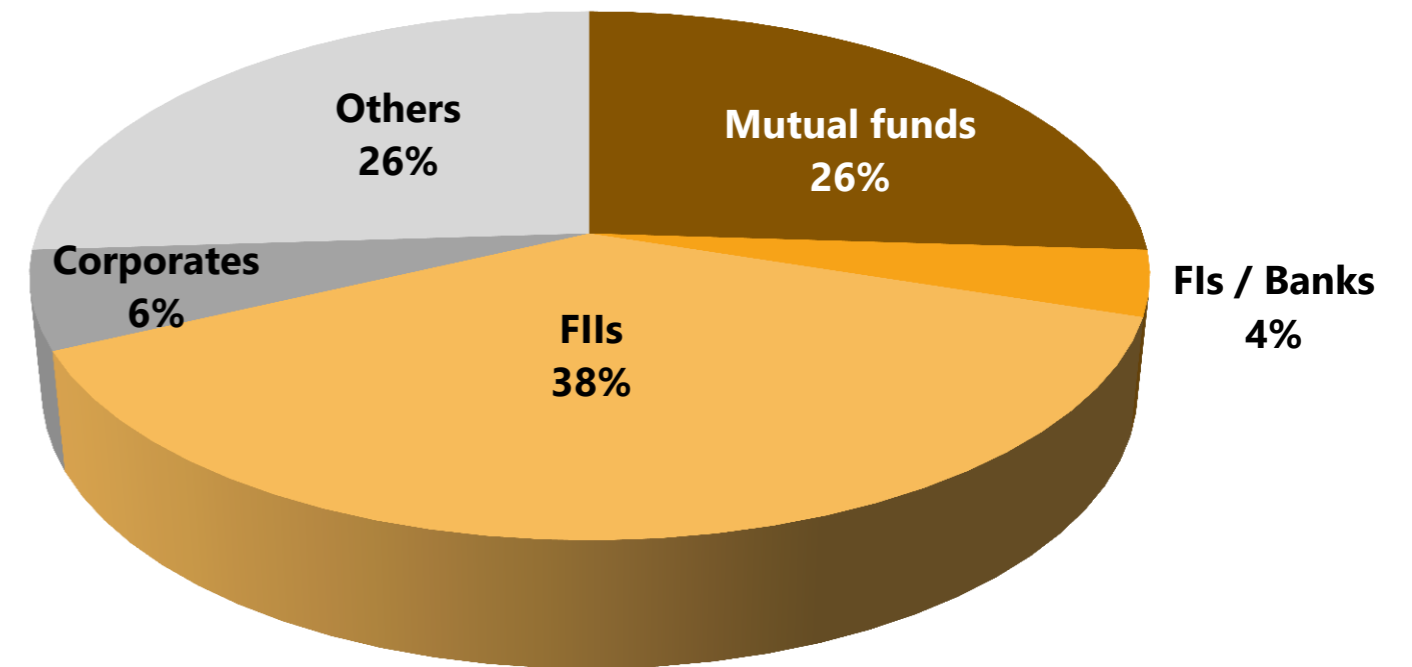


Balance Sheet

INR mn	FY 15	FY16	FY17
Liabilities			
Capital	1,713	3,438	3,448
Reserves & surplus	75,668	77,474	85,976
Deposits	708,250	791,717	976,646
Borrowings	47,418	51,146	58,973
Other Liabilities & provisions	19,791	22,039	24,726
Total	852,840	945,814	1,149,769
Assets			
Cash & balances with RBI	33,795	37,745	45,766
Balance with banks & Money at call	14,005	16,453	28,756
Investments	230,024	251,555	281,961
Advances	512,850	580,901	733,363
Fixed Assets	4,666	5,200	4,895
Other Assets	57,500	53,960	55,028
Total	852,840	945,814	1,149,769

Note: Previous year's figures have been regrouped / reclassified, where necessary to conform to current period's classification.

Shareholding (March 31, 2017)





Federal Bank bags award for the best use of Digital & Channels technology amongst small banks in the IBA banking technology conference, expo 2017

Banking Frontiers Inspiring Work place Award for Best HR & Talent Practice (2016)

Skoch Smart Technologies Gold Award for Federal Banks online loan platform "BYOM" (2016)

ET Best Corporate Brand 2016 Award

MasterCard Innovation Awards 2016 under Two categories

6th Annual Greentech HR Award for "Technology Excellence in HR"

Best small Bank on the Best Bank Survey conducted jointly by Business World & PWC (2015)

Banking Frontier's Finnoviti 2015 Award

IDRBT Award for Digital Banking, Analytics and Big Data in mid-sized Banks Segment (2015)

Skoch Smart Technology Award 2015 for FedBook Selfie





Thank you

