

**FEDERAL BANK**  
YOUR PERFECT BANKING PARTNER

ANNUAL REPORT 2016-2017

**WHY  
SETTLE  
FOR  
LESS?**



## Safe Harbour

This document contains certain forward-looking statements based on current expectations of The Federal Bank Limited management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses for The Federal Bank Limited as well as its ability to implement the strategy. The Federal Bank Limited does not undertake to update these statements. This documents does not constitute an offer or recommendation to buy or sell any securities of The Federal Bank Limited or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by The Federal Bank Limited. Figures for the previous year have been regrouped wherever necessary to conform to current year's presentation.

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# Aspire for more

Once you have experienced excellence, you'll never again be content with mediocrity. At Federal Bank, our attempt has always been to raise the bar of performance, year after year. This pursuit of excellence finds reflection in the question "why settle for less?" The annual report for 2016-17 captures the bank's unrelenting quest to push the envelope and the unceasing efforts to transcend from good to great. On all the operational parameters we have set new benchmarks of excellence and we look forward to extend our winning ways to the emerging digital milieu as well. Let's all aspire for more!



## About the Bank

The history of Federal Bank dates back to the pre-independence era. The Bank was incorporated on April 23, 1931 as the Travancore Federal Bank Limited, Nedumpuram under the Travancore Companies Regulation, 1916. Late K.P. Hormis, the visionary banker and founder took up the reigns in 1945 and built the bank a nationwide institution. The Bank's name was changed to The Federal Bank Limited on December 2, 1949. The Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934 on July 20, 1970. Today the bank is present in 25 States, Delhi NCT and 4 Union Territories and the bank is listed in BSE, NSE and London Stock Exchange.

## Our Vision

To be **the 'Most Admired Bank' which is Digitally enabled with a sharp focus on Micro, Medium and Middle market enterprises.**

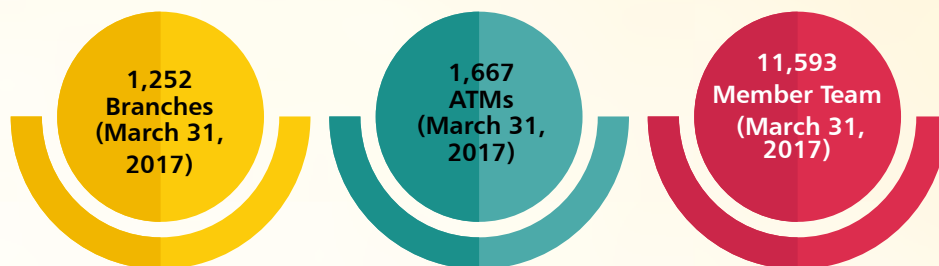
## Our Mission

Devote balanced attention to the interests and expectations of stakeholders, and in particular:

**Shareholders:** Achieve a consistent annual post-tax return of 18% on net worth.

**Employees:** Develop in every employee a high degree of pride and loyalty in serving the Bank.

**Customers:** Meet and even exceed expectations of target customers by delivering appropriate products and services, employing as far as feasible, single window and 24-hour-seven-day-week concepts, leveraging a strengthened branch infrastructure, ATMs, other alternative distribution channels, cross-selling a range of products and services to meet customer needs varying over time, and ensuring the highest standards of service at all time, guided by our principle of being 'Digital at the fore, human at the core'.



## PERFORMANCE DASHBOARD

### Volume Growth

CASA  
deposits grew  
from ₹ 25704.84 Cr to  
₹ 31837.63 Cr  
(up by 23.86%)

Resident  
Savings grew from  
₹ 11224.22 Cr to  
₹ 14448.31 Cr  
(up by 28.72%)

NRI deposits  
grew from  
₹ 32597.09 Cr to  
₹ 38577.93 Cr  
(up by 18.35%)

Total deposits  
grew from  
₹ 79171.71 Cr to  
₹ 97664.57 Cr  
(up by 23.36%)

Net Advances  
grew from  
₹ 58090.14 Cr to  
₹ 73336.28 Cr  
(up by 26.25%)

Retail Advances  
grew from  
₹ 17149.17 Cr to  
₹ 21793.62 Cr  
(up by 27.08 %)

Corporate Advances  
grew from  
₹ 20338 Cr to  
₹ 27158.70 Cr  
(up by 33.54%)

### Income Growth

Other Income  
@ ₹ 1081.81 Cr

Operating  
Profit @  
₹ 1924.93 Cr

Net Profit @  
₹ 830.79 Cr

### Key Ratios

Earnings Per  
Share:  
₹ 4.83

CRAR  
BASEL III :  
12.39%

Return on  
Equity :  
9.89%

Return on  
Assets: 0.84%

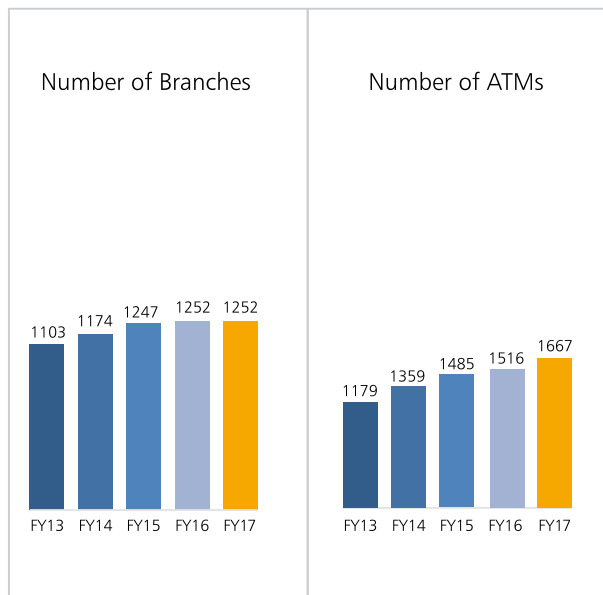
Provision  
Coverage  
Ratio: 71.75%

Net NPA:  
1.28%

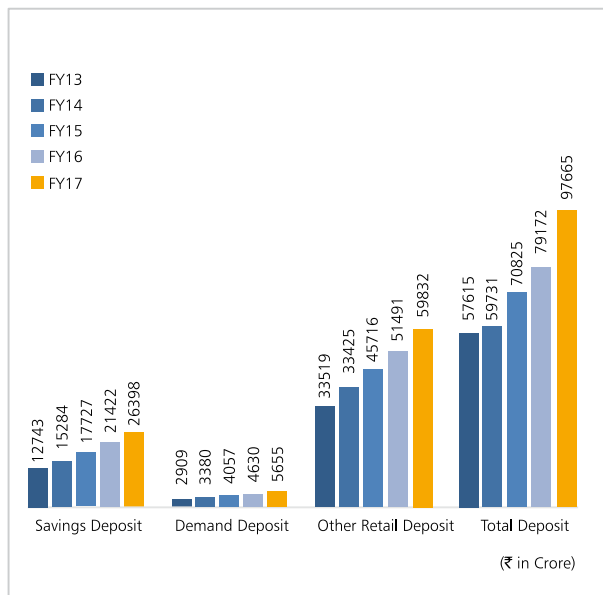
NIM @  
3.31%

## Performance Dashboard

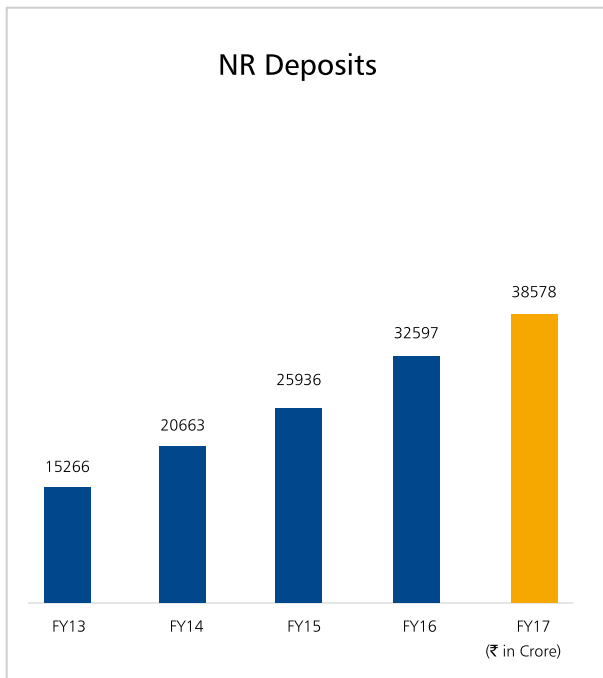
### Footprint Coverage



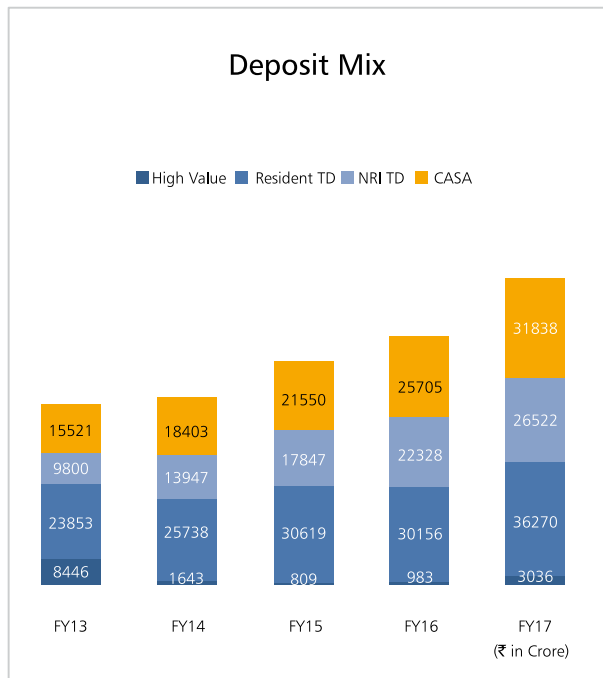
### Retail Deposit



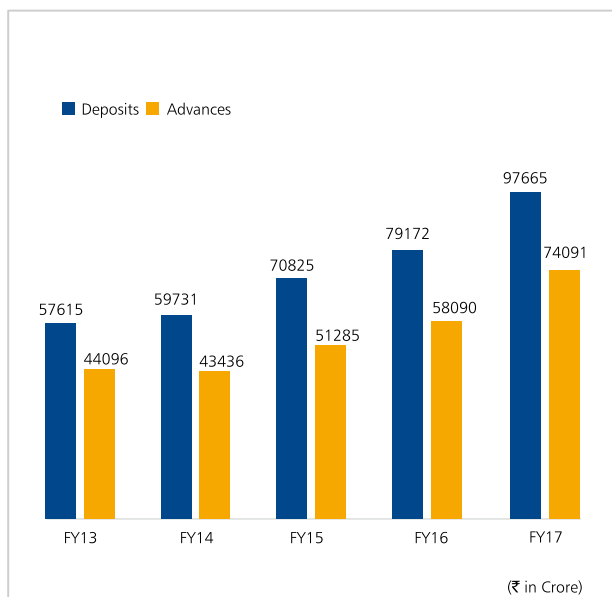
### NR Deposits



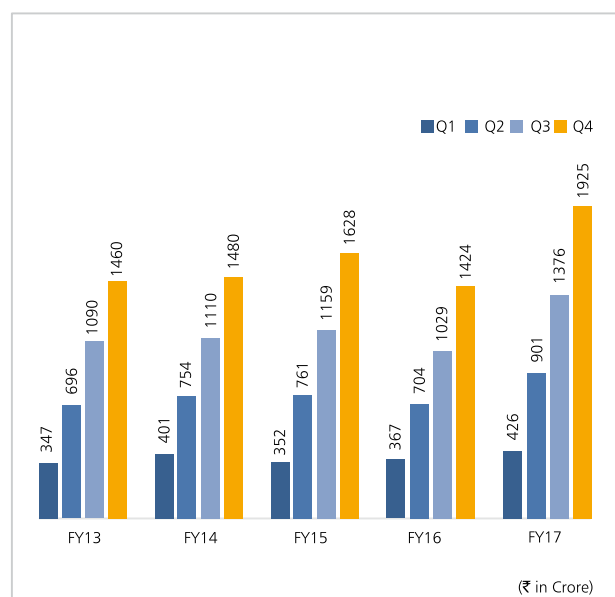
### Deposit Mix



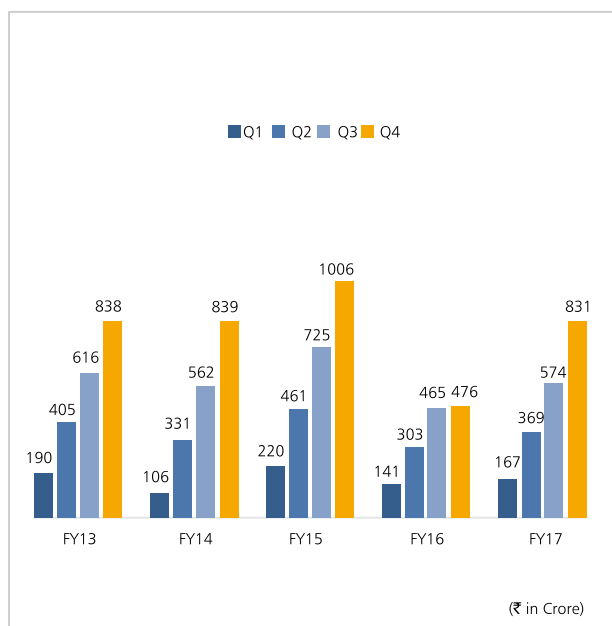
## Business



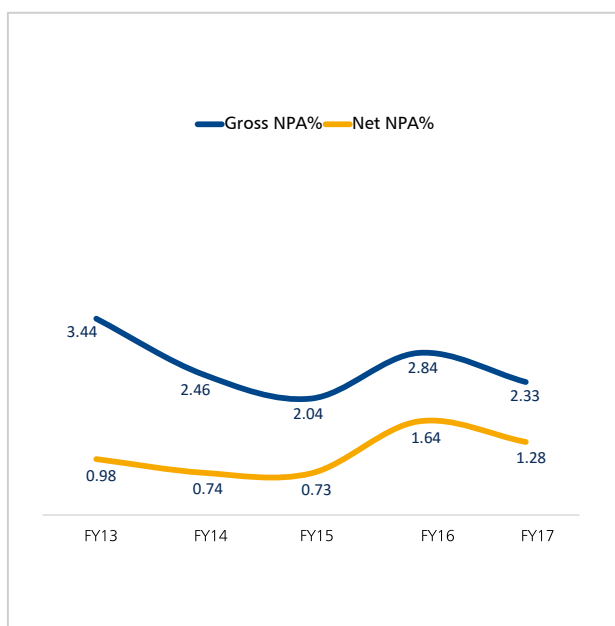
## Operating Profit



## Net Profit



## Asset Quality





## MESSAGE FROM THE CHAIRMAN

Shri K M CHANDRASEKHAR

Dear Shareholder,

"The secret of change is to focus all of your energy, not on fighting the old, but on building the new", stated Socrates eons ago. These pearls of ancient wisdom resonate in my mind, as I sit down to pen my maiden message to you. It is indeed a privilege to be Chairman of this great organization as it transits from the familiar terrain of conventional banking to the exciting, yet uncharted waters of digital banking, while yet retaining the core of what we are. And I wish to thank everyone for reposing their faith in me and the Board of Directors at this time of churn and change.

The year 2016-17 was an eventful year for the world in general and for India in particular.

And these groundbreaking events took all of us by surprise. From the unanticipated outcome of the American

Presidential election to the momentous demonetization drive in India, from Brexit to the continuing upheaval in West Asia, the year witnessed a steady stream of tumultuous events. This maelstrom threw up formidable challenges as well as unprecedented opportunities for the sector. And

I am glad to tell you that your bank weathered the storm with aplomb and, in fact, rode the crest of this wave to deliver a story of consolidation and growth.

It is profoundly satisfying to note that on many key performance parameters such as profitability, EPS and dividend your bank could post impressive numbers. In the year 2016-17, your Bank's Operating profit recorded a commendable growth of 35.20% to reach ₹ 1924.93 Cr. while the Total Business registered a growth of 24.58% to reach

₹ 171000.84 Cr. While the Deposit portfolio increased by 23.36% from ₹ 79171.71 Cr as on 31st March 2016 to

**As business becomes more digitally intensive, organizations must innovate quickly and effectively to keep pace with competitors and remain relevant to customers.**



₹ 97664.56 Cr as on 31st March 2017, Total Advances grew by 26.25% to reach ₹ 73336.28 Cr. On the asset side, Retail advances recorded a growth of 27.08% to ₹21793.62 Cr and corporate advances went up by 33.54% to ₹ 27158.70 Cr. These figures abundantly reflect the intrinsic strength and stability of your bank. They clearly convey that after years of consolidation, your bank is now well positioned to step up on growth.

As business becomes more digitally intensive, organizations must innovate quickly and effectively to keep pace with competitors and remain relevant to customers. So, our unceasing endeavor to re-skill, reboot and reposition ourselves continued in the past year as well. In unambiguous terms we demonstrated our digital expertise last year with the launch of Lotza, the UPI app. It's gratifying to note that Lotza gained traction swiftly and emerged as one of the popular UPI apps in India. Apart from Lotza, our other digital products too are witnessing a sharp spike in the number of downloads and new users. Put these digital jigsaw pieces together and an inspiring picture of a future-ready bank emerges.

However, our digital forays will never mean that conventional banking will ever diminish in importance for us. We firmly believe that our commitment to delight a customer who walks into our premises should be as high as our endeavor to delight a customer who clicks on a Federal Bank app. For us, a perfect marriage of conventional and digital banking is the way forward.

Your bank is privileged to have a board of directors that guides the organization with a remarkable mix of foresight, wisdom and ethics. The bank's unwavering commitment to its founding values served the bank well and this moral compass has enabled the bank to maintain a squeaky clean reputation. In February this year, Mr. Sudhir Joshi retired from the Board, after serving the bank exceptionally well as one of its directors. Mr. Joshi retired upon completing his tenure at the bank. On behalf of the

board, I wish to express my deep gratitude to Mr. Joshi.

There is no greater motivation for us than the confidence you continue to repose in us. I would like to reiterate that in an increasingly uncertain global economic world, we never lose sight of the reason we are here: to serve our customers, to offer best in class products, help communities and, of course, to continuously repay the trust that you, our shareholders, place in us. Our clear focus on customer delight and continuous up gradation of skills were critical to delivering healthy profits – despite a highly volatile and challenging business environment. But this is the past and your bank will not rest on its laurels! Presently, we are at a stage where we are defining the future and will then build it on the strong foundations of the past.

**However, our digital forays will never mean that conventional banking will ever diminish in importance for us. We firmly believe that our commitment to delight a customer who walks into our premises should be as high as our endeavor to delight a customer who clicks on a Federal Bank app.**

While mapping the future is an easy thing, achieving that future is what differentiates the 'Great' and 'Good' organizations. I am reminded of James C Collins, who often quoted the saying "good is the enemy of the great". So, the question staring at us is this: Why should we settle for less? We should not happily settle for something that is merely 'good'. We should aspire for the great. That will propel our organization into a higher orbit of success and accomplishment. Let us all move forward as one team, with this vision and achieve this goal.

Let me take this opportunity to express my sincere thanks to our esteemed shareholders, customers, employees and all stake holders for their unstinted support. We look forward to your continued co-operation as the bank steps into a new horizon, full of new potential and possibilities.

# MESSAGE FROM THE MANAGING DIRECTOR & CEO



Dear Shareholders,

I am pleased and happy to share our Annual Report for Financial Year '17. The year, as most of us know, was filled with global and domestic events (should we say surprises!) that had telling impact on nations and organizations.

Closer home, Demonetization in November 2016 was a watershed event in the industry and has forever changed how we as Indians, deal with cash. Around the same time, we at Federal had just migrated to a state of the art Core Banking System, to create an advanced platform to enhance operational excellence. The event of Demonetization was thus a true challenge, as our teams were adjusting to the new platform and parallelly had to deal with cash logistics issues and some concerns among customers. However I am delighted to inform that our teams rose to the challenge braving personal inconveniences and dealt with both the events with aplomb.

### **Strong, Sustainable and High Quality Growth**

The Financial Performance of FY '17, you may have observed, bears testimony to all the sincere efforts and hard work of our teams. In a year when the Banking Industry was addressing significant issues

of 'no or low growth' and mounting Non-Performing Assets, we delivered a stand out performance!

Our total business increased by 24.58%, our net interest margins improved to 3.31% and our Non-Performing Assets progressed from 1.64 % to 1.28 % (Net NPA) which is reflective of years of prudent and balanced efforts by the Bank.

Our ever watchful and supportive Board has continuously encouraged the team to focus on improving the Operating Rhythm of the Bank and sharply focus on excellence through a combination of state-of-the-art digital initiatives and a genuine focus on customer engagement efforts. In fact, there were more than three occasions when members of the Board spent quality time with customers and our front-end staff members to get a first hand sense of how our clients feel about the bank. Those were indeed helpful in further sharpening our focus in the crucial area of customer experience.

### **Digital at the Fore, Human at the Core!**

Inspired by our guiding principle of 'Digital at the Fore and Human at the Core', we had many Digital firsts to our credit.