SD/ F 24/27/2022-23 **May 10, 2022**

The Manager **The National Stock Exchange of India Limited** **Exchange Plaza, Bandra-Kurla Complex,** **Bandra (E), Mumbai – 400 051.**	**The Manager** **Department of Corporate Services** **BSE Limited, Phiroze Jeejeebhoy Towers,** **Floor 25, Dalal Street, Mumbai – 400 001**

Re: Scrip Symbol: FEDERALBNK/Scrip Code: 500469

Dear Sir,

Sub: Transcript of Earnings Call for the quarter and year ended March 31, 2022

We wish to inform you that the transcript of the earnings call hosted by The Federal Bank Limited ("the Bank") for the financial results of the quarter and year ended March 31, 2022, has been made available on the Bank's website at the following link, within the timeline prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

https://www.federalbank.co.in/documents/10180/52292991/Transcript.pdf/328d090a-ddbf-657f-ef63-33c1ca41f1a6?t=1652177883948

We are also attaching the transcript of the earnings call with this intimation.

This is for your information and appropriate dissemination.

Thanking you,

Yours faithfully,
For The Federal Bank Limited

SAMIR PRAVINCHANDRA RAJDEV
Digitally signed by SAMIR PRAVINCHANDRA RAJDEV
Date: 2022.05.10 18:18:29 +05'30'

Samir P Rajdev
Company Secretary

"Federal Bank Limited Q4 FY22 Earnings Conference Call"

May 06, 2022

MANAGEMENT: **MR. SHYAM SRINIVASAN – MD & CEO, FEDERAL BANK**
MR. ASHUTOSH KHAJURIA - EXECUTIVE DIRECTOR
MS. SHALINI WARRIER - EXECUTIVE DIRECTOR
MR. HARSH DUGAR – GROUP PRESIDENT & COUNTRY HEAD, WHOLESALE BANKING
MR. VENKATRAMAN VENKATESWARAN - GROUP PRESIDENT & CFO
MR. BABU KA - EVP & HEAD, LOAN COLLECTION AND RECOVERY
MR. ANAND CHUGH - HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY22 Earnings Conference Call of The Federal Bank Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Chugh - Head, Investor Relations, The Federal Bank Limited. Thank you and over to you, sir.

Anand Chugh: Thanks, Stephen. Good evening everyone. I am sure all of you would have seen the numbers and would have got a chance to go through the presentation as well. So, I will hand it over to Shyam for his opening remarks and then once that is done, we will proceed for Q&A.

Shyam Srinivasan: Thank you Anand and good afternoon everybody. This is from my office in Federal Tower, I have my senior colleagues who are on the line, Ashutosh, Shalini, Venkat, Harsh, Anand of course and some of our other senior. So, between me and them, we will be able to give a good one going on in the bank and questions that you may have. While we will start with a few opening remarks, you must have had a chance to see our Q4 outcomes, some of reported net profit numbers certainly our highest ever and importantly and gratifyingly the commitments on ROA and ROE are trending to plan and even more hearteningly in Q4, we did take an accelerated one-off impact of the entire family pension provision of our Rs. 140 crores in Q4 and yet could accomplish the number of delivering our ROA commitment which has been driven largely by the asset quality of the bank holding out extremely well and it is as I have always said years of effort to make sure that the credit quality of Federal Bank remains the top notch and thankfully it does continue to be so.

So, message one is we exit with reasonable momentum on the credit quality side and we believe that will hold well as we go into FY23 and beyond we have good insight into kind of performance both restructured book is performing and our core book is performing and we believe that despite the headwinds in the environment, we will continue to deliver good quality of credit performance. That is an encouraging sign. The second is for many years, we have worked on building a high-quality team and I am pleased that this year in particular the senior team and the team below them continues to be top tier and I am quite confident that the depth that we have. For every position we have two people waiting to nudge and take the next job, so I do believe team quality and team strength is good to deal with the challenges that FY23 may place for all of us in the market.

The third message is that we enter FY23 well provisioned on books that we feel any kind of stress, we have adjusted robustly and importantly dealt with having to take the strain of having to provide for pension, we have provided that upfront that as well. The fourth I think what is going to distinguish quite materially in FY23 amongst banks and particularly banks like us is people who have a liability franchise that can withstand and deliver at times like this. All of us know interest rates are going up. There is going to be a war for deposits. There is going to be to support the nascent credit pickup, you need a high-quality liability franchise and for long maintain that our liability franchise is amongst the most granular, most retail in the market and I believe we think we have a good story going and this year will probably show the fact that our liability franchise will hold better than many other banks and help us grow mid teens in credit funded by our own non-bulk liability franchise.

And the last which is supposed to be the earlier point on deposits is the fact that we have invested very materially in Fintech. I would like to believe we are the absolute go-to-bank for the Fintech partnerships, not just because it is glamorous, but we have a model that works for both of us in the Fintech partners and I am quite committed and believe that FY23 will see that pan out in terms of both ability to grow and monetize these relationship. So, we enter FY23, on the back of good credit quality a team that is strong, an asset quality, a well provisioned and ability to grow liabilities and meaningful, thoughtful Fintech engagements that we are preparing for and we believe that it will start distinguishing our bank quite substantially.

These were some of the sort of entry opening remarks I wanted to make. The numbers are there for you to see and we will be more than happy to answer questions, any clarifications that are required. We had said that we will be on a trajectory to delivering 1.2 to 1.25% ROA in two financial years out which means in FY23, we are committed to being closer to 1.1 or thereabout slightly better and at this point in time, our line of sight and our trajectory points to the fact that it is quite possible and we are barring any extraordinary external environment changes we should be on cause to delivering that. It is also happening that in FY22, our capital adequacy went up by about 100 basis points. We did have new anchor investor who came in and outside of that our retained earnings and our overall performance helped us reshape the credit book to raise our capital adequacy to 15.77 if I recall it right and lastly but not any less important has been this is the second year on a run we have been chosen as a great place to work and this is relevant for a bank like us which is traditionally seen as relatively an old world employer and don’t have both talent and focus around these aspects. I do believe that we can proudly say that we have both great place to work and we attract good talent. So, I will just pause here and open it up for questions and I am sure, between me, Ashutosh, Shalini, Harsh, Venkat, Anand, Babu will be able to answer any questions that anybody may want to ask or clarify. Thank you very much.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.

Gaurav Kochar: My first question is on the OpEx front, you took a onetime hit of around Rs. 145, Rs. 150 crores in this quarter, if I remove that I am assuming that this has come in the employee expense line, so if I remove that from the employee expense, it shows that the run rate is closer to Rs. 480, Rs. 490 crores is that the way to look at it for the next year the employee expense run rate of some Rs. 500 crores?

Shyam Srinivasan: Around Rs. 500 would be within the, you should assume Rs. 500, Rs. 510 that is all, yes.

Gaurav Kochar: So, round about Rs. 2000 ballpark is Rs. 100 crores here and there?

Shyam Srinivasan: Yes.

Gaurav Kochar: And I remember earlier you alluded to in previous calls that FY23 onwards some benefit of some of the older employees retiring that benefit would come in the form of lower pension liability and also the yields are moving up, so is this 500 number net of all that?

Shyam Srinivasan: Yes, you could say that, yes.

Gaurav Kochar: Also, another point on the balance sheet front, I mean if I look at the borrowings develop around Rs. 7000 crores sequentially, our LCR is probably best in class, we have a very high LCR, I am assuming the SLR component is also about the regulatory limits, then why exactly was there a need to borrow, is this some sort of NHB borrowing or lower cost borrowing that we did in the quarter end?

Shyam Srinivasan: Yes, there was an opportunity to borrow 3-year money from NABARD and that is what we have and turns out to be a good choice in the context of the raising rate, so it turned out well for us.

Gaurav Kochar: Just that brings me to the question on growth, to deploy that excess borrowing or excess liquidity, what kind of growth are we looking at for fiscal year 23 given that large banks are already growing 15% plus, any sort of growth outlook that you would like to talk about?

Ashutosh Khajuria: Basically, if you see our CD issuance, CDs are allowed to mature and number one we brought longitivity as far as the resources are concerned, it is refinance and therefore exemption is available, CRR, SLR exemption is available and retrospect when we see CRR has gone down by 50 basis point, it looks like that was a good call made in January 2022, so I think to answer your question, part of it was replacement of CDs. From a credit growth point of view, we believe this year anything not of 15 is what we should be targeting. Internally, we have higher aspirations, but I think yes, (+15) is something we are pushing. We believe it is right possible here. The year went by, we were at about 10%, we did about close to 1.5% of securitization, so to that extent we reduced our credit book by about Rs. 1,500 crores, so we did grow close to 12% last financial year. We believe this year it should be well north of 15.

Gaurav Kochar: And on the repo rate hike and given that our size also linked to repo rate, will the SA rate go up or the spread will be adjusted accordingly?

Ashutosh Khajuria: Spread will be adjusted large part, we have already increased SA by 15 basis points against 40 basis point increase and we are yet even after that the lowest SA in the country and going at 18-19%.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from Edelweiss. Please go ahead.

Mahrukh Adajania: Sir, I had a couple of questions, firstly you talked about mid-teens credit growth, this time round it was 10% to what gives you the confidence? Would it be inflation or market share gains or how do we look at it?

Shyam Srinivasan: It is a combination Mahrukh. There are all businesses that are positioned for growth. Last year, because we went slow on gold loan for the first 9 months, so we didn't go slow, the market also slowed, we saw lower traction, it picked up quite meaningfully in Q4 and I see that continuing in FY23. The previous year we had grown 70%, so this year it should be well north of 20-25%. Almost every business line has both potential opportunity and risk appetite to grow north of 15. There are some very nascent businesses like credit cards and commercial vehicles which may grow at an astronomical even 100%, but on balance we believe that Rs. 1,30,000 crores of credit book should grow north of 15% across the sector. There may be only one business where we may see lower than mid-teens depending on the size, ticket, and competition. We may choose to dial up, dial down on the corporate credit depending on the opportunities in the market, but otherwise granular organic businesses, all see used potential to grow.

Mahrukh Adajania: Sir, a lot of banks including PSUs are complaining about very aggressive competition in well rated SMEs and of course in well rated corporates, so what are your thoughts there that you think with such peaking competition is it possible to grow in these segments, the aggressive guides are not in the segments we operated?

Shyam Srinivasan: I think the good segments are always fully flooded with good players, right, it is never going to be vacant and for somebody else to steal, but I think the current interest rate environment and typically the rush to grow credit that few banks talks about, we do see and I am quite sure that you will see that behavior will change in a year like this and that is why I said very early in the call that deposit franchise banks will grow better. Those who garner good low quality granular deposits. We believe that we have that tool in our hand and we have demonstrated that for many years and I believe that will help us grow and yes, despite everything growing at 15% in this environment looks very possible. I do have to add your point of few banks cornering because of their overall strength is indeed true, but I do think sanity in pricing is coming now.

Mahrukh Adajania: Sir, my last question is if you could give the breakdown of loans by rate, so how much is NCLR, repo and other variable?

Shyam Srinivasan: Very broadly, our repo book is about 45%, Venkat am I right?

V. Venkateswaran: Yes, Shyam, the external benchmark is 46, the MCLR is 18 and fixed is 27.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from Motilal Oswal Securities. Please go ahead.

Nitin Agarwal: Two questions, one is on margins like we have seen 11 basis points decline in this quarter, so any color on this and how do you see this fairing over FY23?

Shyam Srinivasan: Nitin, I would request you to not look at a quarter, look at the longer period, 320 was the number we looked at and we landed at 320. FY23, we believe that should shoot up by at least another 7-8 basis points. We think we will blend FY23 will be closer to 325 plus.

Nitin Agarwal: And secondly, now that we have already absorbed the family pension cost this quarter, so how do you see the cost to income ratio now?

Shyam Srinivasan: We should normalize back to the early 50s and as I have mentioned in earlier calls in prior period, we are pushing very hard to get it to below sub 50 closer to 48, but I think we will need one extra financial year for that.

Moderator: Thank you. The next question is from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva: Following just might be repeating in nature, but on the margin front, despite our high lending books growing faster, let us say gold loan or a CV/CE of 40%, those I understand like base is very low, but incrementally the growths in these segments are higher, why should margin fall in Q4 eventually, is there anything which we are missing or any one-off there?

Shyam Srinivasan: Not missing anything Renish, if you see our slippages in Q4, it was a little exaggerated on the agri side and that typically in an agri portfolio you will see a bunching up of interest and when there is a slippage it tends to eat up larger share of the revenue reversal. So, that extent that would have taken away 4-5 basis points.

Renish Bhuva: And sir, just on your opening remarks you have said that the Fintech partnerships have to some extent been matured now and we will see our P&L benefit start growing from FY23 onwards, so any ballpark numbers you have in mind may be it will flow through the other income or NII, where should it reflect in P&L?

Shyam Srinivasan: No, it was the liability growth and asset growth both, there is a dependency on this as a distribution, right, we have seen our Epifi, Jupiter and potentially a few more that are partners. They are largely are liability origination relationship, so we think about 25% of our incremental deposit growth will come from these partnerships incrementally. Likewise, on the lending side, including 40 and 50% of the incremental lending in some products will come through these partnerships. We therefore will stack up for our growth in credit growth and liabilities.

Renish Bhuva: And any cost benefit analysis we have done, let us say what our incremental business are there on the liability side or on the asset side we get, if we are getting it higher than 50% cost to income or lower than 50% cost to income?

Shyam Srinivasan: The revenues sharing and the cost model with the partners as I mentioned in the previous calls and now it is getting sharper, a fair amount of it is variable. It is linked to the volume that is generated and it is not a fixed cost. Most 95% of relationship is variable, one or two there are some fixed element and importantly for FY23 for the incremental business, it will come roughly at about 60% cost to income ratio trending towards 45% in the following financial year.

Renish Bhuva: And FY22, the same will be more than 60-65, cost to income ratio?

Shyam Srinivasan: FY22?

Renish Bhuva: Yes.

Shyam Srinivasan: Roughly you could say, but FY22, the pickup for revenue was later part of this year, so on incrementally it was about 65, but on the full year basis, it was closer to 70.

Moderator: Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.

Kaushik Poddar: Shyam, with whatever HDFC and HDFC Bank merger being there, it is quite clear that banks needs to get bigger to take care of the economy of scale, so is Federal Bank that is its board of director thinking in those terms?

Shyam Srinivasan: Nothing at this point in time, neither do we have opportunity to buy nor as anybody approached us to be bought, so at this juncture it is heavily organic with opportunities to look at integrating microfinance portfolios or any higher margin portfolios to our companies for which we have marching order to go and find. Fortunately, we haven't found any of the size of scale or if there are very good and it is not an affordable price, but outside of that nothing Kaushik, we don’t have any at this point in time dialogue with anybody one way or the other.

Kaushik Poddar: And basically, you are talking of purchase of financial asset in the sense of some portfolio?

Shyam Srinivasan: Asset or if a well-run microfinance set up is available we will be happy to consider transaction, but I have to add quickly that nothing is in the cards.

Kaushik Poddar: And I just wanted to confirm, cost to income ratio for this year you are putting it at 50%?

Shyam Srinivasan: FY23, yes we are looking at 50-51%

Moderator: Thank you. The next question is from the line of Manish Dhariwala from Fiducia Capital. Please go ahead.

Manish Dhariwala: My whole question is surrounding the question that has been asked about the growth, like this particular quarter, our yield reduced and the cost increased and this quarter the NIM was also quite at the lower end, say down to 3.16 and using that as of the year is 3.2, so basically the environment is going to be remaining challenging and now already the provisions are down to Rs. 75 crores, so I don’t know whether they can come even further down, so where do you get PAT from?

Shyam Srinivasan: I did mention a little while earlier, our NIM expansion to 325, 327 is something that why the business mix change and the prevailing rate environment looks very possible and it will happen. The cost this quarter was a little exaggerated because of the one-off event, so we do believe that there would be a positive jog as in the revenue will outstrip the cost growth and credit quality will continue to hold as well as it does. So, that is how we are expecting 10 basis point improvement in our ROA expansion.

Manish Dhariwal: See, we are sitting at a very solid platform, in terms of our asset growth or the quality of our asset growth and don't you think that we should be kind of using that to step up on our growth aspirations?

Shyam Srinivasan: I did mention we will grow very handsomely, but as a conventional.

Manish Dhariwal: 15% is something that is like…

Shyam Srinivasan: No, I respect your observation, but there have been stories of people doing 30-40% growth and then going to jail, we have no such aspirations. I am also acutely aware that there are some banks that scale of NBFC growing at 20%, but we will be honest and real about where we can do business and how we should do business, so you will not hear Federal Bank trying to take itself into a position which then looks ugly a few years later. Will we seek 20%, absolutely yes, we will and we are not any less ambitious about growth, but we will be quite honest about the way we do business. If you heard as of partner, tracked us for long as I have been we have never made false commitments. We don't intent to also.

Manish Dhariwal: And also, we have been kind of developing our Fintech side of book, so far the cost actually have gone up despite the fact that our branch expansion has not happened, but you usually say that our lot of business is going to come from the Fintech relationships, so this FY23, you think is going to be the year you have inspection where the money is going to fall and monetization is going to happen?

Shyam Srinivasan: Yes, I did mention just a few minutes ago that we will see meaningful part of our incremental growth coming through these partnerships and it is trending towards the 60% cost to income and the following year towards 45% cost to income or even better. We look at this the following way. For about 5 years plus, we have added 20 branches, but we have doubled the bank in almost every dimension and we are now these branches, in fact I am very happy to report at this point in time, we just reported to our board today there is only one branch that is nonprofitable and that too only because it is less than 2-1/2 years old. So, we have every branch in the bank at good efficiency and productive and going ahead. So, you told ourselves two things, one is we will dial up our Fintech partnerships which is typically, if we open our branch, it takes about 18 months or sort of breakeven, our Fintech partnerships will breakeven even faster, so when we grow 25% in incremental deposits, it is almost like adding 300 branches. That is one. Second is, in addition, for distribution, our strategy was branch like distribution heavy, we have flipped it around the light branch heavy distribution which means we will start adding branches, maximum about 5%

of our network will increase every year and that again will start giving us distribution. So, both counts we are doing about this year and beyond.

Moderator: Thank you. The next question is from the line of Sagar Shah from Alphaline Wealth Advisors. Please go ahead.

Sagar Shah: Actually I just had one question, so basically based on the past performance of your agri banking portfolio, you NPAs seem to be highest in that front actually and in spite of that in this quarter, your agri portfolio you have grown by 20%, so do you feel that going ahead, this portfolio would see some improved asset quality or we will see the same growth rates going ahead also?

Shyam Srinivasan: This agri you must remind that it has got gold on it, so when it sees 20% growth, it includes agri gold loan also and this point about agri portfolio is facing higher losses is new to me, maybe I am not fully informed, I didn't realize it that way. In this quarter, there was one-off higher than normal. This quarter was Rs. 140 odd crores, normally it has never been that high, it includes agri and in the past it used to be agri and SME, so in the reporting sense if you look back in time it was agri and SME integrated, but now we have partitioned that. So, if you look at it, I don't recall ever agri being a big problem except for this quarter where we took a larger hit of Rs. 89 crores on time.

Ashutosh Khajuria: If I may add, this is because of I think basically you have special dispensation for agri, you have two crop sort of permissibility wherein if after one crop season if it is not paid, the account is not classified NPA for another crop season or so. These are some peculiarities with agri loans, therefore there is after effect of COVID which got materialized here with delay, in other segments, it happened then and there.

Sagar Shah: So, you expect this portfolio to do well in FY23 also?

Shyam Srinivasan: FY23, we will not have that COVID legacy affecting the agri portfolio or so, so this is something, which is peculiar to agriculture and therefore even interest reversal because you are maintaining that account as standard for say two crop seasons, so the accumulated accrued interest also needs to be, realized interest also needs to be reversed and that has impact NII also. Somebody has asked this question about NIM, so partly this NIM got contracted by 3-4 basis points and outcome of that agri slippages also. I hope that clarifies.

Sagar Shah: And my second last question was related to your business banking and commercial banking portfolio, so basically your commercial banking portfolio at least you have been growing at almost 8% in the last 5 years, 8% CAGR, so as you said in your last comments on an average you will be growing around 13% on almost all the segments, so are you confident in spite of such heavy competition in the business banking and the commercial banking segments, actually, throughout the banking system, so are you still confident of delivering 15% growth in both the segments?

Shyam Srinivasan: I think we are well positioned. In the Q4 these are two businesses that grew, I think for the quarter 4% in the most intense competition period. We remain confident on that.

Moderator: Thank you. The next question is from the line of Krishnan ASV from HDFC Securities. Please go ahead.

Krishnan ASV: Just one very quick query around deposit side, this was more to do with the fact that you mentioned about the fact that our branches except for one has broken even, I was looking at more in the productivity of these branches, have you seen a marked improvement in say the potential up in productivity of Federal Bank, your branches compared to peers and what are you doing to build that potential further?

Shyam Srinivasan: I think firstly, for quite a while now and each passing year it gets better, the sharp focus on products that we want our branches to be doing and branches, how much of their time is spent on sales, service and operation. So, we have carved that up quite nicely. The reward mechanism for branches are driven by what their job objectives are in terms of productivity. You may have noticed our fee income ex-treasury has grown 25% Y-o-Y, 10% sequentially. Largely, fee income on wealth management and life insurance are branched led and has done a remarkable job. So, productivity on business banking, gold, collection where they need to step in and fee income products in addition to CASA growth is their job and on all accounts there is very meaningful progress and each year we have been triggered to perform even better. Their score cards are sharply focused on this.

Krishnan ASV: The other bit was around the growth environment itself, generally we have remained fairly conservative even when the peers are able to sequentially grew faster, you have been very picky because you are quite selective, just wanted to understand do you see from say pricing perspective any competitive intensity is seen in any of the key segments that you are definitely looking to grow in?

Shyam Srinivasan: I don't see easing, but I think there is some sanity coming in this very aggressive pricing that was happening in Q3-Q4 of last financial year, of course, April is usually a bad month to make any determination because there is a slowdown of varying nature, but given trends, conversations and the general interest rate environment, we believe that some pricing power will come back to lenders and within the same risk appetite framework that we have we believe our growth numbers that we spoke about 15% plus is very possible without busting our boundary condition on lending.

Krishnan ASV: Just one last query, you build a fairly granular book on the asset side of the balance sheet as well, it has been carefully crafted for the last few years, just wanted to understand what kind of wallet share, your assessment of where you are on wallet share and where can Federal Bank potentially take this over the next may be 3 years?

Shyam Srinivasan: Did you mean product per customer is that what your question is?

Krishnan ASV: Not necessarily on just the individual side, but even on the commercial banking, business banking side, the SMEs that are typically where you can still exercise some element to say the pricing power?

Shyam Srinivasan: As a thumb rule, I want to say that good customer irrespective of which segment they believe are able to comment price, then it comes to the relationship potential and our frontline guy's ability to work with them and get more business. As we get more RM and outward client focus as in we go to the client and suppose if client comes to us, we are seeing that capability drilll deeper and get a larger share of the wallet. In small business, business banking, commercial banking I think our share of business is increasing with every passing, Kapil, Shalini, Harsh are on the call, may also add, but that is increasing. On the corporate, where it is only a big ticket lending that is a fight, but even there we have seen very sharp growth in fee income this year and driven by these initiative, but I think there is work to do on that count.

Harsh: Just to add, Harsh here, on the commercial banking, business banking side, we are typically in most cases sole bankers or a dominant banker and other ancillary businesses follow suite. In the mid corporate segment a large corporate obviously we are gaining share. Just to give an indication, our trade volumes, our cash management volumes and the fee growth had been significantly higher than our asset growth, obviously indicating gaining wallet share over there as well.

Moderator: Thank you. The next question is from the line of Kashyap Zaveri from Emkay Investment Managers. Please go ahead.

Kashyap Zaveri: Just two questions from my side, one, if I look at fees, there is a general commission which have grown almost 50% Y-o-Y from over Rs. 45 to Rs. 70 crores, last 4 quarters the run rate has been about Rs. 45 crores, so what has driven that number and which seemingly the primary driver besides cards of 25% growth in fields and second question is on CASA, now if I look at last 3 quarters, the SA number is now pretty much at about Rs. 51 to Rs. 54,000 crores and CA number is also pretty much stagnant at about Rs. 11,000-Rs. 12,000 crores, so any color on the client acquisition on both the sides if you can offer, because what I understand is that with the Fintech partnerships that we had the number of client acquisition has gone up substantially, but that is not pretty much probably reflecting in the overall slot available?

Shyam Srinivasan: I think on the SA we can't expect the Fintech to give us in the first period, in fact at this point in time there is incremental growth, this is the origination and SA would be less than 5% which is what we said it will go up to 25% in FY23 of the incremental balances that get built out and because the profile of these customers come in and there are more transaction and they start building over a period of time, I don’t believe that they will all be coming with large balances upfront, but the nature and profile of that base is very different and that will continue, but it is giving us axis to the new generation of clients which we would not avail to the bank and therefore the ability to cross sell a bunch of products kicks in and that is something that we are work on. That is why I said 25% of our deposit growth, incremental and around 50% of our incremental credit growth for some products will come through this segment. I missed the earlier part of the question, if you want to remind me.

Kashyap Zaveri: Second question was on fees, so the banking commission and exchanges, run rate was about Rs. 45 crores a quarter and suddenly this quarter itself lost about Rs. 70 crores?

Shyam Srinivasan: So, I think the growth on our fee income products like life insurance, mutual funds have all picked up and are doing extremely well and that is all branch led and I think when Krishnan asked, I did answer that in terms of these products are branch distribution led which is doing very well. Penetration at existing client base is increasing. Shalini, do you want to comment on that and give your insights on that Shalini?

Shalini: I think there are a couple of drivers for driving up the fee income, taking off from where Shyam left, one is on the card side, while credit card is still a very small percentage of the portfolio. On debit card, we have been kind of very good spend perspective and here we ranked amongst the private sector banks probably fifth in terms of monthly spends. That has its own benefit in terms of interchange fee, so that is one part of the fee income. The other part of the fee income that is growing at a very steady face is the entire suite of products that we offer on the para banking which is life insurance, non-life insurance, health insurance, wealth management and products like depository demat, sovereign gold bond, etc., that has grown 10% Q-on-Q, 25% year-on-year. So, combination of these kind of factors along with normal ATM fees that we get etc., has helped us to grow our fee income, very much driven by customer behavior, very much driven by the use of analytics to cross sell products to the customer and very much driven by branch productivity.

Kashyap Zaveri: And one last question, would you be able to disclose monthly client acquisition on the liability side?

Shyam Srinivasan: Roughly in a day we do between our organic plus two partners we are doing closer to 17,000 to 18,000 new customers.

Moderator: Thank you. The next question is from the line of Shalini Vasanta from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: This is Vivek Ramakrishnan, my question was on the deposit side, this year seems to be the year where there will be a bit of a scramble for deposits and since you are using Fintech and everybody is also going to be using similar Fintech, what causes the stickiness in your deposit base and how confident are you that you can grow it in the scramble for deposits? I will also ask the second question, so that I can do it sequentially, in terms of we have a NBFC that is doing small finance business and it doing quite well, so how important is Fedfina to your overall targets of ROE and growth aspirations?

Shyam Srinivasan: Fedfina, every number of that other than the consolidated number is an independent entity. We have none of that included except for some retail distribution they will do for home loans. Other than that they are an entirely independent entity run by their board. Just the consolidated number is what you see in our numbers, but that is a very marginal number in the scheme of things for us as of now. If they are doing well, I am happy they are doing well and they should do well. For the first part of your question, stickiness I think for a long period that has been the strength of our bank, the remittance business that comes in, Middle East Kerala, Middle East non-Kerala, non-Kerala non-Middle East, all of that are tracking well. Domestic franchise across the country, non-Kerala deposit growth is higher than our deposit in Kerala driven by a, our lower base, b, our higher presence and productivity. Third, as we step up and see more Fintech engagement and this client base starts maturing, we believe there will be incremental opportunity, but that is to be yet proven and tested. Why would we grow and why would customers stick with us, with some confidence I can tell you, if you are a Federal Bank customer you rarely leave us. Our NPS and this is not my measure, NPS score as measured by Nielsen for the industry we rank among the top 2-3 NPS scores. For common to understanding net promoter score is the best measure of customer referring us or promoting our case and sticking with us.

Moderator: Thank you. The next question is from the line of Mahesh M. B. from Kotak Securities. Please go ahead.

Mahesh M. B.: Sir, couple of questions, one is on slide 23 on the retail book, Shyam this growth that you saw in housing seems to be very weak, down on a Q-o-Q basis?

Anand Chugh: Mahesh, I think, we have got the number slightly wrong on that side, we will update that slide and we will probably update the presentation.

Mahesh M. B.: On the second question, you had kind of indicated this breakup between MCLR, repo, that number is actually 90, not 100, so you said 45 repo, 18 MCLR, 27 fixed?

Venkatraman: The rest of them of them are like staff loans and FX and a few others small 1%, 2%, so I gave you the bigger ones.

Mahesh M. B.: And one last question is that on the pension related cost, how much was it for the full year that you had provided?

Shyam Srinivasan: Rs. 185 crores on the family pension.

Mahesh M. B.: No, if I include the overall, entire provision that you made?

Shyam Srinivasan: It would be north of Rs. 350-Rs. 400 crores.

Mahesh M. B.: A comparable number, this would be Rs. 500 crores last year, if you just kind of look at the annual report and kind of compare it with the number that you gave?

Shyam Srinivasan: Let me not try to guess that. Venkat.

V. Venkateswaran: It's around 440 to 450 Mahesh.

Mahesh M. B.: That is last year or this year?

V. Venkateswaran: Last year.

Mahesh M. B.: And this the number is 350?

V. Venkateswaran: This year, if you add, the family pension will be higher. Pension alone is 185.

Shyam Srinivasan: I will have to look into what is in the current year, I haven't checked that.

Moderator: Thank you. The next question is from the line of **Rishabh Inderkar from Guardian** Capital. Please go ahead.

Rishabh Inderkar: I just had a couple of questions; first could you take me through what is the reason for decline in treasury profitability?

Shyam Srinivasan: Ashutosh, you want to comment?

Ashutosh Khajuria: Yes, I think basically when interest rates starts moving up, you do not have the opportunity to really make profits on bonds, yes, through shorting, some part of it has been compensated and through some Forex volatility was there, but the trading gain cannot substitute the investment related opportunities, this which is classified in the profit and sale of investments. So, I think when you see yields going up, the risk is on the other side that you are required to provide for it rather than earning profits there. So, we had been maintaining very low PVBP, very low modified duration in our HFT and AFS portfolio. As a result of that the hit is minimal, but at the same time, the opportunity to make profit reduces thatmuch, but if you see for the year as a whole, first quarter has been very good. So, when you compare year versus year, I think you would find this year to be quite ok. The year that has gone past has been quite okay from that part. FY23 may have challenge.

Rishabh Inderkar: Sir, any guidance on what sort of profitability we are looking at in treasury business next year?

Shyam Srinivasan: On the Forex side, there would be normal growth of 15-20%, but on the investment side and all, there are some opportunities, but that would depend on what call we take depending upon the then prevailing scenarios and all, investments in some of those, strategic investments and all, so that is something which we would decide in the fourth quarter. Overall, I think if profit on sale of investment has not been as such budgeted at these same level at which it was, the actuals have come for FY22, but that would be compensated through the core fee income growth which has trended very well in third and fourth quarters of the previous year, FY22. So, in FY23, we can take it forward to compensate and that is going to be more sustaining.

Rhishabh Indrekar: In terms of loan book, do we have a breakup of the fixed rate and floating rate loan?

Shyam Srinivasan: That is what we had given. Venkat, you can repeat that. I think the fixed rate is 27%.

V. Venkateswaran: Yes, 27, 18 is MCLR and external benchmark is 46-47%.

Ashutosh Khajuria: Rest is advances against specified securities, NFCs, Foreign currency also, shares and banks own deposits and all that which

Rhishabh Indrekar: And earlier during the call, it was mentioned that from FY23, we would start monetizing the Fintech relationships, do we have, what is the model that we are using for monetizing these?

Shyam Srinivasan: No, I think when I said monetizing it means that the investments made start fetching revenues and I said this year broadly the cost to income should be closer to 60%, for every rupee we spend we expect at least 60 paise revenues or more are we pushing for. we earn more than 1.5

Moderator: Thank you. The next question is from the line of Franklin M. from Equentis Wealth Advisory. Please go ahead.

Franklin M.: So, just on the deposit trajectory last 2-3 quarters, we have seen a slowing trajectory in the overall deposits and we are likely to grow our advances by 15% plus in the next year which means that our deposit base also needs to start picking up, so one is like what is the reason why the trajectory has slowed and how is this trajectory likely to pick up?

Ashutosh Khajuria: I think this question had come earlier. I think part of the deposits is your certificate of deposits and all those, so we have reduced our so called bulk and wholesale segment. In fact, part of it has been substituted by the refinancers from the refinancing institutions like NABARD and all, but that doesn't come under deposits, that comes under borrowings, though it is longer term, very competitively priced and all that, so the thing is I think you may see a reduction in total deposits or rather slower growth in total deposits, but if you remove this, conscious substitution and all, the deposit growth is matching the advances growth, loans growth. Retail deposit growth is in double digit.

Franklin M.: And on the NIM trajectory, you said that our own 3.25 is where you are looking for maintaining the NIMs for next year, but is there scope for further improvement like the year after that or is this 3.25 likely to be more of a sustainable number?

Shyam Srinivasan: No, I think the effort of the bank has the mix of the business changes and in our raising rate environment certainly to go higher than the Rs. 325 crores to Rs. 330 or beyond, but I think these are best delivered and just spoken of the next milestone.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Prabhudas Liladher. Please go ahead.

Gaurav Jani: Firstly, question to Shyam sir, on the CASA ratio we are at about close to 37 in the coming year, as you are clearing at higher interest rate environment, generally for us and for the system, how do customers behave, so could we retain these customers or should we logically see reduction in the CASA ratio?

Shyam Srinivasan: We are looking at, see even CASA, we have to look at two things, when you look at a ratio more than numerator and the denominator, what we are aspiring and working on is to get the CASA growing at the north of 17-18% growth rate and term is a function of both pricing and demand that we want. So, CASA ratio can swing, but preferably we want to push in by another 100 basis points. In the last two financial years, we have moved up 313 basis points in CASA. We believe that we should get it closer to 39, but we are working on that. Over a period of time it will happen, but more than the ratio, please focus on the net blended cost of funds and CASA growing, having said that the ratio will improve because that is also a focus area of the bank. Our CASA cost of money is now in the top quartile, 4.3 or whatever that is.

Gaurav Jani: The second question is to Shalini ma'am, on the credit card front ma'am, first we wanted your views on the new credit card guidelines and considering we had tie-ups with Fintech for cobranded cards, how will that sort of shape up in terms of growth?

Shalini: I take two parts to it. One in so far as our organic credit card portfolio is concerned which is our own portfolio which is growing at a good rate. From the directions, there are a range of items which RBI has introduced in the new direction, primarily driven by the need for transparency from the customer standpoint making it easier for customers making it more convenient for customers, examples being you can change your billing cycle, you need to if it has not been activated within 30 days, it needs an OTP to do it, etc., so may be about 10 or so items which are primarily operationally required to be delivered, none of which we find challenging from a delivery perspective, yes, it will potentially increase a little bit of the cost of processing, but in the overall interest of customer stickiness and with growing balances and getting the credit card as structured instrument, I think that is a good balanced to strike, so that is on the organic one and as far as cobranded one is concerned, we have a partnership with FPL and that is the partnership that has been live for probably about 8 or 9 months now. From our standpoint, FPL currently plays the role of both, it is a promoting and acquiring cards for us as a brand partner for us, as a co-brand partner, so the entity also plays a role as an outsourced TSP, a Technology Service Provider. Under that role, FPL ensures an end to end customer experience, mobile first kind of customer experience. The master direction has made certain areas are little more explicit in terms of what can be done, not done, etc., with co-brand side of it as well as the TSP side of it. We don’t believe any of them are show stoppers of any kind. We do believe that we will be able to deliver all those with our partner, so we are quite, as we stand right now with the couple of months more left for the implementation date, we are quite confident that the trajectory will continue. So, both ends, we have had a fairly detail look at it and we do believe that in the general health of the industry I think both measures are good and we can deliver on them.

Gaurav Jani: Ma'am, just one question on credit card growth bit, so considering we are looking at again rising interest rate environment, should we sort of assume that we have to slow down on growth or how should we look at those, obviously you are in a low base, how is that?

Shalini: Yes, we have a low base, exactly what you said we have a low base and also the overall credit card penetration in the country, all of us know it is still very small, so I personally don't think we will see any material slowdown in the credit card growth because the penetration is so slow in the industry as a whole and for us the base is anyway so small that we have an opportunity to grow. What could potentially get impacted is within that we obviously look at revolvers on the outstanding as well as those using balance, transferring their balance to an EMI, which makes you a little bit of reduction, but honestly for us at least the portfolio being small we will still see a growth there.

Shyam Srinivasan: Just add to what Shalini said Gaurav, in the only product which is reasonably rate agnostic is credit cards. So, rising rate it doesn't necessarily mean because we already had 24-25, if the revolving guy is already paying that rate.

Gaurav Jani: Just final one if I can squeeze in, one is what percentage of our liabilities would sort of mature within one year and the update on the Fedfina listing, please?

Shyam Srinivasan: Fedfina listing, I have nothing to add than what I had said. SEBI is yet to come up with the approval and then post that the company has up to a year to list, so there is no timeline date for it. On liability what was the question?

Gaurav Jani: What proportion of the liabilities would mature say by FY23 within a year from now?

Shyam Srinivasan: That is in the fixed deposit portfolio, right? Venkat, anything that you want to, you can share on the top of your head.

Gaurav Jani: From an ALM standpoint, what proportion of the liabilities would mature within one year?

Ashutosh Khajuria: So, I think on the term deposit side, nearly 60 to 65% of term deposits are the original maturity of one year. So, nearly two third of the term deposits have the original maturity of one year, so remaining maturity could be few days to 12 months.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, the housing book and the PL book both have declined on a quarter-on-quarter basis, is there any reclassification which has happened or?

Shyam Srinivasan: I have mentioned there is an error in reporting, sorry that needs to be corrected.

Anand Dama: Yes, but on the personal loan side, I think last quarter also, we had shared that basically?

Shyam Srinivasan: Personal loan has declined; rate of growth has slowed down because we did not grow that business aggressively in FY22 for the purpose that of current quality and comfort that we get. We see that happening going into FY23.

Anand Dama: But Shyam, basically when we look at other banks, be it HDFC, ICICI and all, they are all growing into the personal loan segment which they believe is largely mainly focused on the captive customers, so what really makes us so concerned about that book?

Shyam Srinivasan: Anand, I think the question on why we are growing or why we are not growing we can only answer, why we did not push that hard, for the very reason that we tightened our criteria for existing customers. We do only preapproved digitally originated personal loans which was growing at about Rs. 100 crores a month pre-COVID. During COVID, we tightened the criteria quite materially, so the book started running down. The backfilling of your book is now running at about Rs. 60 a month. As we go into and we are now getting more comfortable with the environment, so we are unleashing some of the parameters back, so growth will come back.

Anand Dama: And so when we said that we are looking to grow at somewhere about 15% or so, even at the top end about 20%, so how will the retail look like and how will basically corporate shape up?

Shyam Srinivasan: Businesses like credit cards will grow well about 100% or even more because the base is small. Personal loan which is close to about Rs. 2000 crores book will grow at about 18% to 20% this year.

Anand Dama: And how about mortgages, because that book also, in fact if you look at the other bank they have been growing at much faster pace?

Venkatraman: Just on the previous question, roughly 40% of the liabilities mature in next one year, just wanted to make that point here. That 40% that will incur because you remove nearly 40% of CASA, the remaining one, if you take 60% of that, almost two third of remaining 60% comes to 40%. So, that number remains as same.

Anand Dama: Shyam, the question was on mortgages, so what kind of growth rate are you looking at in that segment?

Shyam Srinivasan: This year, growth is close to 14%, we think that will grow, in previous year grew about 18%, we think that will happen.

Anand Dama: And on the corporate front?

Shyam Srinivasan: Corporate business I mentioned a while ago, we grew this year more at the backend, we started growing. We believe this coming financial year, we should grow well into the early teens, but I would be cautious about the opportunity in terms of pricing, so we will pick that, we will be picking. Last year, we sanctioned, but does not disburse Rs. 3,000 crores of corporate credit. If we had disbursed it, we would have had another 3% growth which was not to. Harsh, am I right?

Harsh: Yes, you are right Shyam, we had done that and apart from that we had done some sell down of assets, which is another 2.5% of the corporate portfolio.

Anand Dama: Which means that the portfolio mix is going to shift more towards retail and I think SME, in that case, we should see a margin uptake?

Shyam Srinivasan: Yes, we said 55-45 retail wholesale, within retail we will have higher mix of higher margin business. Likewise in wholesale and commercial banking we will pick up. We will also said the portfolio or NIM will move up to 325 or so. So, you must add that 10 basis points from 316 basis point increase. On the whole portfolio, Rs. 130,000 crores is a lot of heavy lifting to do.

Moderator: Thank you. The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: On your exit ROA sir, existing for this family pension we would have done 1.24, 1.25 which we had said earlier, if you can refresh this guidance on exit basis or may be full year basis for the next 1-2 years?

Shyam Srinivasan: We had said 1.25% two financial years out and we are still holding to that. We think FY23 will be closer to 1.1 to 1.12, 1.13.

Jay Mundra: For full year basis, right?

Shyam Srinivasan: Exit ROA, full year may be about 1.07, 1.08, 5 basis point more from the exit rate just now.

Jay Mundra: And sir, within which credit cost if I see for this year what you have reported is 45 basis point, do you see any more scope to lower it this should be?

Shyam Srinivasan: This will be reasonably optimum at this point in time, 45 or so. We are working to an improvement on that but let me be honest, we will pad up a little in case things work in favor of us.

Jay Mundra: And the last two questions sir, on restructuring, so how much, the performance looks decent and I think you also mentioned 95% collections, but just wanted to check our entire book out of moratorium and may be how many customers are paying in full sector wise you can share some details?

Shyam Srinivasan: Our head of collections has done PhD in it, so Babu, you can just quickly give one minute answer to this.

Babu KA: Yes, Restructured book is primarily to say quality book as in the case of our normal asset book, likewise this set of collection is happening and the slippages rate has also come down, 40% of the book has already come in the demand book and there we are doing well. So, looking forward also we are confident that we will be able to compare on those lines on this. In terms of number of customers, the number with you, but 40% of the entire book has come in the demand book in March and there we have done well with the support of the quality of our book as well as collection efficiency.

Jay Mundra: Sorry, actually I could not hear much, but did you say that 40% of the book has started billing, right?

Shyam Srinivasan: You are right, 40% has started billing. That is what in the demand book.

Ashutosh Khajuria: 40% of the book has demand in it and there it has performed quite well.

Jay Mundra: And the same case on ECLGS if you can share what is the outstanding and how are you seeing trends there?

Babu KA: The GECL book is also doing well for us better than that of the last quarter. GECL book right now it is 4300. Our slippage rate is far below than the average slippage rate of the bank. Quarter by quarter, it is doing well.

Jay Mundra: So, what is the amount, sir, Rs. 3000 crores or something else?

Babu KA: Rs. 4300.

Jay Mundra: Rs. 4300, right?

Babu KA: Yes.

Jay Mundra: So, that is actually if I look at my number, it looks like it has increased from last quarter, is that right?

Shyam Srinivasan: Yes, a little more disbursals were also there from GECL level, which has been extended, extended regulatory direction was there, so something more was disbursed. Including that it Rs. 4300 right now.

Moderator: Thank you. The next question is from the line of Dhaval Gala from Aditya Birla Sun Life. Please go ahead.

Dhaval Gala: I think you have already answered partly on net interest margin, just wanted to understand a bit of outlook on your net interest margins for say next 12 months and medium term?

Shyam Srinivasan: I think you heard right we are talking of in order to going up from where we are from Q4 on average basis 325 FY22 by moving by 5 to 7 basis points in FY23 on an average basis.

Dhaval Gala: And just you mentioned about that FY23 we could see monetization from a lot of your Fintech partnerships, if you could elaborate when and what should we look at, what line item will we see?

Shyam Srinivasan: No, I think it is not a line item, it is the incremental cost to income on this portfolio we are looking for every Re. 1 spent, we should earn Rs. 1.5. We are looking at higher, but that is the minimum what we will be able to do.

Dhaval Gala: Or it would be part of both margins as well as fee?

Shyam Srinivasan: We are building deposits, it will come under the interest income portfolio and on the credit card it would be largely fee income, actually mix, it will be income and interest.

Moderator: Thank you. The next question is from the line of Prashant Kumar from Sunidhi Securities. Please go ahead.

Prashant Kumar: Just one quick data point, on asset quality side, on back calculation, the addition for FY22 is roughly around Rs. 1,840 crores and reduction is on my calculation Rs. 2,346 crores and write-off is around 800, actually I need breakup of upgrade and recovery if it is handy?

Shyam Srinivasan: It is there in the deck itself, all our numbers are there in the deck, by quarter you will find it.

Prashant Kumar: Yes sir, just upgrade and recovery if bifurcation if I can get?

Shyam Srinivasan: Did you mean the split-up between upgrade and recovery?

Prashant Kumar: Yes.

Babu KA: Sir, excluding 800, there was a sale of 70, it is more of mortgage that is on?

Shyam Srinivasan: He is talking of full year number. You can put that number in the deck, so that everybody will have access to it.

Babu KA: I do have the total number, 1257 is the upgradation and recovery and then total full year is 275 and 800 is may be write-off. 1257 is the recovery and upgradation, full. That is more than that of the last financial year or may be for recent years it is the highest.

Ashutosh Khajuria: Babu, they are asking about the breakup of recovery and upgrade, how much is cash recovery how much is upgrade?

Babu KA: 666 is recovery, 591 is upgradation.

Shyam Srinivasan: Now, the breakup is given.

Moderator: Thank you. I now hand the conference over to Mr. Anand Chugh for closing comments. Over to you, sir.

Anand Chugh: Thank you very much everyone for being on the call and participating quite actively. We will connect back with you probably next quarter. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, on behalf of The Federal Bank Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.