

April 30, 2026

## Growth remains key monitorable going into FY27...

**About the stock:** Federal Bank is an old private sector bank based out of Kerala with 1,640 branches and 2,112 ATM across various states.

- Strong liability franchise with ~85% of total deposit being retail amid healthy market share in remittance market at 19.7%
- Balanced loan mix with retail: wholesale mix of 50:50. FedBank Financial Services (NBFC) is a subsidiary with 60.8% stake

**Q4FY26 performance:** Federal Bank reported decent Q4FY26 performance, though growth remained below system as balance sheet realignment continued. Advances grew ~13% YoY (~3.6% QoQ), led by commercial banking, gold loans, CV/CE and LAP, while corporate book remained flat QoQ due to selective growth and pricing discipline. Deposits grew ~12% YoY (4.6% QoQ), supported by strong CASA traction, though headline deposit growth was moderated by conscious reduction in wholesale deposits. CASA ratio improved 87 bps QoQ to 32.94%, while NIM improved marginally by 2 bps QoQ to 3.20% aided by lower funding cost and mix improvement. Fee income remained strong at ₹991 crore (24% YoY), supporting profitability. Asset quality improved with GNPA/NNPA at 1.62%/0.37%, while credit cost remained controlled at 47 bps. Reported PAT stood at ₹1,259 crore, aided by one-offs tax write-backs with adjusted RoA at 1.24% vs reported RoA of 1.36%.

### Investment Rationale

- **RoA trajectory improving, still room for improvement ahead:** Federal Bank's earnings trajectory is improving with adjusted RoA at ~1.24% (vs 1.15% QoQ), driven by a combination of better liability mix (CASA up 87 bps QoQ), steady fee income traction (fee-to-asset at ~1%+) and stable credit cost (~47 bps). The bank's calibrated shift toward mid-yield segments (commercial banking, LAP, gold loans) is aiding yield improvement without compromising asset quality, while controlled opex and improving operating leverage further supports profitability. Management expects gradual RoA expansion ahead, led by scaling of fee businesses (cards, trade, wealth) & sustained balance sheet optimisation.
- **Growth recovery to be gradual; asset quality remains key comfort:** Loan growth remained below system as the bank continued portfolio realignment, though traction in gold loans, LAP and CV/CE indicates improving momentum in mid-yield segments. Management expects FY27 growth to improve as chosen segments scale, while corporate lending strategy remains disciplined and selective, with emphasis on mid-corporates, better pricing and cross-sell opportunities, rather than chasing low-yield large-ticket exposures, which may keep near-term growth moderate but improve quality of expansion. Asset quality remains resilient with GNPA/NNPA at 1.62%/0.37% and adjusted credit cost at 47 bps; management retained 50–60 bps credit cost guidance, while ₹456 crore floating provision adds comfort ahead of ECL transition.

### Rating and Target Price

- Stable asset quality and strengthening liability franchise provides comfort on earnings, but relatively slower growth with limited near-term catalysts keep upside constrained. We continue to value the bank at ~1.6x FY28E BV. Assigning ₹8 for subsidiary, we maintain our target price at ₹310. Recommend HOLD rating.

### Key Financial Summary

₹ crore	FY24	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
NII	8,293	9,468	10,657	14%	12,019	13,944	14%
PPP	5,174	6,101	7,206	15%	8,310	9,861	17%
PAT	3,721	4,052	4,117	11%	5,150	6,076	21%
ABV (₹)	114	130	147		164	180	
P/E	14	13	17		11	11	
P/ABV	1.9	1.6	1.9		1.3	1.2	
RoE (%)	14.7	13.0	11.4		12.4	12.0	
RoA (%)	1.3	1.2	1.1		1.3	1.3	

Source: Company, ICICI Direct Research



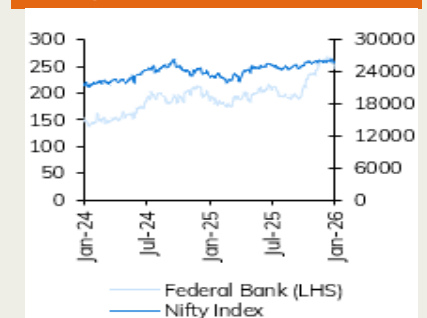
### Particulars

Particulars	Amount
Market Capitalisation	₹ 69,420 crore
52 week H/L	302 / 183
Net Worth	₹ 40,043 crore
Face value	2

### Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
FII	26.8	25.5	24.9	26.0
DII	48.2	49.7	51.1	50.4
Others	25.0	24.8	24.0	23.6

### Price Chart



### Key risks

- Higher than anticipated growth in advances or fee income
- Higher provision amid change in asset mix

### Research Analyst

Vishal Narnolia  
vishal.narnolia@icicisecurities.com

CA Parth Chintkindi  
parth.chintkindi@icicisecurities.com

## Concall highlights and outlook

### Performance and growth outlook

- Advances grew ~13% YoY (~3.6% QoQ), led by commercial banking, gold loans (~9% QoQ), CV/CE (~8.5%) and LAP (8%), while corporate book remained flat QoQ. Deposits grew ~12% YoY (4.6% QoQ), supported by strong CASA traction at 87 bps QoQ to 32.9%. Management remains confident of achieving ~36% CASA ratio over time.
- Corporate loan growth (8% YoY) remained selective, with focus on mid-market clients, pricing discipline and cross-sell opportunities, rather than aggressive balance sheet expansion.
- Low-yield book reduced by ~250 bps YoY, while mid-yield segments have increased proportionately, indicating steady progress.
- Retail growth constrained by home loan segment, where pricing remains unattractive; bank remains selective in disbursement.
- Gold loan portfolio (~14% mix) remains well within risk appetite, with no immediate cap but monitored closely.
- Deposit growth remained qualitatively strong, with conscious reduction in wholesale deposits and higher share of CASA and retail term deposits, improving funding profile.
- Fee income growth expected to be driven by three key levers:
  - Credit cards (scaling up)
  - Wealth management (newly launched, long runway)
  - Trade & forex (further upside potential)
- Management believes fee-to-assets ratio has further headroom beyond current ~1% levels.
- Reported PAT stood at ₹1,259 crore, aided by one-offs including ₹456 crore interest on income-tax refund and ₹115 crore tax provision reversal, partly offset by ₹456 crore floating NPA provision; adjusted PAT stood at ₹1,145 crore, with adjusted RoA at 1.24% vs reported RoA of 1.36%

### Margins outlook

- NIM (ex-off) improved ~2 bps QoQ to 3.2%, reflecting resilience in margins despite rate cycle pressures.
- Margin expansion driven by:
  - Strong CASA traction (87 bps QoQ/ 271 bps YoY)
  - Deposit repricing
  - Lower reliance on high-cost borrowings
  - Balance sheet optimisation and improved asset mix
- Further deposit repricing benefits expected over next 1–2 quarters, supporting margins, though near-term impact of past rate cuts may flow through.
- NIMs and RoA have reverted to pre-rate cut levels, indicating successful navigation of the rate cycle with minimal compression.

### Asset quality and Opex

- Credit cost remained controlled at ~47 bps, PCR improved to 76.55% (+141 bps QoQ)
- Credit cost guidance retained at ~50–60 bps, with management preferring to remain conservative amid geopolitical uncertainties.
- Asset quality improved:
  - GNPA declined to 1.62% (improved 10 bps QoQ)
  - NNPA improved to 0.20% (ex-one off 0.37%)
  - PCR at 87.07%, (ex-one off 76.55%)
- Cost-to-income ratio improved to ~52.9% (-106 bps QoQ), though management expects it to remain range-bound at 53–55% due to continued investments in distribution and technology.

**Other updates**

- Branch expansion picked up with ~39 branches added in Q4, with plan to add ~100 branches in FY27, supporting liability growth.
- Liquidity remains comfortable with LCR at ~120%, with management targeting optimal range of 115–120% to balance liquidity and margins.
- Remittance inflows and NRI deposits remain robust, with no immediate concerns unless there is a sharp macro disruption (e.g., job losses in Middle East).

**Exhibit 1: Variance Analysis**

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
NII	3,172.6	2,377.4	33.4	2,652.7	19.6	Supported by improving loan mix and lower funding cost, partly aided by one-off interest income on tax refund
NIM (%)	3.74	3.12	62 bps	3.18	56 bps	NIMs remained stable at ~3.2% (ex-one offs), supported by CASA accretion while partially offset by rate transmission
Other Income	1,145.0	1,006.0	13.8	1,100.3	4.1	Driven by strong fee traction
Net Total Income	4,317.6	3,383.4	27.6	3,753.0	15.0	
Staff cost	775.7	783.8	-1.0	848.7	-8.6	Improved on the back of operating leverage
Other Operating Expenses	1,265.5	1,134.2	11.6	1,175.0	7.7	
PPP	2,276.4	1,465.4	55.3	1,729.3	31.6	
Provision	741.0	138.1	436.6	332.4	122.9	Utilised interest from income tax to strengthen provision buffer, thus additional provision of ₹456 crore
PBT	1,535.4	1,327.3	15.7	1,397.0	9.9	
Tax Outgo	276.3	297.1	-7.0	355.7	-22.3	
PAT	1,259.1	1,030.2	22.2	1,041.2	20.9	Alteration in asset mix aided earnings momentum
<b>Key Metrics</b>						
GNPA	4,335.3	4,375.5	-0.9	4,446.9	-2.5	GNPA improved ~10 bps QoQ
NNPA	529.3	1,040.4	-49.1	1,068.0	-50.4	
Gross advances	272,532.0	242,773.0	12.3	265,662.0	2.6	Strong traction in gold loans (9% QoQ), micro advances (7%) and COB (6%)
Deposit	313,909.0	283,647.0	10.7	297,796.0	5.4	CASA improvement of 87 bps sequentially

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	26,365.2	27,695.4	31,411.3	35,990.3
Interest Expended	16,897.3	17,038.0	19,391.9	22,046.7
Net Interest Income	9,468.0	10,657.4	12,019.4	13,943.6
growth (%)	14.2	12.6	18.9	16.0
Non Interest Income	3,801.2	4,440.4	5,292.8	6,241.4
Net Income	13,269.2	15,097.8	17,312.1	20,185.0
Staff cost	3,088.3	3,225.4	3,644.5	3,936.4
Other operating Expense	4,079.8	4,666.2	5,357.2	6,387.5
Operating Profit	6,101.1	7,206.2	8,310.4	9,861.2
Provisions	733.1	1,836.7	1,419.1	1,731.2
PBT	5,368.1	5,369.5	6,891.3	8,130.0
Taxes	1,316.2	1,252.2	1,741.1	2,054.0
Net Profit	4,051.9	4,117.3	5,150.2	6,076.0
growth (%)	8.9	1.6	30.8	18.0
EPS (₹)	16.5	16.7	18.9	20.2

Source: Company, ICICI Direct Research

### Exhibit 3: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Valuation</b>				
No. of Equity Shares (Crores)	245.6	246.4	272.9	300.2
EPS (₹)	16.5	16.7	18.9	20.2
BV (₹)	136.1	157.1	168.0	184.2
ABV (₹)	130.0	146.5	163.5	179.5
P/E	12.9	16.7	11.3	10.5
P/BV	1.6	1.8	1.3	1.2
P/ABV	1.6	1.9	1.3	1.2
<b>Yields &amp; Margins (%)</b>				
Net Interest Margins	3.2	3.1	3.3	3.3
Yield on assets	8.9	8.5	8.5	0.0
Avg. cost on funds	5.9	5.6	5.5	4.2
Yield on average advances	9.6	9.3	9.3	9.3
Avg. Cost of Deposits	5.9	5.6	5.4	5.5
<b>Quality and Efficiency (%)</b>				
Cost to income ratio	54.0	52.3	52.0	51.1
Credit/Deposit ratio	82.8	82.2	83.2	84.5
GNPA	2.1	1.7	1.5	1.4
NNPA	0.6	0.4	0.4	0.4
RoE	13.0	11.4	12.4	12.0
RoA	1.2	1.1	1.3	1.3

Source: Company, ICICI Direct Research

### Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Sources of Funds</b>				
Capital	491.2	492.9	545.8	600.4
Reserves and Surplus	32,929.4	38,212.2	45,297.0	54,692.5
Networth	33,420.6	38,705.1	45,842.8	55,292.8
Deposits	283,647.5	313,909.4	359,485.0	407,380.8
Borrowings	23,726.3	21,159.1	21,546.2	23,592.3
Other Liabilities & Provisions	8,210.4	13,747.9	11,260.0	13,278.8
Total	349,004.8	387,521.5	438,134.0	499,544.8
<b>Application of Funds</b>				
Fixed Assets	1,478.3	1,472.5	1,532.9	1,597.9
Investments	66,245.6	76,676.2	83,525.5	95,021.3
Advances	234,836.4	264,594.4	299,031.7	344,269.7
Other Assets	15,585.3	19,050.8	25,131.5	27,792.2
Cash with RBI & call money	30,859.2	25,727.6	28,912.5	30,863.6
Total	349,004.8	387,521.5	438,134.0	499,544.8

Source: Company, ICICI Direct Research

### Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	13.2	11.0	13.1	14.0
Advances	12.1	12.7	13.0	15.1
Deposit	12.3	10.7	14.5	13.3
Total Income	16.7	13.8	14.7	16.6
Net interest income	14.2	12.6	12.8	16.0
Operating expenses	17.3	12.6	12.9	16.1
Operating profit	17.9	18.1	15.3	18.7
Net profit	8.9	1.6	25.1	18.0
Net worth	14.9	15.8	18.4	20.6

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Vishal Narnolia, MBA, Parth Parmeshwar Chintkindi, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms &amp; conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Jeetu Jawrani Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report