FEDERAL BANK
YOUR PERFECT BANKING PARTNER

THE SPIRIT OF BLUE

ANNUAL REPORT 2010 - 2011

The Spirit of Blue

Driven by a common vision, we Federals believe in the spirit of blue. A force that triggers our goals, passion that propels us ahead, and trust that binds us as one team. And it is this spirit that makes us more than just a bank to our customers.

Our constant effort to deliver the best of banking solutions has helped us win their trust and support. Understanding their world and believing in their dreams, our vision has always been to remain committed to their ever-evolving needs. And together, as one team, we Federals are on a mission to innovate and improve.

Looking back at the year that's passed, Federal Bank has crossed many a milestone. Be it with the launch of new products or by reaching out to our rural markets in the most innovative way, we've ensured that no opportunity to serve our customers has gone untapped.

As a bank that constantly creates and delivers value to everybody who is part of it, we're proud to be where we are today. We look forward to every possibility and every opportunity that'll lead us to a new era of banking. Which we know, with the support of our customers, shareholders and the spirit we unanimously believe in, is not too far.

We at Federal Bank present to you, in the pages to come, the spirit of blue.

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ANNUAL REPORT 2010 - 2011

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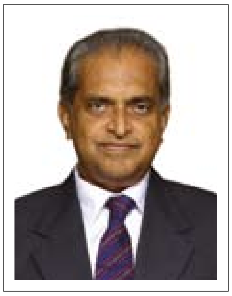
Message from the Chairman



Global economy witnessed its own challenges in the year 2011 due to various macroeconomic environment factors. The economy in fact has shown signs of recovery from the unprecedented financial crisis and the recovery is likely to mature over the coming years.

While the dynamics of recovery shows stability, the lead indicators suggest that global growth may remain moderated under the impact of high oil and other commodity prices and also due to the monetary tightening in Emerging Market Economies to contain the inflationary pressures. Uncertainty about the resolution of the sovereign debt problem in the Euro area is also a matter of concern for the economy. These developments increase downside risks to global growth prospects.

Every year has its own challenges for the financial sector and more specifically for the banking sector which is the major financial intermediary between savers and investors. The immediate issue which the policy makers are trying to address is the problem of inflation which is nothing but a global phenomenon. RBI is closely monitoring and implementing effective measures to abate the inflationary pressures.

The monetary policy stance of RBI in 2010 -11 was calibrated on the basis of domestic growth inflation dynamics amidst persistent global uncertainties. We are closely analyzing the impact of the policies of the government and RBI on our balance sheet and adopting strategies to ensure that its projected goals remain achieved.

Amidst these risks, India continues to be in the fast track and forecasted to achieve robust economic growth. Growth of the agro based rural economy, financial inclusion and investment in infrastructure will be the key factors that will drive the economy to the targeted level of growth.

The challenge for the Indian economy is to make its promising growth more inclusive. At the grass root level India still continues to be less developed. The benefit of the growth has to percolate to the lowest stratum living in the rural areas. There should be equitable distribution of the benefits of growth to the less privileged segments of the society.

RBI expects the Banks to play a vital role in the financial inclusion whereby banking facilities should be available at affordable cost to each and every person in the country. Improving the banking penetration and financial inclusion and reaching out to the unbanked villages is a social responsibility cast on the banks. And our Bank intends to convert this into a profitable venture by leveraging on its technology

I am glad to inform you that in the structural reorganization we have implemented recently our Bank has started an exclusive Department to take care of the financial inclusion and to develop specific products designed to cater to the hitherto financially excluded segments.

Agriculture is still the back bone of the Indian economy and penetrating more into this segment is indeed an attractive proposition for the Bank as mobilizing the rural savings which is comparatively of low cost, will contribute in a larger measure to the sustained growth in our business figures and profitability.

Our Bank is continuously upgrading its technology platform and leveraging on it to offer innovative products in tune with the customer demand. A range of initiatives is taken by us to reduce the cost of banking especially to the unbanked segments of the country.

Federal Bank is a leading private sector bank with dominance in Kerala and plans to enhance its presence in Kerala apart from making its role more prominent at the national level. Recently a few new executives with in depth knowledge in specialized areas and international exposure and experience, have joined our top team. The skill levels of all the other executives and staff are continuously getting upgraded.

With the reorganization of the way we do our work and the ushering in of well designed new strategies to suit the ever-changing scenario, we feel confident about achievement of our corporate goals. Our new MD & CEO Shri.Shyam Srinivasan has settled down nicely into our environment and we are confident that he would lead our top management team successfully into the second decade of this century, with your support .The unstinted support of the stakeholders of the Bank is of course the key to our success and with your wholehearted support and co-operation we will steer the Bank to better heights and glory in the days to come.

P. C. Cyriac

Letter from the Managing Director & CEO

Dear Shareholders,

I have been with Federal Bank for almost a year now and am proud to say that I am fortunate to lead a bank that has been built on strong values, the strength that helped the Bank compete through all external challenges and establish its own niche in the financial sector in India.

I have joined this esteemed organization after leading Standard Chartered Bank as the Country Head of its Consumer Banking in India as well as Malaysia.

Over the last two decades I have had the opportunity to work in different markets both India and overseas and it is my firm resolve to bring the best practices to our Bank as we set ourselves on the journey of both quality and inclusive growth in the coming years .

As I settle into my role, I am confident that our cherished dream of making our Bank as one that delivers quality and consistency in results, exceeds the customer expectations, rewards its stake holders profusely and makes its competitors feel that here is a bank worth reckoning will be a reality not far from now.

I believe in building a strong and beneficial relationship with our stakeholders; the share holders who have invested their money and trust in the Bank, the customers who bring us income and resources and the employees, our brand ambassadors, whose dedication, service and sincerity has helped the Bank achieve its aspirations.

The key to consistent performance and meeting the expectations of the stakeholders depends on this relationship. Our business strength lies mainly in the SME sector where the risk is more diversified and the returns are better and in the NRI segment where we have already a strong foothold. These segments have ample potential and we intend to capture a substantially bigger share in these segments.

The Bank has capabilities in other areas as well and we are offering a wide range of banking products through our retail products to meet our customers' demands. We are also leveraging on our technology to offer best payment solutions to the national and international markets.

Our Bank has a strong presence in semi urban and rural Kerala and we would be capitalizing on its technological capabilities to reach out to the agriculturists and weaker section of the society by offering them banking services at an affordable cost and convenience. The rural segment not only of Kerala but also of other states will be made a core business segment of the Bank and a platform to deliver the Bank's Corporate Social Responsibility.

A committed team is the most important factor for sustainable growth and we are in the process of implementing best of breed Human Resource Practices. The Bank intends to enhance employee productivity and also ensure that employees reap the benefit of their contribution to the business growth of the Bank. We thus have to create a common vision for our employees, which combines business goals with values we hold important. Federal Bank is known for its customer centricity, team work and transparency, the pillars on which we have built our business and will continue to do so.

Global Economy to an extent recovered from the financial crisis that swept the economy and financial systems across the world during the last three years. Though the recovery is expected to mature in the ensuing years, apprehensions are reported stating it to be fragile and uneven across the countries.

Financial Stability is the catchword of all policy makers and it is viewed as utmost important to deliver the growth with inflation at accepted levels.

Domestic and global financial stability are not mutually exclusive domains. With increasing financial globalization our regulators have introduced various measures aimed at financial stability in the face of evolving global uncertainties and domestic vulnerabilities such as high level of inflation, slow progress in fiscal consolidation and the structural rigidities in the economy. The extent of transmission of disruptions in the global market is experienced by us through different channels of finance, trade and confidence.

Reserve Bank of India, by the continuous hike in the policy rate to contain the inflation and inflationary tendencies even at the risk of moderate growth during the short period, aims at the adjustment of short term interest rates in the expectation that it will transmit to interest rates at the long end and thereby influence aggregate demand and inflation.

Underlining the importance of inclusive growth, RBI views that high growth that exists with rising inequality may become unsustainable at some point and that financial inclusion is the foundation for inclusive growth.

RBI's policy for the current year is stated to be to check inflation by restraining demand, navigate soft landing and foster conditions for sustained growth in an environment of price stability.

Now let me present in a nut shell our performance for the fiscal 2011.

The year 2010 -11 presented its own challenges to the banking sector and we could deliver strong financials especially on the profit front.

Today, I have the pleasure to share with you the financial performance of our bank in the key areas in the fiscal 2011.

Our bank's Net Advances have gone up to ₹ 31953.23 crore. The major contribution in the growth was from the corporate credit sector followed by SME and Retail respectively. Our Total Deposits reached ₹ 43014.78 crore, thus we could achieve a Total Business of ₹ 74968.01 crore.

The net profit after tax for the financial 2011 reached ₹ 587.08 compared to ₹ 464.55 during the previous year. The return on assets improved from 1.15 to 1.34. We could achieve this level of profit even after absorbing an increase of 31.24% in staff cost due to wage revision and second option for pension for employees. The strong results in the profits enabled us to propose a dividend of ₹ 8.50 per share from ₹ 5.00 per share of the previous year.

We could reduce the cost of deposits and increase the net interest margin from 3.82% to 4.22% in the fiscal 2011. In the NPA position there is some deterioration due to fresh accretion but recovery has shown improvement. We are addressing this issue by reorganizing the structure of the bank and closer credit monitoring. Our provision coverage on non performing assets is 82.06% as against the RBI stipulation of 70%. The capital adequacy ratio of the bank is 16.79% as against the 9% stipulated by RBI.

RBI has emphasized the need for financial inclusion. We have opened the first ever Financial Inclusion Bank Branch 'Grama Jeevan' at Thuruthy in the state of Kerala and Dr. D Subbarao, Honourable Governor of the Reserve Bank of India visited the branch and appreciated our efforts in financial inclusion.

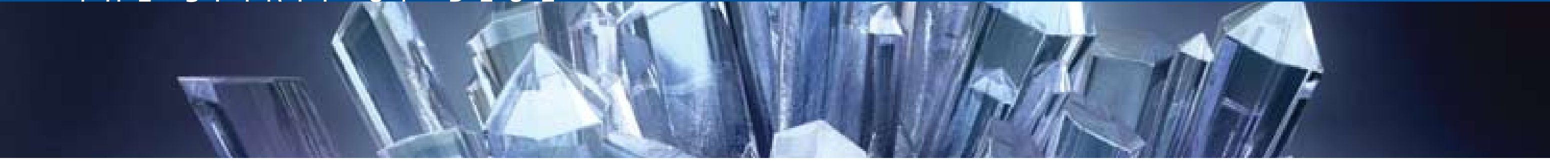
The year 2011 for us was about preparing ourselves for growth in overseas markets, SME segment and streamlining greater risk management practices.

Looking forward to fiscal 2012, inflation, current account deficit, volatility in capital inflows, raising of policy rates by RBI and impending deregulation of Savings Deposit interest rate are some of the challenges we will be facing. This can result in the upward movement of interest rates with its own impact by way of increased cost of funds to the manufacturing and business community and posing a real challenge to our bank to maintain the high interest spread and larger interest income which boosted our profits in FY 2011.

There is still general consensus that the growth of our economy for the coming year will also be good and the forecast of GDP for 2011-12 is 8% and above. So there will be ample opportunities for us to achieve sustainable growth in business, and generate high profits. I am sure that our inherent strength coupled with the business strategy we adopt in tune with the changing banking scenario will result in the fulfillment of our expectations and bring in better value to the stakeholders

We look forward to your continued patronage, support and goodwill as we move ahead.

With best wishes,
Shyam Srinivasan

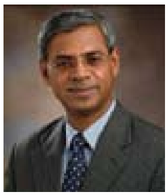


Board of Directors

Shri. Suresh Kumar, Shri. P. C. Cyriac (Chairman of the Board), Shri. Shyam Srinivasan (MD & CEO), Dr. M.Y.Khan.
Standing: Shri. P. C. John, Shri. T. C. Nair, Shri. P. H. Ravikumar and Prof. Abraham Koshy.

Management Team

Shri. P. C. John
Executive Director & CFO



Shri. Abraham Chacko
Executive Director
(Joined on 21st May 2011)

Shri. T. S. Jagadeesan
Chief General Manager

Shri. C. Thomas Joseph
General Manager

Shri. C. P. John
General Manager

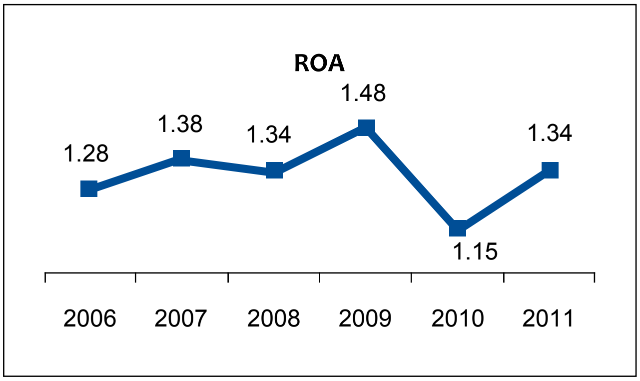
Shri. P. K. Jimmy
General Manager

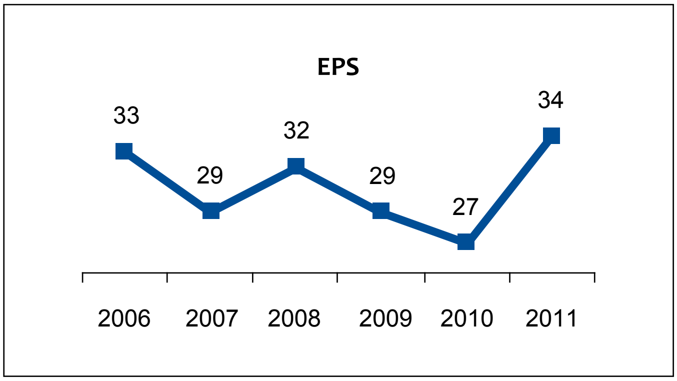
Shri. K. George Varghese
General Manager

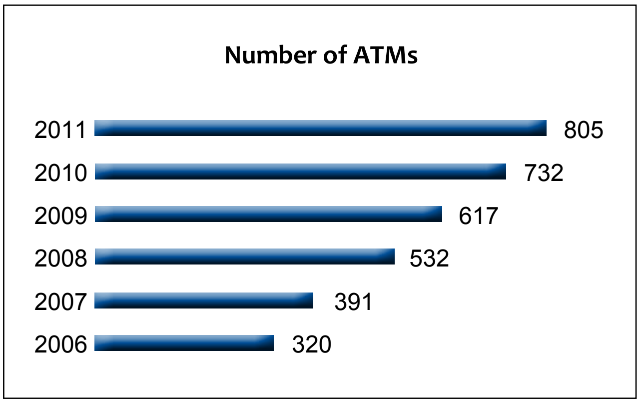
Shri. C. Sreekumar
General Manager

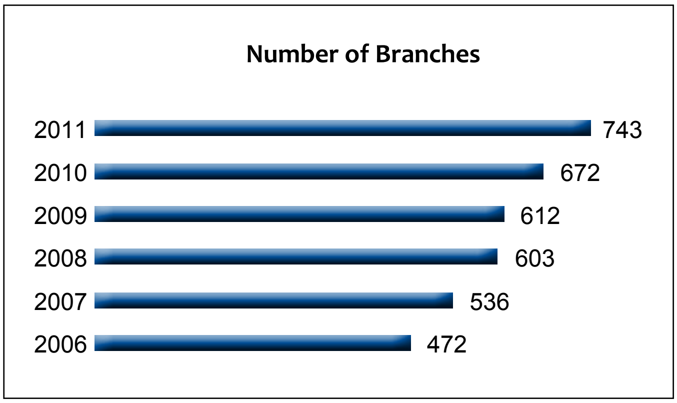
Financial Highlights

	FY 2011 (Amount as on 31.03.2011 ₹ in Cr.)	FY 2011 (YoY growth %)
Net Interest Income	1746.58	23.80
Total Income	4568.84	8.67
Net Profit	587.08	26.38
Interest Income	4052.03	10.31
Total Deposits	43014.78	19.29
Total Advance	31953.23	18.56
Total Investments	14537.68	11.36









To The Members

The Board of Directors, Federal Bank is indeed pleased to present to you the 80th Annual Report of the business & operations along with the audited accounts for the year ended March 31, 2011.

Financial Performance

Your Bank did well in the financial year 2010-2011. Before we go into the bigger details, here's a quick glance through the highlights of the year.

₹ In Cr

Financial Parameters	For the year ended	
	31.03.11	31.03.10
Net Interest Income	1746.58	1410.83
Fee and Other Income	516.81	530.91
Net Revenue	2263.39	1941.74
Operating Expenses	836.14	676.89
Operating Profit	1427.25	1264.85
Net Profit	587.08	464.55
Profit Brought Forward	23.14	21.93
Total Profit Available for Appropriation	610.22	486.48
Appropriations:		
Transfer to Statutory Reserves	146.80	116.14
Transfer to Revenue Reserves	232.11	208.27
Transfer to Capital Reserves	0.00	8.20
Transfer to Special Reserves	36.56	31.00
Proposed Dividend	145.39	85.52
Provision for Dividend Tax	23.58	14.21
Balance Carried Over to Balance Sheet	25.78	23.14
Financial Position:		
Deposits	43014.78	36057.95
Advances	31953.23	26950.11
Total Business (Deposits + Advances)	74968.01	63008.06
Other Borrowings	1888.36	1546.76
Investments	14537.68	13054.65
Total Assets (Balance Sheet Size)	51456.36	43675.61
Capital	171.05	171.03
Ratios:		
Return on Total Assets (%)	1.34	1.15
Return on Equity (%)	11.98	10.30
Earnings Per Share (₹)	34.32	27.16
Book Value Per Share (₹)	298.67	274.24
Operating Cost to Income (%)	36.94	34.86
Capital Adequacy Ratio (%)(Basel I)	15.39	17.27
(Basel II)	16.79	18.36

We achieved a commendable net profit figure of ₹ 587.08 crore. In the light of the year's many challenges, including the stiff competition within the financial sector, the economy's inflationary conditions and the tight money policy reflected in the RBI's monetary policy, this performance is indeed noteworthy. We recommend a dividend of ₹ 8.5 per share.

Operating Profit

The operating profit for the year saw a 12.84% increase - from ₹ 1264.85 crore in FY2010 to ₹ 1427.25 crore in FY 2011.

The operating profit excluding trading gains increased by 19.39% from ₹ 1157.14 crore to ₹ 1381.49 crore.

Trading profit decreased to ₹ 45.76 crore from ₹ 107.71 crore.

The profit margin for the year increased to 12.85% from 11.05%.

The net interest income increased from ₹ 1,410.83 crore to ₹ 1746.58 crore but the fall in trading profit led to a decrease in the non-interest income from ₹ 530.91crore to ₹ 516.81 crore.

Net Profit

The year ended 31 March 2011 saw a 26.38% increase in the net profit. From ₹ 464.55 crore in FY 2010 to ₹ 587.08 crore, we could display a substantial improvement in net profit and the profit margin also increased to 12.85% from 11.05% This net profit was after taking into account a total provision of ₹ 840.17 crore out of which the provision for income tax is ₹ 314.73 crore.

With increased profits, return on average equity and return on average total assets followed suit, from 10.30% to 11.98% and 1.15 % to 1.34% respectively.

Income Growth

In the year ended 31 March 2011, your Bank registered an 8.67% increase in total income generated, growing from ₹ 4204.14 crore (FY2010) to ₹ 4568.84 crore (FY2011). This growth was primarily facilitated by the increase in interest income, which rose by 10.31% from ₹ 3673.23 crores to ₹ 4052.03 Crores.

The need to offer competitive rates towards maintaining/improving market share combined with increase in impaired assets, led to a fall in the yield on advances to 11.09% as against the 11.30% recorded on 31 March 2010.

Income from advances (Interest & exchange) as a percentage to total income increased to 69.36% as on 31 March 2011 from 67.78% for the year ended 31 March 2010. The rate of return on advances (net of provisions) decreased to 9.37% from last year's 9.66%. The reduction in yield is partially contributed by the de-recognition of interest in fresh NPA accounts and increased provisions. Yield on investments (excluding trading income) increased to 6.95% as on 31 March 2011 from 6.84% as on 31 March 2010.

Income from investments increased by 10.80%.

The volatility of the financial markets brought down the trading profit from last year's ₹ 107.71 crore to ₹ 45.76 crore, therefore leading to the decrease in other income.

The net interest margin for the year increased to 4.22% from 3.82% in FY 2010.

We could improve the interest margin, which is a major performance yardstick, by bringing down the cost of deposit.

Expenditure

Total expenses for the year ended 31 March 2011 increased by 6.88% from ₹ 2939.29 crore to ₹ 3141.59 crore. Interest expenses increased to ₹ 2305.45 crore in FY 11 from ₹ 2,262.40 crore in FY 10. ₹ 2161.98 crore was the interest paid on deposits. We were able to bring the cost of deposits down to 5.99 % from last year's 6.55%.

Cost of all funds (Deposits + Borrowings + Bonds) decreased to 6.11% from 6.62% as on March 2010. We could increase our low cost retail deposits and reduce the high cost bulk deposits.

Average savings deposits have gone up to ₹ 8392.99 crore from ₹ 6915.20 crore last year. 32.19% of our total deposits are low cost deposits. Interest paid as percentage to total income decreased to 50.46% from 53.81% in FY 2010.

Operating expenses increased to ₹ 836.14 crore from ₹ 676.89 crore.

Staff related expenses stands at ₹ 480.41 crore. The staff cost increased by 31.24% and we grew by 374 employees during the year. Wage revision, increase in Dearness Allowance and additional contribution towards pension liability of second optees of pension led to the increase in staff expense.

The net liability arising on exercise of second option for Pension by employees (other than separated/ retired employees) is fully reckoned and disclosed as liability in the Balance Sheet. 1/5th of the said liability amounting to ₹ 33.71 crore, is charged to the Profit and Loss Account of the year and the balance unamortized amount of ₹ 134.72 crore is carried forward to be amortized equally over the succeeding four years. Employee and other costs as a percentage of average advances plus average investments increased to 2.03% as on 31 March 2011 from 1.84% as on 31 March 2010. The staff cost as percentage to total income increased to 10.51% from 8.71%.

The cost to income ratio stands at 36.94% as against 34.86% in March 2010.

Spread

Spread on advances to cost of deposits increased to 5.10% from 4.75% in FY 2010. Spread on investments (gross) increased from 1.23% to 1.33% this year. The spread (net of provisions) on advances grew from last year's 3.11% to 3.38%.

Dividend

We have recommended a dividend of ₹ 8.5 per share as compared to ₹ 5 per share declared for the last financial year. While recommending the dividend, we have taken into account the profit that has to be retained for the future expansion and growth of the Bank and capital adequacy requirement. Retained earnings add to the net worth and is a benchmark of rating your Bank and gets reflected in the share price, which translate into benefits for our investors in terms of capital appreciation on the shares held by them.

Investor Education and Protection Fund

As per the Companies Act 1956, dividend unpaid for more than 7 years from the date of issue is to be transferred to Investor Education And Protection Fund. On 15.09.2010, we transferred ₹ 2053825.00 to the Fund.

Growth in Core Business

Total business (deposits plus advances) increased from ₹ 63008.06 crore to ₹ 74968.01 crore as on 31 March 2011.

Our deposits increased to ₹ 43014.78 crore registering a YoY growth of 19.29%. Advances touched ₹ 31953.23 crore, registering a YoY increase by 18.56%. But this growth is not reflected in the case of average deposits and advances, as the spurt in the business was mainly during the second half of the financial year. We are taking measures to ensure your Bank's consistent and sustainable growth across the year. We avoided bulk deposits and gave thrust to retail deposits to bring down the cost.

The mix of average core deposits of SB, CD and Term Deposits improved to 23:5:72 from 21:4:75 during FY 2010.

Your Bank's investments portfolio increased to ₹ 14537.68 crore showing a 11.36% increase on YoY compared to 7.72% in FY 2010. The growth of average investments on YoY registered only 8.99% compared to 20.75% in FY2010. The volatility in the financial markets forced us to be cautious in terms of expanding the investment portfolio.

Loan Asset quality

Gross NPA as on March 31, 2011 stood at ₹ 1148.33 crore as against ₹ 820.97 crore in the previous year. Gross NPAs as percentage to Gross Advance stands at 3.49% as against 2.97% in the previous year. Net NPAs stood at ₹ 190.69 crore (0.60% of Net Advances) as against ₹ 128.79 crore (0.48% of Net advances) in the previous financial year. Fresh accretion to NPAs during the period is the major reason behind the rise. We have taken several measures to contain impaired assets, including utilising SARFAESI proceedings more effectively to improve the recovery of Non Performing Assets and engaging recovery agents after complying with RBI guidelines, in respect of their codes of conduct. In

adherence to RBI guidelines, negotiated settlement is permitted in deserving cases. To prevent the accretion to the Non Performing Asset system, we've implemented stricter monitoring of credit and in the case of viable units, restructuring is permitted to overcome temporary difficulties faced by them.

Provision coverage

As on 31.03.2011, the Bank held a total provision of ₹ 942.34 crores. This includes a Floating Provision of ₹ 179.52 crores. The total provision coverage for NPAs as on March 31, 2011 is 82.06%. As per the extant RBI directive, Banks should hold minimum provision coverage of 70% including technically written off accounts. As on 31st March 2011, Provision Coverage Ratio of our Bank, including technically written off accounts, is 89.77%. It indicates that the recovery of such assets will have a real favorable effect on our profitability as these provisions can be reversed to the profit and loss account upon recovery of the non performing assets. Provisions as percentage of total income increased to 10.94% from 7.50%.

Financial Inclusion

The first-ever Financial Inclusion Bank Branch in the state of Kerala, 'Grama Jeevan' branch was opened at Thuruthy in Vengoor West village, Ernakulam District. Allotted to the Bank for Financial Inclusion, the branch offers full-fledged Banking facilities to the public, including round-the-clock ATM facility. Dr. D Subbarao, Hon'ble Governor of Reserve Bank of India visited the Grama Jeevan branch on the inaugural day itself.

"Federal Ashwas Trust" was established by the Bank with the primary objective of establishment and running of "Federal Ashwas Financial Literacy and Credit Counseling Centers" (FAFLCCs) to provide financial education and credit counseling to the public. The branchless Banking model of Financial Inclusion is implemented through individual Business Facilitators (BFs). In this model, Customer Service Points (CSPs) are manned by trained BF agents.

Capital adequacy

CRAR of the bank is 15.39% as per Basel I and as per BASEL II it is 16.79% as on 31.03.2011 which is far in excess of the 9% stipulated by RBI and it adds to the strength of our balance sheet.

Employee productivity

Business per employee increased to ₹ 9.23 crore from ₹ 8.13 crore in FY 2010.

Profit per employee increased to ₹ 7.26 lakh from ₹ 6.01 lakh as in the previous year.

Share value dimensions

Increase in net profit brought about more earnings per share, from ₹ 27.16 in FY 2010 to ₹ 34.32 and return on equity increased to 11.98% (10.30% in FY 2010). The bookvalue increased to ₹ 298.67 as on 31 March 2011 from ₹ 274.24 as on 31 March 2010.

Expansion of Network

During the period, we grew by 71 branches and 73 ATMs. As on March 31, 2011, the total number of branches and ATMs of the Bank increased to 743 and 805 respectively, as against 672 and 732 in the last financial year.

To enhance the reach and geographical spread, your Bank seeks to add around 200 branches, subject to approval from RBI based on the cluster based model. With this approach, rather than one or two branches, we will open a cluster of branches in a potential locality and thereby enhance visibility and build on the Bank's brand image.

Restructuring of the bank

We have constituted a Marketing Department to promote our products better and to enhance the brand image of them. We now have Credit Hubs to improve the quality of our credit portfolio and for better credit risk management. The present regional set up has been given a facelift with the introduction of zonal set up and modified role of regions, to give focused attention on business development.

Challenges ahead of us

RBI is evaluating to deregulate interest rates on Savings Bank accounts. They have already hiked the regulated interest rate on savings deposits from 3.5% to 4%. This would result in higher interest expenses and maintaining the present level of interest spread, which is ahead of industry levels, will prove to be a challenge given the competitive scenario, where we have to offer best interest rates for quality advance customers.

Reserve Bank of India has been continuously raising the policy rate in order to contain the inflationary pressures of the economy and maintaining the present level of net interest margin will be a real challenge.

Introduction of Basel III is under consideration by RBI. This may result in higher capital adequacy requirements. As we currently have a ratio of 16.79%, it wouldn't immediately pose a challenge to us. But eventually, we may have to increase our capital for business growth. Working Group constituted by RBI has recommended Financial Holding Company structure for Banks and other financial institutions. Once the recommendations get implemented, we will have to comply with the regulations.

Corporate governance

The Bank has adopted a Code of Corporate Governance, which simultaneously takes care of the interest of shareholders and other stakeholders, and provides for good management, adoption of prudent risk management techniques and compliance with required standards of capital adequacy. The code also aims at identifying and recognizing the Board of Directors and the Management of the Bank as the principal instruments, through which good corporate governance principles are articulated and implemented. This gives utmost importance towards identifying and recognizing transparency, accountability and equality of treatment amongst all the stakeholders, thus being in tune with statutory and regulatory structures. A copy of the Code is available upon request.

The corporate governance practices followed by the Bank are given in the annexure.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 1956, Listing Agreement, and the Code of Corporate Governance adopted by the Bank. The Board consists of 8 persons with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, finance, industry, agriculture, and information technology.

Shri. Shyam Srinivasan MD & CEO joined the Bank on 23/09/2010 on retirement of Shri. M. Venugopalan, MD & CEO who retired on July 31, 2010 after his tenure of appointment of 5 years and 3 months.

Shri. P. C. John, Executive Director, is whole time Director of the Bank. Excluding the MD & CEO and the ED all other members of the Board are Non-Executive and Independent Directors.

Shri. P. R. Kalyanaraman, Executive Director, retired on 1st January 2011 after his tenure of appointment of 3 years.

Mr. Abraham Chacko has joined the Bank as Executive Director effective 21st of May 2011.

Shri. P. C. Cyriac, Shri. Abraham Koshy and Dr. T. C. Nair were re-elected/ appointed as Directors of the Bank at its last Annual General Meeting held on 13th September 2010.

The Directors who are retiring at this AGM are Shri. P. H. Ravikumar and Shri.Suresh Kumar. Shri. P. H. Ravikumar will be retiring after rendering 7 years of valuable service to the Bank. Shri. Suresh Kumar being eligible have offered himself for reappointment. Shri. Nilesh. S. Vikamsey was appointed as a Director of the Bank, as an Additional Director in the place of Shri. P. H. Ravikumar. A proposal moved by a member to appoint Shri. Nilesh S. Vikamsey as Director in this vacancy is placed before this AGM.

Shri. Suresh Kumar is an Independent Director on our Board. He holds a Bachelor's degree in Commerce (Hons.) from the University of Bombay and has completed advanced general and investment management programmes at London, Wharton and Columbia Schools of Business. He has been part of the Senior Management of Emirates Bank group since 1989. Prior to that he had held senior treasury and general management positions in Government of Dubai projects and the banking sector in India. He is a fellow of the Indian Institute of Bankers and the founder/ past President of the Indian Business and Professional Council in Dubai. He is also a member of the Regional Chief Executive Forum of the Institute of International Finance (IIF). He is currently the CEO of Emirates Financial Services PSC .

He is also the Chairman of the Board of Directors of Fedbank Financial Services Ltd.

Shri. Nilesh S. Vikamsey is a Chartered Accountant with over 16 years experience, and is partner of Khimji Kunverji & Co., Chartered Accountants. At present he is a member of many Committees of ICAI, including those noted below:

a) IFRS Implementation Committee
b) Disciplinary Committee (under Section 21B)
C) Accounting Standards Board
d) Auditing & Assurance Standards Board
e) Expert Advisory Committee
f) Professional Development Committee
g) Internal Audit Standards Board

Currently he is an Independent Director in the following Companies:

Listed Companies:

1) India Infoline Limited
2) Rodium Realty Limited

Private Companies:

1) HLB Offices & Services Pvt Limited
2) TruNil Properties Pvt Limited
3) BarKat Properties Pvt Limited

Subsidiary

FedBank Financial Services Ltd. is a fully owned subsidiary of the Bank. As required under Section 212 of the Companies Act, 1956, the financial statements relating to this company, the sole subsidiary of the Bank, for FY11 are attached.

Annual Financial Statements and Audit Report

As required by section 212 of the Companies Act, 1956, the Bank's Balance Sheet as on 31 March 2011, its profit and loss account for FY11, and the statutory auditors' report and statements required under the section, are attached.

Statutory Audit

M/s. Varma & Varma, Chartered Accountants, Kochi, and M/s. Price Patt & Co., Chartered Accountants, Chennai, jointly carried out the statutory central audit of the Bank. The statutory central/branch auditors audited all the branches and other offices of the Bank.

Special Reserve created under section 36(1)(viii) of the Income Tax Act 1961.

As per section 36(1)(viii) of the Income tax Act, 1961, deduction is available for any Special Reserve created and maintained to the extent of 20% of the profit derived from the business of providing long term finance for industrial or agricultural development or development of infrastructure facility or housing in India. With the Bank's term lending for housing, power, bridges, roads and other segments of infrastructure in the last year and the availability of the tax benefit under the section 36(1)(viii) of the Income tax Act, the Bank has created a Special Reserve of ₹ 36.56 crore during this year (previous year ₹ 31 Crore), being the eligible amount of deduction available under the said section.

Joint Venture in Life Insurance Business

The Bank's joint venture Life Insurance Company, in association with IDBI Bank Limited and Fortis Insurance International N.V. (now Ageas), namely IDBI Fortis Life Insurance Company Limited, renamed as IDBI Federal Life Insurance Company Limited, commenced operations in March 2008. Currently the Bank has a total stake of ₹ 182 cr in the equity of the company holding 26% of the equity capital.

Statutory Disclosure

Stock Exchange Information
The Bank's equity shares are listed on:

1. Bombay Stock Exchange Limited
   Phiroze Jeejeebhoy Towers
   Dalal Street, Mumbai - 400 001.
2. National Stock Exchange Ltd.
   "Exchange Plaza"
   Bandra – Kurla Complex
   Bandra East, Mumbai - 400 051.

3. Cochin Stock Exchange Ltd.
   MES, Dr P K Abdul Gafoor
   Memorial Cultural Complex
   4th Fl, 36/1565, Judges Avenue,
   Kaloor, Kochi – 682 017.

The GDRs issued by the Bank are listed on the London Stock Exchange.

The annual listing fees have been paid to all the Stock Exchanges listed above.

The requirement of disclosure of steps taken for conservation of energy and technology absorption does not apply to the Bank.

Through its export-financing operations, the Bank supports and encourages the country's export efforts.

The requirement of disclosure under section 217 (2A) of the Companies Act, 1956, is given as a separate annexure.

Personnel

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. (Annexure I).

Directors' Responsibility Statement

As required by section 217 (2AA) of the Companies Act, 1956, the Directors state that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for that period;

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and

d) the Directors have prepared the annual accounts on a going-concern basis.

Acknowledgement

The Board of Directors places on record its sincere thanks to Government of India, Reserve Bank of India, various State Governments and regulatory authorities in India and overseas for their valuable guidance, support and co-operation. The Directors also place on record the gratitude to investment Banks, rating agencies and stock exchanges for their excellent support.

The Directors record their sincere gratitude to the Bank's shareholders, esteemed customers and all other well-wishers for their continued patronage. The Directors express their appreciation for the contribution made by every employee of the Bank.

For and on behalf of the Board of Directors

Aluva
29 July 2011

P.C.Cyriac
Chairman of the Board

Statement pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, (forming part of the Director's Report for the year ended March 31, 2011) in respect of employees of the Bank.

Name, Qualification and Age (in years)	Designation	Remuneration		Experience (in years)	Date of commencement of employment	Last employment
		Gross (₹)	Net (₹) #			
Shyam Srinivasan B.E, P.G.D.M (IIM, Kolkata) 49 years	Managing Director & CEO	40,32,649	29,52,649	25 years	September 23, 2010	Head (Consumer Banking-India), Standard Chartered Bank
P. C. John M. Sc (Chemistry) 60 years	Executive Director & CFO	19,88,761 ++	9,33,461	38 years	May 01, 2010	Chief General Manager, Federal Bank
M. Venugopalan B. Com, CAIIB 66 years	Managing Director & CEO (retired)	24,64,134 @	13,48,984	45 years	May 01, 2005 (retired on 31.07.2010)	CMD, Bank of India
K. S. Harshan M.A. (Economics) 59 years	Executive Director (retired)	6,65,168 *	4,35,268	36 years	May 01, 2007 (retired on 30.04.2010)	Vice President, Union Bank of California
P. R. Kalyanaraman B. Sc (Chemistry), CAIIB 63 years	Executive Director (retired)	23,05,564 ^	17,05,564	39 years	January 02, 2008 (retired on 01.01.2011)	General Manager Bank of India

Net of Taxes Paid

@ Over and above this, an amount of ₹ 16.25 Lakhs was paid towards gratuity and ₹ 14.95 Lakhs towards leave encashment to Shri. M. Venugopalan, at the time of his retirement.

* Over and above this, an amount of ₹ 7.50 Lakhs was paid towards gratuity and ₹ 4.80 Lakhs towards leave encashment to Shri. K. S. Harshan, at the time of his retirement.

^ Over and above this, an amount of ₹ 3.55 Lakhs was paid towards leave encashment to Shri. P. R. Kalyanaraman, at the time of his retirement.

++ Over and above this, an amount of ₹ 4,28,716/- was paid to Shri. P. C. John towards salary arrears pertaining to previous years of his employment with the Bank.

Global Economic Scenario

The global economy is recovering from the crisis it faced in 2008-09. But the recovery is uneven and still there is uncertainty prevailing in the global market. Countries like Greece, Portugal, Ireland and Spain is undergoing economic crisis. Japan has been affected by the earth quake and tsunami which occurred in March 2011. US mortgage market still remains weak and unemployment is still ailing the economy.

The IMF World Economic Outlook of April 2011 has forecasted the global growth estimate of 4.4 per cent for 2011 and 4.5 per cent for 2012. It has, however, projected a considerable rise in global crude oil prices in 2011 which is a key downside risk to growth.

Impact of high oil prices and other commodity prices, the spillover from the Japanese natural disasters, monetary tightening in Emerging Market Economies to contain inflationary pressures, sovereign balance sheet risks in the Euro zone are cited as downside risks to global growth prospects.

RBI's Monetary Policy review of June 2011 expressed the concern that global environment has changed for worse and growth expectations in advanced countries are visibly moderating.

The Indian Scenario

Indian economy to a great extent could ward off the adverse impact of the global crisis due to effective regulatory and control policies of RBI and the timely stimulus measures by the Government of India. Indian economy continued to outperform most of the emerging market economies during the year 2010-11 retaining its position as the second fastest growing economy after China. Indian economy is estimated to have grown by 8.5% during 2010-11 and GDP is forecasted to grow at 8% plus in 2011 -12.

A review of economy reveals that a rebound in agricultural growth is experienced. There was deceleration in interest sensitive sectors like automobiles but there is no evidence of any sharp or broad based slowdown. The services sector maintained momentum in most of its segments. Buoyant overall agricultural performance and continued services sector growth momentum augur well for growth in 2011-12. However, risks to growth ahead, arise from rising prices of oil and industrial raw materials, decelerating investment demand and high inflation.

The headline WPI inflation rate remains elevated driven by fuel group and nonfood manufactured products. The consumer price inflation for industrial workers is also high and the overall position suggests a generalized inflationary pressure in the economy.

The challenge for the economy is to contain inflation and anchor inflationary expectations by reining in demand side pressures and mitigate the risk to growth from potentially adverse global developments.

Liquidity conditions during the current fiscal year remained consistent with the anti inflationary stance of monetary policy. In its effort to contain the down side risk due to inflation RBI has tightened the monetary policy in a calibrated manner. RBI aims at balancing the trade of between growth and inflation. The policy focused on containing the spillover of supply side inflation and anchoring inflation expectations. This was important as cost push pressures were significant and pricing power prevailed amidst strong aggregate demand.

Fiscal deficit aggravated by financial stimulus introduced to counter the global crisis is also a concern for India and adhering to the Fiscal Responsibility Budget management agreement may be difficult to materialise. Fiscal deficit is budgeted at 4.6% of GDP in FY2011-12 in accordance with Fiscal Responsibility Budget Management (FRBM). But the larger subsidy outgo projected in the budget may cause slippage in the deficit from the projected figures.

On the external front, current account deficit (CAD) is yet another concern for Indian economy. The picking up of exports could ease the pressure on the balance of payment position and on Indian rupee. But the spike in oil prices poses the risk of CAD widening in 2011-12. Capital flows are expected to improve financing the CAD comfortably. However, the dominance of portfolio equity flows and the decline in FDI raise concern over the stability of capital flows.

The Banking Scenario

The banking sector has been resilient during the global financial crisis. The migration to Basel II has ensured that banking system is sufficiently capitalized to absorb any shocks or systematic risk in the financial sector. RBI has already indicated that it would implement the reform measures under Basel III framework.

The strict income recognition, asset classification and provisioning norms of RBI ensure that banks cannot but ensure the quality of its assets. With profitability being major yard stick in the rating of the banks, they have given thrust in increasing their low cost CASA deposits so as to bring down the cost of the resources and have attempted to create a balanced portfolio in advances ensuring the volume, return and risk associated with lending.

Banks are giving ample thrust on the key areas of quality of assets, risk return management, liquidity management, introducing innovative products, leveraging on technology and adopting HR practices in tune with the changed economic scenario.

Developing the technology and introducing customer centric products, rendering personalized services and enhancing the channels of distribution will be the factors that will decide the success and growth of banks in the highly competitive banking scenario.

Monetary transmission strengthened during Q4 of 2010-11 with interest rates firming up gradually across the spectrum as liquidity remained in deficit mode. The policy transmission to deposit and lending rates is visible in the current base rate regime.

Savings boosted by the interest rates is bound to help in mobilizing deposits by banks in FY2012 but inflationary pressures and rising interest rates is likely to make slow the moment of the credit growth in fiscal 2012.

In the First Quarter Review of Monetary Policy 2011-12, RBI has further increased the repo rate under liquidity adjustment facility to 8% and the reverse repo rate stand automatically adjusted to 7% and the marginal standing facility rate to 9%

Besides changing the methodology of calculation of interest rate on savings deposits to daily balance basis, the rate of interest on savings deposit has been increased to 4% adding to the interest burden of the banks. Further deregulation of interest rate on savings deposits seem to be on the anvil.

Banks have to maintain a provisioning coverage ratio intended to achieve a counter cyclical objective by ensuring that banks build up a good cushion of provisions to protect them from any macroeconomic shock in future.

RBI has further enhanced the provisioning requirements on certain categories of non–performing advances and restructured advances.

Overview of Business Performance

Federal Bank could achieve a total business in deposits and advances, ₹ 74968.01 crore with deposit reaching ₹ 43014.78 crore and advance rising to the level ₹ 31953.23 crore.

On the revenue front the Bank's net revenue for the financial year 2011 is ₹ 2263.39 crore with an operating profit of ₹ 1427.25 crore and Net profit of ₹ 587.08.

Corporate Lending and Strategies

Corporate lending contributed to a solid foundation to the loan portfolio of the Bank. As on 31.3.2011 large corporate advances constituted about 42% of total advance portfolio.

The Bank provides comprehensive financial and risk management solutions to clients generally with a turnover of over ₹ 500 Cr or with a credit requirement of ₹ 25 Cr and above. Under Corporate Banking, the Bank offers financial solutions to the following categories:

- Large, mid and emerging Indian Corporate Groups
- Public Sector Enterprises
- Government Bodies
- Multinational Companies
- Financial Institutions

The Bank's strategy is to partner the growth of small corporate sector and aim to be the most preferred banker for the mid corporate sector and also to have a fair share in the large corporate sector.

The Large Corporate Department caters to various segments of corporate customers with an array of banking products and services covering their working capital, term finance, trade finance, specialized corporate finance products, structured finance, foreign exchange, syndication services and electronic banking requirements. All product offerings are suitably structured after in-depth research and assessments, taking into account the client's risk profile and specific needs. The Bank is committed to provide innovative financial solutions by leveraging on superior product delivery, knowledge-based advisory, industry benchmark service levels and a strong client orientation.

The Bank has made significant inroads into developing core relationships with a number of Indian companies. New customer acquisition and relationship-strengthening constitute the two-pronged growth strategy. With these objectives, the Bank has already set up Corporate Banking branches in Mumbai and Delhi, and more are being planned at other metros and major centres, exclusively to cater to the requirements of large corporate clients.

The loan policy of the Bank has put in place a matrix of industry exposure limits with a view to de-risking the portfolio through diversification. The Bank has also stipulated minimum entry-level exposure criteria based on credit rating for taking large new exposures. Prudential ceilings are prescribed for exposure in long-term assets, unsecured advances etc. Apart from subjecting each credit exposure to robust risk analysis at several levels it is also vetted by a Credit Risk Vetting Committee consisting of senior executives. The exposures are periodically examined for signs of stress so that early corrective actions can be initiated.

Micro, small & medium enterprises

Federal Bank's forte has always been the small & medium entrepreneurs, industrialists, traders, businessmen and agriculturists. SME portfolio continues to be a prime pillar in building up the Bank's growth plans.

During the past financial year, SME advances grew by 27.60% and current account by 34.65% on YoY basis to reach ₹ 9564 Cr and ₹ 2156 Cr respectively. Initiatives of the Bank for the SME sector during FY 2011 included:

- SME Credit Hubs across major centers all over the country.
- Business alliance with various partners
- Product enhancement and customization to suit the requirement of target group.
- Settlement of Point-of- Sales transactions at T-0/ T-1 cycle
- Payment gateway solution for current account customers
- Fed Sahakari – a tailor-made Current Account scheme for Co-operatives

The Bank is in the forefront in lending under Priority Sector in tune with the national objectives and could achieve the benchmark of 40% of Adjusted Net Bank Credit (ANBC) stipulated by RBI, mainly due to growth in exposure to SME sector. The Priority Sector Advances as on 31.3.2011 reached ₹ 10586 crore.

Retail Business

The Bank achieved a growth of 23.12 % in resident retail deposits during financial year ended 31 March 2011 and reached ₹ 22822 Crore from ₹ 18537 Crore in FY 2010. Total Savings Bank balances have also grown by 20 % reaching a figure of ₹ 9148 Crore.

As part of extending personalized and customized services to High Net worth customers, the Bank has been providing Priority Banking Services across various branches. The special service "FedSelect" is presently available at 35 branches and the Bank plans on extending this service to over 100 branches by the end of this Fiscal. This service has taken our banking to a whole new level, complete with special banking lounges and dedicated Customer Relations personnel. Taking convenience to a never- before high, the Bank also offer Home Banking services under this facility.

The Bank has also been actively involved in the sales of Third Party products. During the year ended March 31, 2011, the Bank generated a total life insurance premium collection of ₹ 158 crore for the joint venture life insurance company, IDBI Federal Life Insurance Co. Ltd., as against a total premium collection of ₹ 134 crore during the previous financial year.

The Bank had contributed 40% of the total Bancassurance channel business done by IDBI Federal. As a para banking service, the Bank sold Federal Pure Gold through select branches. The Bank also offers Depository Services and e-trade facilities for investors. The Bank now has associated with Bajaj Allianz General Insurance Company to distribute General Insurance products across our branches.

In the fiscal 2011 the retail loan book of the Bank reached ₹ 9397 crore forming 29.4 % of the total advances of the Bank. Housing Loans continued to be the major contributor in retail advances constituting 54.52% of the total retail loans, reaching ₹ 5123 crore as on 31 March 2011.

Auto Loans reported a growth of 12.80% and Gold Loans (excluding Agricultural Gold Loans) grew by 25%. As on March 31, 2011 there are 16000 Educational Loans outstanding with balances totaling to ₹ 295.61 crore.

Agriculture

Agricultural Credit portfolio of the Bank stood at ₹ 3748.54 Crore as on 31st March 2011 representing 13.56% of Adjusted Net Bank Credit (ANBC).

The Bank continues to expand the dispensation of credit to agricultural segment and provides services to the farming community through Agricultural Credit Specialists in different centres.

The Bank offers various Agri Business Products including Federal Kissan Cards, Agricultural Cash Credits, Medium Term Loans, Long Term Loans etc. customized to suit the requirement of farmers under plantation, horticulture, land development, irrigation, farm mechanization, construction of rural godowns, cold storage, green house, floriculture, allied activities like dairy, poultry, fishery, goat rearing, agro processing, finance to Agri- input dealers etc.

The Bank has entered into a MOU with National Bank for Agriculture and Rural Development (NABARD) for co-financing under Agricultural Projects/ Agro processing, High-tech agricultural and rural development schemes including major schemes for replanting of tea, modernization of tea factories etc.

Financial Inclusion and Corporate Social Responsibility

a) Successful implementation in all SLBC–allotted villages

ICT model of Financial Inclusion was successfully implemented through BC agents in all the 12 villages allotted to us by SLBC, Kerala, as on 15th March 2011.

b) First ever Financial Inclusion Branch

The first ever Financial Inclusion Bank Branch Grama Jeevan was opened at Thuruthy in the state of Kerala allotted to the Bank for Financial Inclusion. The branch offers full-fledged banking facilities to the public, including round-the-clock ATM facility.

Dr. D. Subbarao, Hon'ble Governor of Reserve Bank of India visited the Grama Jeevan branch on the inaugural day itself.

c) Outreach programmes

Dr. D. Subbarao, Hon'ble Governor of Reserve Bank of India visited our stall put–up under outreach programme conducted by RBI at Vengoor West Village, near Perumbavoor, Ernakulam District and appreciated the Financial Inclusion initiatives.

No Frills Accounts, GCC, KCC

As on 31/03/2011, 1.50 Lakh No-frills SB accounts have been opened and the balance outstanding comes to ₹ 45.14 Crore.

- 2466 General Credit Cards (GCCs) have been issued and ₹ 4.61 crore have been disbursed under the scheme
- ₹ 1192.00 crore have been disbursed in 37,733 Kisan Credit Cards (KCCs)

d) Credit Counselling Centres

The Bank established "Federal Ashwas Trust" with the main objective of making available financial education and credit counselling to the public. "Federal Ashwas Financial Literacy and Credit Counselling Centers" (FAFLCCs) were set up for this end. Four such centers were started in Alappuzha District, Kerala - at Mararikulam, Alappuzha, Moncompu (Kuttanad) and the fourth at Vythiri, a tribal backward area in Wayanad District, Kerala.

e) Business Correspondent / Business Facilitator Model

Business Facilitator Model

Branchless banking model of Financial Inclusion was implemented through individual Business Facilitators (BFs). In this model, Customer Service Points (CSPs) are manned by trained BF agents. The Customer Service Point agents are responsible for sourcing accounts, servicing such account holders in their jurisdiction, grievance escalation, feedback to nodal Branches etc. 57 BF agents have been engaged so far for financial inclusion programmes. These agents have been trained by the Bank in association with partner NGOs for Business Correspondent/Business Facilitator services.

f) Business Correspondent (ICT) Model

Under the ICT (Information & Communication Technology) Model, Bank has adopted an end-to-end outsourced model for Financial Inclusion implementation.

The Bank's financial inclusion product "FEDJYOTHI" is a smart card based solution in which customer transactions are facilitated in the field using hand-held terminals, called micro ATMs, by Business Correspondent agents.

The no-frill accounts opened under this model has an in-built OD facility with the customers eligible for General Credit Card (GCC) facility.

17 villages, including all those allotted to the Bank by SLBC, have been covered under the ICT model as on 31/03/2011. As on 31st March 2011, 1355 FedJyothi Smart Cards have been issued.

g) "Sneha Bhavan"

The Bank contributed towards setting up of a rehabilitation centre for patients suffering from Alzheimer's disease at Aluva. The centre, "Sneha Bhavan", is run by the Rotary Club of Aluva.

h) "Mid Day Meals"

The Bank also took the initiative to donate an amount to the Education Department of Kerala for implementing the project of "Mid day meals", to all children studying in the government and aided schools in the Vadakkekara assembly constituency.

Recovery of Assets

LOAN ASSET QUALITY

The Bank has initiated various measures to contain the NPA. Maximum thrust is given for recovery through SARFAESI Act proceedings and settlements are reached through compromise as per RBI guidelines. Services of Recovery Officers/Agents are used strictly adhering to Codes of Conduct prescribed by RBI. During the financial year 120 recovery camps and 82 Lok Adalaths were held at different centres and the results were overwhelming.

As on 31.03.2011, the Bank held a total provision of ₹ 942.34 Crore. This includes a Floating Provision of ₹ 179.52 Crore. The total provision coverage for NPAs as on March 31, 2011 is 82.06%. As per the extant RBI directive, banks should hold a minimum provision coverage of 70% including technically written off accounts. As on 31st March 2011, Provision Coverage Ratio of our Bank including technically written off accounts is 89.77%.

NRI Business

During the fiscal 2011 the Bank registered a growth of 12.6% in NR business reaching a level of ₹ 8277 Crore from a base of ₹ 7350 crore. The cream FCNR Portfolio grew by 42%. The premium deposit product Rupee Plus launched during the latter part of the year was well accepted by the Bank's patrons. The representative office and young team of IBTO's abroad could reach out to Bank's clientele offering services and support abroad. Going forward, beyond GCC & Kerala market, the Bank will be deputing Senior Executives to capture the Europe and North America market.

Inward Remittance Business

The Bank continued to be a major player in channelizing / routing inward remittance and is much sought after by Exchange Houses and banks from Saudi Arabia & Qatar. The Bank's flagship product Fed Flash which is real time [server to server] launched during the year has attracted all major remittances. In the year 2011 an overall 7% of the pan India remittance was routed through the Bank. SMS to remitter along with the beneficiary was a value addition introduced to the customers by the Bank. Apart from drawing arrangements with 55 partners abroad, Bank is also acting as agents for Western Union, X press money etc. An overall ₹ 15K Crore was routed through Bank's books benefiting both NR & Resident businesses.

Forex

The Bank undertakes all types of foreign exchange business. As on March 31, 2011, the Bank has two 'A' Category branches and seventy eight (78) branches designated as 'B' category for handling the foreign exchange business. SWIFT connectivity has been extended at the designated branches to facilitate faster and reliable communication with almost all major banks all over the world.

Export credit facilities are provided in rupee and in foreign currency for all pre-shipment activities and to meet the post-shipment fund requirement of exporters. The Bank has currently extended export credit facilities to cashew, seafood, garments, minerals, coir, spices, other food products, leather, rubber, pharmaceutical products, gems and jewellery.

Import credit facilities extended include chemicals, timbers, raw cashew nuts, paper and electronic goods. The Bank also arrange Buyers Credit for import customers from various overseas banks.

The Bank has conducted regular one-to-one meetings with exporters/ importers for assessing the business position, credit needs. Updates on forex market movements are sent to the clients regularly.

Integrated Treasury Operations

The Bank's integrated Treasury Operations involved maintenance of Statutory Reserve requirements, Balance Sheet Management, trading in Money Market, Bonds and Debentures, Equity and Foreign Exchange. The Treasury operations were shifted to Mumbai from Kochi during September 2008 and subsequently the Bank has dedicated and full-fledged dealing desks for various segments like Foreign Exchange, Merchant Trading, Currency Futures, Money Market, Equity, Bonds and Debentures, CD/ CP, Interest Rate Swaps and Government Securities. The CSGL operations were made part of Treasury Operations and been working alongside G-Sec desk.

During the year, the Forex Cell was shifted to Mumbai from Ernakulam. The Merchant Back-office operations were also shifted to Mumbai during June 2010. The Bank commenced trading in Currency Futures in two more exchanges viz., Multi Commodity Exchange (MCX) and United Stock Exchange (USE) in addition to the existing trading in National Stock Exchange (NSE). Also, the Bank has revamped the Interest Rate Swap (IRS) desk which undertakes activity of trading on IRS for proprietary purpose. The Bank aims to commence trading in Currency Options in FY 2011-12. During the fiscal 2011 the Bank has held interactive sessions with its export/import clients.

The Bank has installed various trading platforms like Reuters, D2, FX Clear, BARX, AUTOBAHN and COMMERZ in the dealing room for a better and streamlined trading activity in Forex.

To cope up with the dynamic changes taking place in the regulatory and technological front, the Bank has migrated to a new and advanced Treasury Software Package, Integrated Treasury Management System (ITMS) a product of Lasersoft (which is a part of Polaris Software).

Rating of the Instruments

Instruments issued by the Bank have received very good rating by the rating agencies.

Instrument	Agency	Rating
Fixed Deposits(short term)	CRISIL	P1+
Certificate of Deposit	CRISIL	P1+
Bonds	FITCH	AA-(ind)
Bonds	CARE	AA

Integrated Risk Management

Primary responsibility of laying down risk parameters and establishing an integrated risk management framework and control system rests with the Board of Directors. A Board level committee, viz. the Risk Management Committee (RMC) oversees management of Credit, Market and Operational risks. Three separate Executive level committees, viz. the Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC) ensure effective management of credit, market and operational risks respectively.

Integrated Risk Management Department (IRMD) of the Bank is headed by the Chief Risk Officer, who also functions as the Chief Compliance Officer, responsible for the compliance functions of the Bank. Credit, Market and Operational risk management is functionally assigned to three separate cells under IRMD.

The Bank has put in place the following policies for risk management and compliance, approved by the Board of Directors:

1. Integrated Risk Management Policy,
2. Credit Risk Management Policy
3. Asset Liability Management Policy,
4. Operational Risk Management Policy,
5. Stress Testing Policy,
6. Business Continuity Plan Policy,
7. Credit Risk Mitigation and Collateral Management Policy,
8. Policy on Internal Capital Adequacy Assessment Process (ICAAP),
9. Disclosure Policy,
10. Policy on fixing and monitoring of exposure ceilings, and
11. Compliance Policy.

The Bank has established an independent on site Mid-Office in Treasury Department, reporting directly to the Chief Risk Officer. The Mid-Office scrutinizes the treasury deals and transactions from the point of view of market risk management.

Compliance with Basel II framework

As per the prudential guidelines issued by Reserve Bank of India, the Bank has migrated from Basel I norms to Basel II norms as on 31 March 2009 and Capital Adequacy Ratio under the New Capital Adequacy Framework (NCAF) is being computed on a quarterly basis.

In tune with regulatory guidelines on Pillar I of Basel II norms, the Bank has computed capital charge for credit risk as per the Standardized Approach, for market risk as per the Standardized Duration Method and for operational risk as per the Basic Indicator Approach. Under Pillar II, Bank is assessing the level of inherent risks and related capital requirements on a quarterly basis using a well defined Internal Capital Adequacy Assessment Process approved by the Board. Additional disclosures under Pillar III of Basel II are also complied with.

Capital Adequacy Ratio

Bank's Capital Adequacy Ratio as on 31/03/2011 under Basel II norms is 16.79% as against 15.39% under Basel I framework. As the minimum level of CRAR prescribed by Reserve Bank of India is 9%, Bank's CRAR of 16.79% under Basel II norms offers a commendable level of comfort and cushion for further expansion and growth in asset portfolio.

Compliance function

In order to monitor the Compliance functions in the Bank and for Compliance risk management, a Compliance cell is functioning in the Integrated Risk Management Department, headed by the Chief Compliance Officer.

Business Continuity Plan

In terms of the Business Continuity Plan Policy approved by the Board, Business Continuity Plan (BCP) Committees have been formed in Head Office, Regional Offices and Branches. Mock drills and Disaster Recovery drills are conducted to check the efficacy of systems. A Contingency Management Team (Task Force) has been formed at Head Office, functioning as a Central Crisis Management Team for ensuring business continuity.

Business Outlet Expansion

The year 2010-11 was an eventful one with The Bank growing by 71 branches and 73 ATMs, thus strengthening its national network with 743 branches and 805 ATMs. In the year next, the Bank has laid emphasis on opening branches in Tier 3 to Tier 6 centres, upholding the responsibility towards Financail Inclusion, a measure to provide banking to the under banked and the needy. The Bank is looking forward to reach the 1000 branch milestone in the current fiscal to enhance its visibility and to create a strong foothold in the hitherto unexplored or unoptimised centers.

Business effectiveness through technology

All the branches and offices of the Bank are running on Core Banking Solution, offering anywhere banking facilities from all its branches. Bank offers multiple delivery channels like Internet Banking (FedNet), Mobile Banking, ATM network - (ATM strength 805 as on 31.03.2011), Visa and Master Debit Cards, Mobile and E-mail alert service, Electronic bills payment system, Tele-Banking Facility, Point of Sale terminals etc.,

An express remittance facility - FedFast - is offered to NRIs for inward remittance from gulf countries. With 100% interconnectivity of its branches, the Bank offers the RTGS / NEFT services across its entire branch network through our internet banking platform.

The Bank offers bill payment, e-ticketing and e-com facilities to its customers. Customers now have the convenience of being able to transact on any ATM in the country. Visa Money Transfer – a first of its kind in India – is a facility which allows customer to transfer money using credit/debit card .

The Bank is now a member of National Payment Corporation of India (NPCI) and all the ATM interchange transaction for the NPCI member Banks are routed through NPCI. The Bank is also the sixth member Bank to join the IMPS initiative of NPCI.

A 24x7 call centre with toll-free number has been set up for customer assistance and redressing grievances.

Human Resources

The Bank is looking to leap forward in terms of business growth, geographical coverage and profit in the coming year. To support this massive expansion, it needs the right kind of workforce. One that is motivated and constantly committed to the organizational objectives.

In an effort towards achieving this, the HR Department launched a slew of fresh initiatives aimed at awakening in each employee a sense of pride for being associated with the Bank.

As first – ever exercise of its kind, the initiatives included;

- Work-life balance resolution to improve productivity levels
- Introduction of Sabbatical Leave
- Employee Stock Option scheme to inculcate a sense of ownership in the employee
- Events like Federal Champions Cup, Federal Idol, Founder's Day Celebration and Women's Day Celebration were also conducted to promote a feeling of togetherness among the employees.

The focus on HR front was to instill in everyone a sense of belonging, a feeling of oneness. HR department conducted a pan India workshop to highlight the importance of having an effective Performance Management System in place.

The other major challenge was meeting the huge manpower requirements, brought about by the Bank's large scale expansion plans. With the massive recruitment drive, our strength grew from 7896 to 8270.

The Bank also took the radical step of decentralizing the HR functions and placed HR officers at Regions. Several in-house and external training programmes were conducted to develop the skill set of the people. Fed-e-HRM, an all-in-one HR platform was launched this year

The Business per employee and profit per employee figures of the Bank took a quantum leap by registering an increase of ₹ 110 lakhs and ₹ 1.25 lakhs reaching to ₹ 923 lakhs and ₹ 7.26 lakhs respectively

A host of new Human Resource initiatives which moves in line with the new theme of "HR Transformation – Driving the change from within" will be rolled out in the year 2011-12.

Training and Development

Training and Development was given ample thrust in line with the corporate objectives.

Training was imparted to 5541 employees on varied Banking, Management and Information Technology subjects by Federal Knowledge and Development Centre, the training institute of the Bank. In addition, 542 Officers/Staff were nominated to training programmes conducted by reputed institutions like NIBM, IIM, SIBSTC, IDRBT, CAB, NABARD etc .

To strengthen the skill sets of the officers posted at the newly introduced credit hubs, four special programmes on "Credit Appraisal" were conducted by CRISIL at the Bank's training institute which was attended by 119 officials.

E-learning

As part of e-learning initiatives, the Bank conducted 38 online quiz programmes for Officers/Clerks and 9517 persons including probationers participated in the quizzes and 204 winners were awarded cash prizes.

Mentoring

Mentoring is another area of the initiative of the Bank's training institute. All Probationers were allotted mentors on completion of induction programmes

KYC / AML compliance

The Bank has centrally installed Anti Money Laundering software to ensure the regulatory compliance of Know Your Customer (KYC) norms and guidelines. The regulatory compliance mandated to implement a Customer Identification Programme and perform due diligence checks before doing business with a person or entity.

KYC also fulfills the risk mitigation function. Beyond customer identification checks, the ongoing monitoring of transactions against a range of risk variables forms an integral part of the KYC compliance mandate.

Inspection and Audit

The Bank has well established Inspection & Audit Department in place, that sees to the adherence to systems, policies and procedures. The guidelines received on various issues of control from Reserve Bank of India, Government of India, Board and Audit Committee of the Board have become part of the Internal Control System for better compliance at all levels.

Audits and Inspections are carried out in the Bank as per the Board approved Audit policy. The Department conducts various purpose based audits also as per the necessity / periodicity as decided by the Audit Committee of Board from time to time. The scope of various audits was modified suitably on a continuous basis to cope with the ever changing scenario of the banking system.

Internal Inspection comprises of risk-based audit of branches. Risk Based Internal Audit of Branches is being conducted by the Bank's own Inspectors.

All the branches are covered under Risk Based Internal Audit (RBIA). The assessment of level of risk and its direction is as per the Risk Matrix prescribed by the Reserve Bank of India which helps the Management in identifying areas of high risk that require attention on a priority basis.

The position of the risk categorization of the branches is reviewed by Audit Committee of the Board on a quarterly basis.

Under Concurrent Audit, as reckoned at 31 March 2011, 205 branches, Treasury Department, International Banking Department (IBD), DP Division, RBD and 7 Fedfina offices (Retail Hubs) were subjected to Concurrent Audit covering 65.96% of the total business of the Bank (62.79% of deposits and 70.24% of advances) based on business data as on 31-12-2010, as against the minimum requirement of 50% of deposits and advances separately, stipulated by RBI.

The department also covers the Credit Audit function as part of Loan Review Mechanism, which examines compliance with extant sanction and post-sanction processes / procedures laid down by the Bank from time to time, as per the RBI guidelines. The objectives of Credit Audit are as follows.

- Improvement in the quality of credit.
- Review of sanction process and compliance status of large loans.
- Feedback on regulatory compliance.
- Independent review of Credit Risk Assessment.
- Pick up early warning signals and suggest remedial measures.
- Recommend corrective action to improve credit quality, credit administration and credit skills of staff, etc.

The department has qualified personnel who also cover Information Systems Audit. The services of external Auditors are also utilized to conduct IS Audit of select branches depending on the necessity.

Besides Regular Inspection of Branches and Concurrent / Credit Audits, various other inspections are also carried out in the Bank such as Management Audit of Regional offices and HO Departments, Forex Audit, Gold Loans Audit, Revenue Audit, Information Systems Audit, Registration Authority Audit, Vulnerability Analysis & Penetration Testing, Quarterly concurrent basis certification of Internet Payment Intermediaries' Accounts etc.

Risk Based Internal Audit and Concurrent Audits are fully online modules with dedicated databases and systems which are managed under secure environments and by adequately authorized and trained personnel. The compliance by branches/ offices and consolidations of data etc are also managed and monitored through online rectification and appropriate approvals of the controlling authorities or Regional offices. This has contributed in major ways to the Bank going green, by doing away with paper reports.

The Bank conducts training programmes for Inspecting Officers in a need based manner. Similarly, programmes were also conducted for the Concurrent Auditors to update their knowledge base.

Agendas placed before the Audit Committee of the Board for review includes total audit function of the Bank. The compliance of direction of Audit Committee of the Board is monitored through Action Taken Reports in all cases desired.

During FY 2010-11, the Bank has covered 600 Audits under Risk Based Internal Audit. Management Audits of Regional offices were completed in 10 eligible cases. Management Audits of 6 HO departments were conducted. 72 Audits were done under Forex Audit. Revenue Audit was covered in 366 branches and Gold Loan Audit was conducted in 345 branches Credit Audit was completed in the cases of 224 large borrowers.

Corporate Governance

The Bank has adopted a Code of Corporate Governance which while taking care of the interest of shareholders and other stakeholders also provide good management, adoption of prudent risk management techniques and compliance with required standards of capital adequacy, thereby safe guarding the interest of all stakeholders.

The code also aims at identifying and recognizing the Board of Directors and the Management of the Bank as the principal instruments through which good corporate governance principles are articulated and implemented, giving utmost importance to identify and recognize transparency, accountability and equality of treatment amongst all the stakeholders, which is in tune with statutory and regulatory structures. A copy of the Code is available on request.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 1956, Listing Agreement, and the Code of Corporate Governance adopted by the Bank. The Board consists of 8 persons with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, finance, industry, agriculture, and information technology.

Shri. Shyam Srinivasan MD & CEO joined the Bank on 23/09/2010 on retirement of Shri. M. Venugopalan, MD & CEO who retired on July 31, 2010 after his tenure of appointment of 5 years and 3 months.

Shri. P. C. John, Executive Director, is now a whole time Director of the Bank. Excluding the MD & CEO and the ED all other members of the Board are Non-Executive and Independent Directors

Shri. K. S. Harshan, Executive Director retired from the Board after completing his tenure of appointment of 3 years on 30th April, 2010. Shri. P. R. Kalyanaraman, Executive Director, retired on 1st January 2011 after his tenure of appointment of 3 years.

Shri. Surendra Pai retired from the Board after completing 3 years of valuable service on 13th September 2010. Shri. Nilesh S. Vikamsey was appointed as a Director of the Bank on 24th June 2011 as an Additional Director in the place of Shri. P. H. Ravikumar who will be retiring in this Annual General Meeting after rendering 7 years of valuable service to the Bank and the Board records its appreciation of his services as a member of the Board of the Bank

The other Director who is retiring at this AGM is Shri. Suresh Kumar and being eligible has offered himself for reappointment. A proposal moved by a member to appoint Shri. Nilesh S.Vikamsey as Director in the vacancy of Shri. P. H. Ravikumar is placed before this AGM

Shri. P. C. Cyriac, Shri. Abraham Koshy and Dr. T. C. Nair were re-elected/appointed as Directors of the Bank at its last Annual General Meeting held on 13th September 2010

Shri. Abraham Chacko has joined the Bank as Executive Director, effective on 21st of May 2011.

Board Procedure

All the major issues included in the Agenda for discussion in the Board/ Committees of Board are backed by comprehensive background information to enable the Board /Committee to take informed decisions. Agenda papers are generally circulated well in advance prior to the meeting of the Board/ Committee. Also the Board/Committee agenda contains the Compliance Report of the directions taken at previous meeting. The members of the Board exercise due diligence in performance of the functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment.

Remuneration to Directors

Shri. Shyam Srinivasan, MD & CEO, was paid ₹ 40, 32, 649 (gross), Shri. P.C.John (Executive Director) was paid ₹ 19, 88, 761(gross) ++ Shri. M.Venugopalan, MD & CEO (retired) was paid ₹ 24, 64, 134 (gross) @, Shri. K.S.Harshan, Executive Director (retired) was paid ₹ 6, 65,168 (gross) * and Shri. P.R.Kalyanaraman, Executive Director (retired) was paid ₹ 23, 05, 564 (gross) ^ as remuneration for the year in accordance with the terms and conditions approved by RBI and the shareholders. The other Independent Directors were paid ₹ 20,000/- each as sitting fees for attending Board meeting & Audit, Finance, Nomination, Ethics and Remuneration Committee & Risk Management Committee meetings and ₹ 10,000/- each for attending other Committee meetings of the Board. The sitting fee paid to the Directors is within the limits prescribed under the Companies Act, 1956.

@ Over and above this, an amount of ₹ 16.25 Lakhs was paid towards gratuity and ₹ 14.95 Lakhs towards leave encashment to Shri. M. Venugopalan, at the time of his retirement.

* Over and above this, an amount of ₹ 7.50 Lakhs was paid towards gratuity and ₹ 4.80 Lakhs towards leave encashment to Shri. K. S. Harshan, at the time of his retirement.

^ Over and above this, an amount of ₹ 3.55 Lakhs was paid towards leave encashment to Shri. P. R. Kalyanaraman, at the time of his retirement.

++ Over and above this, an amount of ₹ 4, 28, 716/- was paid to Shri. P. C. John towards salary arrears pertaining to previous years of his employment with the Bank.

Applications for issue of shares under ESOS 2010 to Shri. Shyam Srinivasan, MD & CEO and Shri. P. C. John (Executive Director) are pending with Reserve Bank Of India for approval.

Directors' Shareholding

Name of the Director	No. of Shares held as on 31-03-2011
Shri. P. H. Ravikumar	4,000
Shri. P. C. John	1231

Audit Committee

The Audit Committee consists of three non-executive, independent Directors, and is chaired by Shri. Suresh Kumar, a Non-Executive Independent Director, since February 25, 2010, on reconstitution of Committees. The other members of the Committee are Shri. P.C. Cyriac and Dr. T.C Nair, who are Non-Executive Independent Directors, Shri. P. Surendra Pai was a member of the Committee and he ceased to be the Director wef 13/09/2010. The terms of reference of the Audit Committee, incorporated in the Bank's Code of Corporate Governance, are in accordance with the listing agreements entered into by the Bank with stock exchanges where the Bank's shares are listed, as well as RBI guidelines. The Committee is expected to:

a. Review the Bank's financial policies, and where necessary, recommend changes for the Board's approval;

b. Review periodically the adequacy of internal control systems (including the asset-liability management and risk-assessment and management systems) with the management and external and internal auditors, assure itself that the systems are being effectively observed and monitored, and, where necessary, approve changes or recommend changes for the Board's approval;

c. Review the adequacy of the internal audit function, including the structure of the internal audit department, staffing, and the suitability and seniority of the official heading it, reporting structure coverage, and the frequency of internal audit, and, where necessary, approve changes;

d. Review the findings of any investigations by internal auditors or vigilance officials into actual or suspected fraud or irregularity or a failure of internal control systems of a material nature, and convey to the Board any comments of the Committee or action initiated by it on the findings;

e. Oversee the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible, and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be;

f. Recommend, for shareholders' approval, the appointment, reappointment, removal, or replacement of the external auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit;

g. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is employed;

h. Review the draft quarterly and annual financial statements with the external auditors and the management before submission to the Board for approval; and

i. Discuss with the management the auditors' report and assessment, their qualifications and concerns, if any, and the management's response to the auditors' management letter and long-form audit report.

The Audit Committee met 10 (Ten) times during the year in due compliance with RBI and Listing Agreement requirements.

Nomination, Ethics and Remuneration Committee

The Committee is chaired by Shri. P. C. Cyriac and have three other members viz: Prof. Abraham Koshy, Shri. Suresh Kumar and Shri. P. H. Ravikumar. All of them are Non Executive and Independent Directors. Dr. M.Y. Khan was a member of the Committee till 10th March 2011.

The terms of reference of the Committee are:

a. Develop, for Board approval, a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors.

b. Review, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or other Directors, shareholders, senior officers of the Bank, or others; and

c. Recommend to the Board candidates for election (including re-election) or appointment (including reappointment) to the Board.

d. To look into the complaints and allegations against the top management of the Bank.

e. To review the compensation package for the MD & CEO and the Executive Directors, and recommend revisions for Board approval.

The Committee met 8(Eight) times during the year.

Shareholders'/Investors' Grievances and Share Transfer Committee

The Committee is chaired by Shri. P. C. Cyriac and consists of Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. P.C. John (Executive Director) as members. Shri. Girish Kumar G, Company Secretary, functions as the compliance officer. Shri. Surendra Pai was a member of the Committee and he ceased to be a Director wef 13/09/2010. Shri. M. Venugopalan (M.D. & CEO) and Shri. P. R. Kalyanaraman (Executive Director) were members of the Committee and they ceased to be members on their retirement from the Bank.

The terms of reference of the Committee are:

a. to approve or reject applications for transfer of shares referred to the committee by the Bank's Registrar and Share Transfer Agents in terms of such criteria as may be determined by the Committee and conveyed to the Agents.

b. to initiate further actions on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and

c. to review, where necessary, complaints received from shareholders or others regarding transfer of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints;

The Committee met 8 (Eight) times during the year and reviewed and redressed 71 complaints out of 71 complaints received from shareholders. The Bank attended to the complaints promptly and to the satisfaction of the shareholders. All the share-transfer applications received up to 31 March 2011 have been processed.

No penalty or stricture was imposed on the Bank by any statutory body, such as the Securities Exchange Board of India (SEBI), the Registrar of Companies, or any other statutory agencies for the last three years.

Finance Committee

The Committee is chaired by Shri. P. H. Ravikumar and consists of, Shri. Shyam Srinivasan, MD & CEO of the Bank, Shri. P. C. John, (Executive Director) & Dr. M. Y. Khan as members. Shri. M. Venugopalan (MD & CEO) and Shri. P. R. Kalyanaraman (Executive Director) were members of the Committee and they ceased to be members on their retirement from the Bank.

a. To consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients within such authority as is delegated to the Committee by the Board from time to time.

b. Review of top 100 borrowal accounts of below ₹ 5 crore in each category of NPA i.e. substandard/ doubtful/ loss.

c. Credit proposals sanctioned by MD & CEO / Executive Director/ General Manager(s).

d. Compromise proposals / bad debts written off with the approval of MD & CEO/ Executive Director.

The Finance Committee met 11 (Eleven) times during the year.

Risk Management Committee

The Committee is chaired by Dr. M.Y. Khan and consists of Prof. Abraham Koshy, Dr. T.C. Nair, Shri. Shyam Srinivasan, MD & CEO of the Bank, and Shri. P.C. John, (Executive Director) as members. Shri. Ravi Kumar was a member of the committee till 10.03.2011. Shri. M. Venugopalan (M.D. & CEO), Shri. K.S. Harshan (Executuve Director) and Shri. P. R. Kalyanaraman (Executive Director) were members of the committee and they ceased to be members on their retirement from the Bank.

The terms of reference of the Committee are:

a. Devise the policy and strategy for integrated risk management containing various risk exposures of the Bank.

b. Effectively coordinate between the Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO) and Operation Risk Management Committee (ORMC).

c. Setting policies and guidelines for credit risk measurement, management and reporting.

d. Ensuring that the credit risk management processes satisfy the Bank's policy.

e. Set risk parameters and prudential limits for credit exposure.

f. Appointment of qualified and competent staff; ensuring posting of qualified and competent staff, independent credit risk managers, etc.

g. Ensure that adequate training is made available to the staff in Credit Risk Management Department, which handles this complex function.

h. Ensuring that market risk management processes (including people, systems, operations, limits and controls) satisfy Bank's policy.

i. Reviewing and approving market risk limits, including triggers or stop-losses for traded and accrual portfolios

j. Ensuring robustness of financial models, and the effectiveness of all systems used to calculate market risk.

k. Setting policies and guidelines of operational risk measurement, management and reporting.

l. Ensure that adequate training is made available to the staff handling Operational Risk Management functions, which is of great importance to the Bank.

The RMC met 5 (Five) times during the year.

IT Committee

The Committee is chaired by Shri. P. H. Ravikumar and consists of Prof. Abraham Koshy, Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. P. C. John as members. Shri. M. Venugopalan (M.D. & CEO), Shri. K. S. Harshan (Executuve Director) and Shri. P. R. Kalyanaraman (Executive Director) were members of the Committee and they ceased to be members on their retirement from the Bank .The terms of reference of the Committee are:

• To review and monitor various matters relating to the implementation and upgradation of the Bank's information Technology initiatives.

The IT Committee met 1 (one) time during the year.

Customer Service Committee

The Committee is chaired by Prof. Abraham Koshy and consists of Shri. P. C. Cyriac, Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. P. C. John, (Executive Director) as members. Shri. M. Venugopalan (MD & CEO), Shri. K. S. Harshan (Executuve Director), and Shri. P. R. Kalyanaraman (Executive Director) were members of the Committee and they ceased to be members on their retirement from the Bank. Shri. P. Surendra Pai was a member of the Committee and he ceased to be the Director wef 13/09/2010.

The terms of reference of the Committee are:

• Addressing the formulation of a comprehensive Deposit Policy, incorporating the issues such as the treatment of death of a depositor for operations of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services. Besides, the Committee also examines any other issues having a bearing on the quality of customer service rendered.

The Committee met 3 (Three) times during the year.

Committee for Review of Fraud Cases Of ₹ 1 Crore & Above

The Committee is chaired by Shri. Shyam Srinivasan , MD & CEO of the Bank, and consists of Dr. T. C. Nair, Dr. M. Y. Khan, Shri. P. C. Cyriac and Shri. P. C. John (Executive Director) as members. Shri. M.Venugopalan (M.D. & CEO) and Shri. P. R. Kalyanaraman (Executive Director) were members of the Committee and they ceased to be members on their retirement from the Bank. Shri. P. Surendra Pai was a member of the Committee and he ceased to be a Director wef 13/09/2010.

The Committee met 2 (Two) times during the year.

Committee for Investment and Raising of Capital

The Committee is chaired by Shri. Suresh Kumar and consists of Dr. M. Y. Khan, Shri. P. H. Ravikumar & Shri. Shyam Srinivasan MD & CEO and Dr. T. C Nair as members with an objective to look into the various avenue for strategic & non-strategic investment within the overall policy of the Bank for its organic and inorganic growth. The Committee also looks after the various options for raising of resources to achieve the tasks. Shri. M. Venugopalan (M. D. & CEO), was a member of the Committee and he ceased to be a member on his retirement from the Bank

The Committee met 2 (Two) times during the year.

Committee for Human Resources Policy

The Committee is chaired by Prof. Abraham Koshy, and consists of Shri. P. C. Cyriac, Shri. Shyam Srinivasan MD & CEO and Shri. P. C John (Executive Director) as members. Shri. M.Venugopalan (MD & CEO) and Shri. P. R. Kalyanaraman (Executive Director) were members of the Committee and they ceased to be members on their retirement from the service of the Bank.

The terms of reference of the Committee:

a. To review the existing HR policy of the Bank.
b. Finalize the organizational structure
c. Address concerns expressed by various quarters like Union, Association etc.
d. To identify the areas of motivation
e. Review recruitment policies
f. Review compensation policies
g. Make industry comparison
h. Review existing agreements and suggest methods to make them mutually beneficial

i. Introduction of performance management/measurement and compensation packages.

The Committee met 1 (one) time during the year.

Committee for Marketing Strategies

The Committee is chaired by Prof. Abraham Koshy and consists of Shri. P. C. Cyriac, Shri. Shyam Srinivasan MD & CEO and Shri. P. C. John (Executive Director) as members to evolve and formulate the strategies for marketing of its various products. Shri.P. Surendra Pai was a member of the Committee and he ceased to be a Director wef 13/09/2010. Shri. M. Venugopalan (MD & CEO), and, Shri. P. R. Kalyanaraman (Executive Director) were members of the committee and they ceased to be members on their retirement from the service of the Bank. The Committee draws plan and programme to achieve the target in the competitive scenario.

The Committee met 3 (Three) times during the year.

Details of board, Audit committee and Finance committee meetings attended by Directors during 01 April 2010 to 31 March 2011.

SL. No.	Board Meeting	Audit Committee	Finance Committee
1.	10/04/2010	30/04/2010	13/05/2010
2.	17/04/2010	13/05/2010	10/06/2010
3.	14/05/2010	25/06/2010	25/06/2010
4.	29/05/2010	29/07/2010	06/08/2010
5.	26/06/2010	06/08/2010	13/09/2010
6.	29/07/2010	13/09/2010	28/10/2010
7.	06/08/2010	28/10/2010	19/11/2010
8.	13/09/2010	09/12/2010	10/12/2010
9.	29/10/2010	28/01/2011	27/01/2011
10.	10/12/2010	10/03/2011	24/02/2011
11.	28/01/2011		10/03/2011
12.	11/03/2011		

Details of Risk Management Committee meeting/share Transfer Committee Meetings and Information Technology Committee meetings attended by Directors during 01 April 2010 to 31 March 2011.

SL. No.	Risk Management Committee (RMC)	Share transfer Committee	Information Technology Committee (IT)
1.	13/05/2010	30/04/2010	13/05/2010
2.	26/06/2010	26/06/2010	-
3.	29/10/2010	29/07/2010	-
4.	27/01/2011	13/09/2010	-
5.	10/03/2011	29/10/2010	-
6.	-	10/12/2010	-
7.	-	28/01/2011	-
8.	-	11/03/2011	-

Attendance of Directors

Details of attendance of the directors at the meetings of the Board and its Committees:

Sl. No.	Name of Director	No. of meetings attended during 2010-11										
		Board	Audit	Finance	RMC	Share transfer	IT	Nomination	Human Resource	Marketing strategies & Customer Service	Review of large value frauds	Committee for investment and Raising capital
	Total number of meetings	12	10	11	5	8	1	8	1	3	2	2
1.	Shri. Shyam Srinivasan (MD and CEO)	4	-	6	3	4	-	-	1	2	1	2
2.	Shri. P. C. John (Executive Director)	8	-	5	2	1	-	-	1	-	1	-
3.	Shri. P. C. Cyriac	12	10	-	-	8	-	8	1	3	2	-
4.	Shri. P. H. Ravikumar	12	-	11	3	-	1	8	-	-	-	2
5.	Shri. Suresh Kumar	12	10	-	-	-	-	8	-	-	-	2
6.	Shri. Abraham Koshy	10	-	-	4	-	1	4	1	3	-	-
7.	Dr. T. C. Nair	4	4	-	-	-	-	-	-	-	1	2
8.	Dr. M. Y. Khan	9	-	7	1	-	-	3	-	-	1	-
9.	Shri. Surendra Pai	4	3	-	-	2	-	-	-	1	1	-
10.	P. R. Kalyanaraman	8	-	6	-	6	1	-	-	2	1	-
11.	Shri. M. Venugopalan	6	-	3	2	3	1	-	-	1	1	-

*During the course of the year the Board Committees were re-constituted by the Board on 29.10.2010 and 11.03.2011.

Information Relating To Last Three General Body Meetings Is Furnished Below:

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
77th Annual General Meeting	Monday, 21st July 2008 at 10 a.m	Mahatma Gandhi Municipal Town Hall, Aluva	No Special Resolution
78th Annual General Meeting	Monday, 17th August 2009 at 10 a.m	Mahatma Gandhi Municipal Town Hall, Aluva	No Special Resolution
79th Annual General Meeting	Monday, 13th September 2010 at 10 a.m	Mahatma Gandhi Municipal Town Hall, Aluva	No Special Resolution

All the Directors were present at the last AGM.

Disclosures

There were no material transactions between the Bank and its Directors or management having potential conflict with the larger interests of the Bank. The Bank complied with the directives issued by the stock exchanges on which the Bank's shares are listed, SEBI, and other regulatory authorities.

Insider Trading Code

The Bank has formulated a code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Insider Trading) (Amendment) Regulation 2002 to prevent practices of Insider Trading. Shri. Girish Kumar Ganapathy, Company Secretary has been designated as Compliance Officer for this purpose. Senior Management of the Bank has affirmed compliance with the Code of Conduct.

Adherence of Code of Corporate Governance

The Board of Directors of the Bank has adopted the Code of Corporate Governance. The Chairman of the Board affirmed compliance with the aforesaid Code.

Ethical standards employed by the Bank

The Bank has formulated service manual for its employees. This manual contains comprehensive regulations on ethical standards to be mandatorily observed by all the employees of the Bank.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and Likely Impact On Equity

The Bank has 32, 89, 222 GDRs (equivalent to 32, 89, 222 equity shares) outstanding, which constituted 1.92% of the Bank's total equity capital as at 31 March 2011. No convertible debenture is outstanding.

CEO/CFO Certification

In terms of Clause 49 of the Listing Agreement, the certification by MD & CEO and Chief Financial Officer on the financial statements and internal controls relating to financial reporting has been obtained.

Means of Communication

The quarterly, unaudited and annual audited financial results were published in nationally circulated newspapers in English, such as, Business Line, Business Standard and Financial Express, and in the regionally circulated Malayalam daily Deepika. The results were also displayed on the Bank's website www.federalbank.co.in.

General Information for Shareholders

Annual General Meeting

Date	:	03.09. 2011
Time	:	10 am
Venue	:	Mahatma Gandhi Town Hall, Aluva
Financial year	:	April 2010 to 31 March 2011
Period of book closure	:	25.08.2011to 03.09.2011
Dividend payment date	:	Will be within the prescribed time limit

Financial Calendar

Approval of quarterly results for the period ending:

- ❖ 30 June 2010 — 29 July 2010
- ❖ 30 September 2010 — 29 October 2010
- ❖ 31 December 2010 — 28 January 2011
- ❖ 31 March 2011 — 6 May 2011

Listing on Stock Exchanges

The Bank's shares are listed on the stock exchanges in Mumbai, Kochi and on the National Stock Exchange of India Ltd, Mumbai. The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange.

BSE Scrip Code : 500469 Scrip ID: FEDBANK
NSE Symbol : FEDERALBNK
Demat ISIN Code : INE171A01011

The annual listing fees for 2011-12 have been paid to all the Stock Exchanges where the shares are listed.

Movements in the market price of the Bank's shares on the national stock exchange.

Month	High	Low
Apr-10	299.90	262.60
May-10	353.00	271.00
Jun-10	355.00	302.00
Jul-10	368.00	313.00
Aug-10	364.00	321.20
Sep-10	410.00	341.05
Oct-10	481.90	394.50
Nov-10	501.00	407.00
Dec-10	469.90	407.10
Jan-11	408.40	336.10
Feb-11	391.50	326.20
Mar-11	424.50	350.05

Registrars and share transfer agent

Integrated Enterprises (India) Ltd,
2 nd Floor, Kences Towers,
No.1, Ramakrishna Street,
North Usman Road, T Nagar,
Chennai – 600 017

Share transfer

The share transfer instruments, as and when received, are duly processed and shares in respect of valid share transfer instruments are transferred in the names of transferees complying with rules in force. Of the total listed equity shares of the Bank, 96.77% are held in dematerialized form and 3.23 % in physical form.

SHARE HOLDING PATTERN AS ON MARCH 31, 2011		
Share holder Category	Shares	% Holding
Shares held by Custodians and others against which Depository Receipts have been issued	4240472	2.48
Mutual Funds/UTI	28883764	16.89
Financial Institutions / Bank/Insurance Companies	12358558	7.22
Foreign Institutional Investors	61785957	36.12
Bodies Corporate	24779339	14.49
NRI, Trust, Overseas Corporate Bodies, Foreign National, Foreign Body Corporate, Clearing Member	9986227	5.84
Individual	29013184	16.96
Total	171047501	100.00

Distribution of holdings as on March 31, 2011

No. of shares held	Holders		Amount	
	No.	%	₹	%
Up to 5000	66422	98.75	199427030	11.66
5001 - 10000	380	0.56	26925020	1.57
10001 - 20000	149	0.22	20783620	1.22
20001 - 30000	71	0.11	18001570	1.05
30001 - 40000	23	0.03	8128730	0.48
40001 - 50000	15	0.02	7029380	0.41
50001 - 100000	56	0.08	42981930	2.51
ABOVE 100001	152	0.23	1387197730	81.10
	67268	100.00	1710475010	100.00

*Out of the issued capital and paid up capital of the Bank, 82788 equity shares (only bonus shares) are kept in abeyance due to litigation.

Dematerialisation of the Bank's shares

Under agreements with National Securities Depository Services Ltd (NSDL) and Central Depository Services Ltd (CDSL), the Bank's shares can be and are traded in electronic form. Shares remaining in physical form can be dematerialised for which the share holders are requested to open a Depository Account with the Depository Participants (DP) and to lodge the share certificates along with Demat Request Form with them.

Unclaimed Dividends

Under the Transfer of Unclaimed Dividend Rules, it would not be possible to claim the dividend amount once deposited in Investors' Education & Protection Fund (IEPF). Therefore, shareholders are again requested to claim their unpaid dividend, if not already claimed.

The details of unclaimed dividend of last three years are as under:

(As on 31-03-2011)

Sl. No.	Financial Year	Amount of unclaimed Dividend (in ₹)
1	2007-08	60,19,000.00
2	2008-09	86,56,305.00
3	2009-10	86,25,640.00
	Total	233,00,945.00

Locations

With its Head Office at Aluva, the Bank has a network of (743) branches across India.

Address for correspondence:

The Federal Bank Ltd.
Head Office, Secretarial Department,
PB No. 103, Federal Towers,
Aluva – 683 101, Kerala, India.
E-mail – secretarial@federalbank.co.in

Company Secretary: Shri. Girish Kumar Ganapathy
Auditors: M/s. Varma & Varma, Kochi and M/s. Price Patt & Co., Chennai.

THE SPIRIT OF BLUE

ANNUAL REPORT 2010 - 2011

The Federal Bank Limited

Balance Sheet as at 31 March 2011

हजार रूपयों में
(In thousands of ₹)

31 मार्च 2011 का तुलनपत्र		अनुसूची Schedule No.	As at 31 March 2011	As at 31 March 2010
पुंजी और देयताएँ	**CAPITAL AND LIABILITIES**			
पुंजी	Capital	1	171,04,71	171,03,30
आरक्षितियाँ और अधिशेष	Reserves & Surplus	2	4937,61,46	4519,41,55
निक्षेप	Deposits	3	43014,78,06	36057,95,08
उधार	Borrowings	4	1888,36,26	1546,75,64
अन्य दायिताएँ तथा प्रावधान	Other Liabilities & Provisions	5	1444,55,93	1380,44,94
जोड़	Total		51456,36,42	43675,60,51
आस्तियाँ	**ASSETS**			
भारतीय रिज़र्व बैंक में नकदी अधिशेष	Cash & Balances with Reserve Bank of India	6	2935,05,31	2318,87,71
बैंकों में अतिशेष और मांग पर तथा अल्प सूचना पर प्रप्यधन	Balances with banks & money at call and short notice	7	813,25,04	404,51,19
विनिधान	Investments	8	14537,67,50	13054,64,76
अग्रिम	Advances	9	31953,23,37	26950,11,13
स्थिर आस्तियाँ	Fixed assets	10	289,81,68	289,76,97
अन्य आस्तियाँ	Other assets	11	927,33,52	657,68,75
जोड़	**Total**		**51456,36,42**	**43675,60,51**
आकस्मिक दायिताएँ	Contingent liabilities	12	22112,74,97	9736,37,64
संग्राहण के लिए बिल	Bills for collection		912,52,04	849,34,43
प्रमुख लेखा नीतियाँ	Principal Accounting Policies	18		
लेखा संबन्धी टिप्पणियाँ	Notes on Accounts	19		

K. Krishnakumar
Asst. General Manager

P. C. John
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

P. C. Cyriac
Chairman

DIRECTORS

P. H. Ravikumar | Suresh Kumar | Abraham Koshy | M. Y. Khan | Dr. T. C. Nair

As per our report of even date

For Varma & Varma
FRN: 004532S
Chartered Accountants

For Price Patt & Co.,
FRN: 02783S
Chartered Accountants

Kochi
06 May, 2011

R. Rajasekharan
Partner, Membership No. 22703

S. Ramaswamy
Partner, Membership No. 025918

The Federal Bank Limited

Profit and Loss Account for the year ended 31 March 2011

हजार रूपयों में
(In thousands of ₹)

31 मार्च 2011 को समाप्त वर्ष केलिए लाभ-हानि लेख		Schedule No.	अनुसूची For the year ended 31 March 2011	For the year ended 31 March 2010
आय	**I. INCOME**			
आर्जित ब्याज	Interest earned	13	4052,02,83	3673,23,63
अन्य आय	Other income	14	516,81,41	530,90,76
जोड़	**Total**		**4568,84,24**	**4204,14,39**
व्यय	**II. EXPENDITURE**			
व्यय किया गया ब्याज	Interest expended	15	2305,44,96	2262,40,30
परिचालन व्यय	Operating expenses	16	836,13,91	676,89,37
उपबंध और आकस्मिक व्यय	Provisions & contingencies		840,17,05	800,30,21
जोड़	**Total**		**3981,75,92**	**3739,59,88**
लाभ/हानि	**III. PROFIT/LOSS**			
वर्ष के शुद्ध लाभ	Net profit for the year		587,08,32	464,54,51
जोडे: पिछले वर्ष के अग्रनीत लाभ	Add Profit b/f from Previous Year		23,13,93	21,93,42
			610,22,25	486,47,93
विनियोजन	**IV. APPROPRIATIONS**			
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue Reserve		232,11,00	208,26,99
कानूनी आरक्षितियों को अंतरण	Transfer to Statutory Reserve		146,80,00	116,14,00
पुँजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		0	8,20,01
समाश्रित आरक्षितियों को अंतरण	Transfer to Contingency Reserve		0	0
विशेष आरक्षितियों को अंतरण इआयकर एक्ट सेक्षन 36 (1) (viii)]	Transfer to Special Reserve (sec 36(1)(viii) of IT Act)		36,56,00	31,00,00
प्रस्तावित लाभांशों को प्रावधान	Provision for proposed dividend		145,39,00	85,52,00
लाभांश करे को प्रावधान	Provision for Dividend Tax		23,58,59	14,21,00
अतिशेष जो आगे तुलन पत्र में ले जाया गाया है।	Balance carried over to Balance Sheet		25,77,66	23,13,93
जोड़	**Total**		**610,22,25**	**486,47,93**
प्रति षेयर अर्जन (रु)	Earnings per Share (Basic) (₹)	17	34.32	27.16
प्रमुख लेखा नीतियाँ	Principal Accounting Policies	18		
लेखा संबन्धी टिप्पणियाँ	Notes on Accounts	19		

K. Krishnakumar	P.C. John	Shyam Srinivasan	P.C. Cyriac
Asst. General Manager	Executive Director & CFO	Managing Director & CEO	Chairman

DIRECTORS

P.H. Ravikumar   Suresh Kumar   Abraham Koshy   M.Y. Khan   Dr. T.C. Nair

As per our report of even date

	For Varma & Varma	For Price Patt & Co.,
	FRN: 004532S	FRN: 02783S
	Chartered Accountants	Chartered Accountants
Kochi	R. Rajasekharan	S. Ramaswamy
06 May, 2011	Partner, Membership No. 22703	Partner, Membership No. 025918

(In thousands of ₹)

	As at 31 March 2011	As at 31 March 2010
SCHEDULE 1. CAPITAL		
Authorised Capital	200,00,00	200,00,00
[20,00,00,000 (Previous year 20,00,00,000) equity shares of ₹ 10 each]		
Issued Capital	171,31,79	171,31,79
[17,13,17,910 (Previous year 17,13,17,910) equity shares of ₹ 10/- each]		
Subscribed & Called up Capital [17,10,47,501 (Previous year 17,10,33,430) equity shares of ₹ 10/- each, which includes 3318 shares (Previous year 3318) of ₹ 10/- each issued for consideration other than cash and 4,37,35,378 shares (previous year 4,37,35,378) issued as Bonus shares and 2,00,00,000 underlying equity shares (previous year 2,00,00,000) of ₹ 10/- each issued towards Global Depository Receipts (including over allotment option of 20,00,000 equity shares) and 8,54,29,763 equity shares of ₹ 10/- each allotted on Rights basis during the financial year 2007-08] (Allotment of 1306 Shares (Previous year 1306) of ₹ 10/- each pertaining to the Rights Issue of 1993 issued at a premium of ₹ 25/- per share and 52,420 shares (previous year 53,982) of ₹ 10/- each pertaining to the Rights Issue of 1996 issued at a premium of ₹ 140/- per Share and 2,16,683 equity shares (Previous year 2,29,192) of ₹ 10/- each at a premium of ₹ 240/- per share pertaining to Rights issue of 2007 are kept pending following orders from various courts) (Issue of certificates/credit in demat account in respect of 82,788 shares (previous year 89,036) of ₹ 10/- each out of the Bonus issue of 2004 are kept in abeyance consequent to injunction orders from various courts)	171,04,75	171,03,34
Less: Calls in arrears	4	4
Add: Forfeited shares	NIL	NIL
Total	**171,04,71**	**171,03,30**
SCHEDULE 2. RESERVES & SURPLUS		
I. Statutory Reserves		
Opening balance	728,46,76	612,32,76
Additions during the year	146,80,00	116,14,00
	875,26,76	728,46,76
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	5,86,30	6,10,54
Deductions during the year	23,02	24,24
	5,63,28	5,86,30
(b) Others		
Opening balance	160,21,76	152,01,75

(In thousands of ₹)

	As at 31 March 2011	As at 31 March 2010
Additions during the year	0	8,20,01
	160,21,76	160,21,76
	165,85,04	166,08,06
III. Share premium		
Opening balance	2475,26,36	2475,26,36
Additions during the year	32,20	0
	2475,58,56	2475,26,36
IV. Revenue & Other Reserves		
a) Revenue Reserve		
Opening Balance	789,64,41	581,37,42
Additions during the year	232,11,00	208,26,99
	1021,75,41	789,64,41
b) Other Reserves		
Investment Fluctuation Reserve		
Opening Balance	189,72,00	189,72,00
Additions during the year	0	0
	189,72,00	189,72,00
c) Special Reserve (As per section 36(1)(viii) of IT Act)		
Opening balance	117,00,00	86,00,00
Addition during the year	36,56,00	31,00,00
	153,56,00	117,00,00
V. Contingency Reserve		
Opening balance	30,10,03	30,10,03
Addition during the year	0	0
	30,10,03	30,10,03
VI. Balance in Profit & Loss a/c	25,77,66	23,13,93
Total	**4937,61,46**	**4519,41,55**

SCHEDULE 3. DEPOSITS

	As at 31 March 2011	As at 31 March 2010
A. I. Demand Deposits		
i. From Banks	142,68,91	120,90,68
ii. From Others	2263,11,94	1710,36,34
	2405,80,85	1831,27,02
II. Savings Bank Deposits	9148,29,02	7611,12,91
III. Term Deposits		
i. From Banks	199,20,23	4,40,06

(In thousands of ₹)

	As at 31 March 2011	As at 31 March 2010
ii. From Others	31261,47,96	26611,15,09
	31460,68,19	26615,55,15
Total	**43014,78,06**	**36057,95,08**
B. i. Deposits of branches in India	43014,78,06	36057,95,08
ii. Deposits of branches outside India	Nil	Nil
Total	**43014,78,06**	**36057,95,08**
SCHEDULE 4. BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	100,00,00	0
ii. Other Banks	500,00,00	500,00,00
iii. Other institutions and agencies	917,29,17	688,09,60
iv. Subordinated debt	306,00,00	320,00,00
	1823,29,17	1508,09,60
II. Borrowings outside India	65,07,09	38,66,04
Total	**1888,36,26**	**1546,75,64**
Secured borrowings in the above	0	0
SCHEDULE 5. OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	24,29,70	36,22,03
II. Interoffice adjustments (Net)	182,36,54	192,62,07
III. Interest accrued	149,23,10	145,15,73
IV. Deferred Tax Liability (Net)	0	83,99,00
V. Others (including provisions)*	1088,66,59	922,46,11
Total	**1444,55,93**	**1380,44,94**
*Includes Contingent provisions against standard assets	159,58,81	145,23,81
SCHEDULE 6. CASH & BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	332,66,89	276,91,75
II. Balance with RBI in Current Account	2602,38,42	2041,95,96
Total	**2935,05,31**	**2318,87,71**
SCHEDULE 7. BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	40,16,13	30,55,98

(In thousands of ₹)

	As at 31 March 2011	As at 31 March 2010
b. in Other Deposit Accounts	273,67,20	101,53,00
ii. Money at call & short notice		
a. With Banks	399,72,13	50,00,00
b. With other institutions	0	199,86,81
Total	**713,55,46**	**381,95,79**
II. Outside India		
i. in Current Accounts	32,80,33	4,59,40
ii. in Other Deposit Accounts	66,89,25	17,96,00
iii. Money at call & short notice	Nil	Nil
Total	**99,69,58**	**22,55,40**
Grand Total	**813,25,04**	**404,51,19**

SCHEDULE 8. INVESTMENTS

	As at 31 March 2011	As at 31 March 2010
I. Investments in India (Gross)	14554,17,96	13071,64,37
Less Provision for Depreciation	16,50,46	16,99,61
Net Investments	14537,67,50	13054,64,76
Break up of Investments in India		
i. Govt. Securities	9964,52,93	9277,50,65
ii. Other approved Securities	35,74	82,53
iii. Shares	168,06,61	179,61,82
iv. Debentures & Bonds	605,34,48	649,76,25
v. Subsidiaries & Joint Ventures	217,00,00	127,00,00
vi. Others (Mutual Funds, Commercial Paper etc.)	3582,37,74	2819,93,51
Total	**14537,67,50**	**13054,64,76**
II. Investments outside India	**Nil**	**Nil**

SCHEDULE 9. ADVANCES

	As at 31 March 2011	As at 31 March 2010
A. i. Bills purchased & discounted	898,60,67	1216,65,16
ii. Cash credits, overdrafts and loans repayable on demand	17411,48,48	13903,23,17
iii. Term loans	13643,14,22	11830,22,80
Total	**31953,23,37**	**26950,11,13**
B. i. Secured by tangible assets (includes advances against Book Debts)	23508,51,56	19333,69,47
ii. Covered by Bank/Government guarantees	1671,22,62	1898,32,11
iii. Unsecured	6773,49,19	5718,09,55
Total	**31953,23,37**	**26950,11,13**

(In thousands of ₹)

	As at 31 March 2011	As at 31 March 2010
C. I. Advances in India		
i. Priority Sector	10585,79,92	9851,06,89
ii. Public Sector	1945,87,30	1858,00,49
iii. Banks	4,50,44	2,12,89
iv. Others	19417,05,71	15238,90,86
Total	**31953,23,37**	**26950,11,13**
II. Advances outside India	Nil	Nil
SCHEDULE 10. FIXED ASSETS		
I OWNED ASSETS		
a. Premises		
At cost as on 31st March of the preceding year	218,54,14	214,55,59
Additions during the year	74,86	4,00,05
	219,29,00	218,55,64
Deductions during the year	1,83	1,50
	219,27,17	218,54,14
Depreciation to date	50,78,90	44,43,39
	168,48,27	174,10,75
b. Other fixed assets (including furniture & fixtures)		
At cost as on 31st March of the preceding year	337,61,75	298,74,14
Additions during the year	57,42,43	57,45,74
	395,04,18	356,19,88
Deductions during the year	11,18,89	18,58,13
	383,85,29	337,61,75
Depreciation to date	262,90,22	222,34,04
	120,95,07	115,27,71
II ASSETS GIVEN ON LEASE		
At cost as on 31st March of the preceding year	3,10,13	3,10,13
Additions during the year	Nil	Nil
	3,10,13	3,10,13
Deductions during the year	0	0
	3,10,13	3,10,13
Depreciation to date	2,71,79	2,71,62
	38,34	38,51
Total (I & II)	**289,81,68**	**289,76,97**

(In thousands of ₹)

	As at 31 March 2011	As at 31 March 2010
SCHEDULE 11. OTHER ASSETS		
I. Inter office adjustments (net)	0	0
II. Interest accrued	280,41,36	248,94,64
III. Tax paid in advance/tax deducted at source (Net of provision)	338,48,01	300,40,91
IV. Stationery & Stamps	2,62,69	2,80,47
V. Non-banking assets acquired in satisfaction of claims	3,05,01	1,12,68
VI. Deferred Tax Asset (Net)	1,50,00	0
VII. Others	301,26,45	104,40,05
Total	**927,33,52**	**657,68,75**
SCHEDULE 12. CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	613,31,98	399,85,56
II. Liability on account of outstanding forward exchange contracts	16163,50,63	5837,09,25
III. Guarantees given on behalf of constituents - in India	3739,03,73	2168,26,99
IV. Acceptances, endorsements and other obligations	1562,27,47	1311,48,49
V. Other items for which the Bank is contingently liable	34,61,16	19,67,35
Total	**22112,74,97**	**9736,37,64**
SCHEDULE 13. INTEREST EARNED		
I. Interest/discount on advances/bills	3168,80,24	2849,73,18
II. Income on investments	868,03,04	783,40,90
III. Interest on balances with RBI & other inter-bank funds	10,59,78	29,85,45
IV. Others	4,59,77	10,24,10
Total	**4052,02,83**	**3673,23,63**
SCHEDULE 14. OTHER INCOME		
I. Commission, exchange and brokerage	114,44,45	105,26,14
II. Net profit/loss on sale of investments	45,75,89	107,70,79
III. Net profit/loss on revaluation of investments	-	-
IV. Net profit on sale of land, buildings & other assets	32,69	39,40
V. Net profit on foreign exchange transactions	57,22,90	44,61,61
VI. Income earned by way of dividends etc. from companies in India	3,52,36	4,68,60
VII. Miscellaneous income	295,53,12	268,24,22

(In thousands of ₹)

		As at 31 March 2011		As at 31 March 2010
[Includes Processing fee etc on loans ₹ 6073.60 lakh (previous period ₹ 5541.96 lakh) and Recoveries in assets written off ₹ 14607.34 lakh (previous year ₹ 12770.47 lakh) and Service Charges ₹ 2744.21 lakh (PY ₹ 3228.74 lakh)				
Total		**516,81,41**		**530,90,76**
SCHEDULE 15. INTEREST EXPENDED				
I. Interest on deposits		2161,98,20		2168,25,55
II. Interest on Reserve Bank of India/Inter bank borrowings		9,86,75		5,62
III. Others		133,60,01		94,09,13
Total		**2305,44,96**		**2262,40,30**
SCHEDULE 16. OPERATING EXPENSES				
I. Payments to & provisions for employees		480,41,33		366,05,41
II. Rent, taxes & lighting		79,59,52		71,13,65
III. Printing & stationery		10,16,38		8,94,12
IV. Advertisement & publicity		18,12,37		10,46,32
V. Depreciation on Bank`s property	54,48,58		50,43,04	
Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	23,02		24,24	
		54,25,56		50,18,80
VI. Directors' fees, allowances and expenses		70,85		96,91
VII. Auditors' fees & expenses (including branch auditors)		8,09,28		6,87,84
VIII.Law charges		5,36,41		4,82,18
IX. Postage, Telegrams,Telephones etc		18,86,85		14,99,58
X. Repairs & maintenance		23,03,99		19,32,46
XI. Insurance		35,84,70		32,04,45
XII. Other expenditure		101,66,67		91,07,65
Total		**836,13,91**		**676,89,37**
SCHEDULE 17. EARNINGS PER SHARE				
Net Profit for the year		587,08,32		464,54,51
Number of Shares		17,10,47		17,10,33
Earnings Per Share		34.32		27.16

SCHEDULE 18.
PRINCIPAL ACCOUNTING POLICIES

1. **General**

The financial statements have been drawn up on historical cost convention and on accrual basis of accounting (unless otherwise stated) and conform to Generally Accepted Accounting Principles in India which comprises the statutory provisions and practices followed in the banking industry in India.

2. **Advances**

a) Advances are classified as Performing Assets (Standard) and Non Performing assets, (Sub-standard, Doubtful, or Loss assets) and provisions required for possible losses on non performing advances are made over and above the minimum required as per the guidelines of the Reserve Bank of India (RBI) on matters relating to prudential norms.

b) Advances shown in the Balance Sheet are net of:
(i) bills rediscounted,
(ii) provisions made for non performing advances.

(c) Provisions are made in respect of the following as per the guideline of RBI and included under the head "Other liabilities – others" in the Balance Sheet.
(i) Provisions towards interest sacrifice/ fair value diminution on restructured / rescheduled advances.
(ii) Provision for standard asset.

3. **Investments**

(a) Investments are classified under three categories, viz 'Held for Trading' (HFT), 'Available for Sale' (AFS), and 'Held to Maturity' (HTM) as per RBI guidelines and disclosed in the Balance Sheet under six classifications viz.
i) Government Securities
ii) Other Approved Securities
iii) Shares
iv) Debentures and Bonds
v) Subsidiaries & Joint Ventures
vi) Others

Investments are also classified into performing & non performing as per the guidelines of RBI & provisions are made for possible losses as non performing investments as per the guidelines of the RBI.

b) In respect of Profit on sale of investments under 'Held to Maturity' category, an equivalent amount, net of taxes and transfer to statutory reserve, is apportioned to the Capital reserve account.

c) REPO & Reverse REPO transactions are accounted in accordance with the extant RBI Guidelines.

d) Valuation
i) Investments classified as HFT have been marked to market and valued scrip-wise under each classification at monthly intervals, excluding equity shares which are done on a weekly basis. Within a classification net appreciation is ignored and net depreciation is provided for.

ii) Investments classified as AFS have also been marked to market, and valued quarterly excluding equities, which are done on a weekly basis. Within a classification net appreciation is ignored and net depreciation is provided for.

iii) Investments classified as HTM are stated at acquisition cost except in cases where the acquisition cost is higher than the face value, in which case the excess, i.e. premium on acquisition, is amortised over the period remaining to maturity on equated basis. Any diminution in value other than temporary, in investments in subsidiaries/joint venture/ associates included under HTM is provided for.

iv) Closing stock of gold is valued at cost or market price whichever is lower.

4. **Derivatives**

Interest rate swaps/currency swaps pertain to trading position and which are outstanding as on Balance Sheet date are marked to market and net appreciation is ignored and net depreciation is recognised in the Profit and Loss Account.

5. **Transactions Involving Foreign Exchange**

a) All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the close of the year as advised by the Foreign Exchange Dealers' Association of India (FEDAI).

b) Income and expenditure denominated in foreign currencies have been accounted at the exchange rates prevailing on the dates of the transactions.

c) Outstanding foreign exchange forward contracts are revalued at the rates applicable on the closing date as advised by FEDAI. The resultant profit/loss is taken into Profit and Loss account.

d) Contingent liabilities on guarantees, letters of credit, acceptances and endorsements are reported at the rates prevailing on the Balance Sheet date.

6. **Fixed Assets**

a) Fixed Assets are stated at historical/revalued cost less accumulated depreciation & impairment of assets, if any. Premises which were revalued are stated at such values on revaluation and the appreciation credited to the Capital Reserve.

b) Depreciation on assets has been provided for on the diminishing balances at the rates as per Schedule XIV to the Companies Act, 1956, except on Computers, Mobile phones & EPABX, which are depreciated under the straight line method at 33.33% per annum as per RBI guidelines.

Depreciation on assets sold/disposed off during the year is provided for the period up to the date of sale. Depreciation on assets costing less than ₹ 5000 each has been fully written off

c) Depreciation on assets revalued has been charged on their written-down value including the addition made on revaluation, and an equivalent amount towards the additional depreciation provided consequent upon revaluation has been transferred from the Capital Reserve to the Profit & Loss Account.

(d) Licence fee and implementation expenditure for Core Banking Solution are amortised on the straight line basis over a period of three years, on a pro rata basis.

7. **Finance Leasing**

Accounting Standard on Leases (AS19) issued by the Institute of Chartered Accountants of India (ICAI) is applicable to leases entered into on or after 1 April 2001. Since all the Bank's outstanding finance lease transactions were entered into prior to that date, the Bank has followed the earlier ICAI guidelines in respect of these leases.

Depreciation on non-performing leased assets (NPAs) is provided on written-down value as per the Companies Act 1956, by directly charging to Profit & Loss Account without any corresponding adjustment in the Lease Adjustment Account. In addition to depreciation, provision is also made for non-performing leased assets as per RBI guidelines.

8. **Employee Benefits**

(a) Post –Employment benefit Plans

Payments to defined contribution retirement benefit schemes (other than Second option for pension) are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the

Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets.

The net liability arising out of exercise of the second option for pension is fully reckoned, to be amortised in five years with 1/5th thereof being absorbed in the profit and Loss Account of the year as per approval of RBI (vide letter DBOD. No.BP.BC.15896/21.04.018/2010.-11 dated 08.04.2011.)

(b) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

(c) The provision towards sick leave benefit to staff is made based on actuarial valuation.

9. Recognition of Income and Expenditure

Items of income and expenditure are accounted for on accrual basis, except as stated hereunder:

a) Income from non performing investments/ advances are recognised on realisation as per the guidelines of RBI.

b) Commission other than guarantee commission is accounted on cash basis. Guarantee commission is recognised over the period of the guarantees. Dividends are recognised as and when declared by the investee companies.

c) Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.

d) Income from consignment sale of gold is accounted as other income.

10. Provision for Income Tax

Provision for income tax is made for the current tax, and adjustment is made for deferred tax for the year representing the net change in the deferred tax asset or deferred tax liability, in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India (ICAI) Deferred tax assets are recognised on the basis of the management's judgment of reasonable certainty of future profits.

11. Earnings per Share

Basic Earnings per share (EPS) reported is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year.

12. Segment Information

In terms of the guidelines of the RBI on enhanced disclosure of segment information, the Bank's operations are classified into four reportable business segments, viz. Treasury Operations (investment and trading in securities, shares, debentures, etc.), Wholesale Banking, Retail Banking and Other Banking Operations and segment information is reported accordingly. For this purpose, aggregate exposure to a single entity exceeding ₹ 5 crore is treated as wholesale banking segment and other exposures are treated as retail banking segment as per the RBI guidelines. For presentation of segment information, directly attributable income and assets are allocated as such and the other income, expenses, other assets and liabilities are apportioned on appropriate basis.

13. Net Profit

The net profit disclosed in the Profit and Loss Account is after:

(a) provision for taxes;
(b) provision for possible losses on Standard Assets, NPAs, and other contingencies;
(c) depreciation on investments; and
(d) other usual and necessary provisions.

14. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

15. Impairment of assets

Impairment losses, if any, on Fixed Assets (including revalued assets) are recognised in accordance with the Accounting Standard 28 "Impairment of Assets" issued by Institute of Chartered Accountants of India (ICAI) and charged to Profit and Loss Account.

16. Accounting for Provisions, Contingent Liabilities & Contingent Assets

As per the Accounting Standard 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India (ICAI), the Bank recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Contingent assets are not recognised in the financial statements.

SCHEDULE 19 – NOTES ON ACCOUNTS

1. Reconciliation

The reconciliation of outstanding entries in inter branch/office transactions as on 31st March 2011 has been substantially completed and the effect, if any, of pending entries will not be material.

2. During the year the accounting policy, hitherto followed by the Bank up to the year ended 31.03.2010, of not providing for depreciation on assets sold/disposed off during the year except for vehicles, has been changed by providing depreciation on all the assets sold/disposed off during the year for the period up to the date of sale. The change as above does not have any impact on the Profit for the year.

3. The net liability arising on exercise of second option for Pension by employees (other than separated/retired employees) actuarially determined at ₹ 168.43cr is fully reckoned and disclosed as liability in the Balance Sheet, and 1/5th of the said liability amounting to ₹ 33.71 cr. is charged to the Profit and Loss Account of the year and balance unamortized amount of ₹ 134.72 cr is carried forward to be amortised equally over the succeeding four years, as per approval of RBI (vide letter no.DBOD.No.BP. BC.15896/21.04.018/2010-11 dated 08.04.2011). The amounts relating to separated/retired employees have been fully charged to the Profit and Loss Account.

In terms of the requirements of the Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹ 168.43 crore is required to be charged to the Profit and Loss Account. Had such an approval circular not been issued by the RBI, the profit of the bank would have been lower by ₹ 134.72 crore pursuant to application of the requirements of AS 15.

4. The provision made for Dividend recommended for the year ended March 31 2011 is subject to the notification of exemption by Government of India u/s 53 read with Section 15 of the Banking Regulation Act 1949, which is being sought for.

5.1 Capital

(₹ crore)

Particulars	31 March 2011		31 March 2010	
	Basel II	Basel I	Basel II	Basel I
i) CRAR (%)	16.79%	15.39%	18.36%	17.27%
ii) CRAR - Tier I capital (%)	15.63%	13.79%	16.92%	15.27%
iii) CRAR - Tier II Capital (%)	1.16%	1.60%	1.44%	2.00%
iv) Percentage of the shareholding of the Government of India in nationalized banks	Nil		Nil	
v) Amount raised by issue of IPDI	Nil		Nil	
vi) Amount raised by issue of Upper Tier-II Instruments (₹ Crore)	Nil		Nil	

The computation of CRAR as per Basel II is compiled by the management with the information/data drawn from CBS system on which reliance is placed by the Auditors.

5.2 Investments

5.2.1 a) Investments under HTM (excluding specified investments as per RBI norms) account for 21.01% (previous year 22.76%) of demand and time liabilities as at the end of March 2011 as against permitted ceiling of 25% stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 21.90 crore (previous year ₹ 23.93 crore) has been amortised during the year and debited under interest received on government securities.

c) Profit on sale of securities from HTM category amounting to ₹ Nil crore (previous year ₹ 16.58 crore) has been taken to Profit and Loss Account and a sum of ₹ Nil crore (previous year ₹ 8.20 crore) being net of taxes and transfer to statutory reserve of such profit, appropriated to Capital Reserve.

5.2.2 Investments

(₹ crore)

Particulars	31 March 2011	31 March 2010
(1) Value of Investments		
Gross Value of Investments		
(a) In India	14554.18	13071.64
(b) Outside India,	Nil	Nil
Provisions for Depreciation		
(a) In India	16.50	16.99
(b) Outside India,	Nil	Nil
Net Value of Investments		
(a) In India	14537.68	13054.65
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	16.99	128.33
(ii) Add: Provisions made during the year	0.00	0.00
(iii) Less: Write-off/ write-back of excess provisions during the year	0.49	111.34
(iv) Closing balance	16.50	16.99

5.2.3 REPO Transactions

(₹ crore)

	Outstanding during the year			Outstanding as on 31 March 2011
	Minimum	Maximum	Daily average	
Securities sold under market REPOs	0.00 (0.00)	20.00 (0.00)	0.11 (0.00)	0.00 (0.00)
Securities sold under REPOs (LAF)	0.00 (0.00)	600.00 (0.00)	56.33 (0.00)	0.00 (0.00)
Securities purchased under reverse market REPOs	0.00 (0.00)	5.00 (12.50)	0.01 (0.03)	0.00 (0.00)
Securities purchased under reverse REPOs (LAF)	0.00 (0.00)	750.00 (1800.00)	32.44 (393.11)	0.00 (0.00)

(Previous year figures are given in brackets)

5.2.4 Non-SLR Investment Portfolio

i) Issuer Composition of Non-SLR Investments as on 31 March 2011

(₹ crore)

No. (1)	Issuer (2)	Amount (3)	Extent of private placement (4)	Extent of 'below investment grade' securities (5)	Extent of 'unrated' securities (6) **	Extent of 'unlisted' Securities (7) ***
1	PSUs	87.54 (125.81)	84.00 (105.76)	0.00 (0.00)	0.00 (0.76)	0.00 (0.76)
2	FIs	0.50 (56.82)	0.50 (0.50)	0.00 (0.00)	0.00 (24.33)	0.50 (24.83)
3	Banks	1964.51 (1536.23)	54.68 (60.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
4	Private corporates	834.25 (957.00)	423.03 (324.47)	0.00 (0.00)	0.00 (0.00)	66.13 (60.33)
5	Subsidiaries/ Joint ventures	217.00 (127.00)	217.00 (127.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
6	Others	1472.80 (974.96)	12.50 (4.00)	0.00 (0.00)	0.83 (0.00)	0.83 (0.00)
7	Less: Provisions held towards depreciation	-4.11 (-1.79)	xx	xx	xx	xx
	Total	4572.49 (3776.03)	791.71 (621.73)	0.00 (0.00)	0.83 (25.09)	67.46 (85.92)

(Previous year figures are given in brackets)
** excluding investments in shares – ₹ 162.56 crore (previous year ₹ 171.90 crore)
*** excluding investments in pass through certificates ₹ 1.80 crore (previous year ₹ 4.13 crore)

ii) Non-SLR investments category-wise:

(₹ crore)

Particulars	31 March 2011	31 March 2010
Shares	168.07	178.53
Debentures & Bonds	605.34	649.76
Subsidiaries/Joint Ventures	217.00	127.00
Others	3582.08	2820.74
Total	4572.49	3776.03

iii) Non-performing Non-SLR investments

(₹ crore)

As at 31 March 2010	0.81
Additions during the year since 01 April 2010	0.00
Reductions during the above period	0.81
As at 31 March 2011	0.00
Total Provisions held	0.00

5.3 Derivatives

5.3.1 Forward Rate Agreement/ Interest Rate Swap

(₹ crore)

Particulars	31 March 2011	31 March 2010
i) The notional principal of swap agreements	1250.00	2575.00
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	4.76	28.02
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Nil	Nil
v) The fair value of the swap book	-0.70	-2.19

5.3.2 Exchange Traded Interest Rate Derivatives:

(₹ crore)

Sl.No.	Particulars	31 March 2011
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	NIL
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2011	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	NIL
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	NIL

5.3.3 Disclosure on Risk exposure in Derivatives

Qualitative Disclosures

Structure, organization, scope and nature of management of risk in derivatives etc.

The organizational structure consists of Treasury Department which is segregated into three functional areas, ie, front office, mid office and back office. Derivative deals are executed for hedging and market making.

The risk in the derivatives is monitored by regularly assessing Marked to Market Position (MTM) of the entire portfolio and the impact on account of the probable market movements. Various risk limits have been put in place under different segments of the derivatives, as approved by Board. The risk profile of the outstanding portfolio is reviewed by Board at regular intervals. For own balance sheet management, hedging policies are devised to mitigate risks, lower borrowing costs and enhance yields. The current outstanding under the derivatives portfolio were executed for trading only.

Accounting:

Board Approved Accounting Policies as per RBI guidelines have been adopted. The hedge swaps are accounted for like a hedge of the asset or liability. The hedge swaps are accounted on accrual basis except where swaps for hedging marked to market asset/liability. Such hedge swaps are marked to market on a monthly basis and the gain/losses are recorded as an adjustment to the designated asset/liability. The Non hedge swaps are marked to market every month and the MTM losses in the basket are accounted in the books while MTM profits are ignored.

Collateral Security:

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/ PDs etc. For deals with Corporate Clients, appropriate collateral security/margin etc. are stipulated wherever considered necessary.

Credit Risk Mitigation:

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. In the case of deals with corporate clients, the outstanding positions are closely monitored for the default risks and appropriate measures are initiated.

Quantitative Disclosures

(₹ crore)

Sl.No	Particulars	Currency Derivatives	Interest rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	-	-
	b) For trading	-	1250
2	Marked to Market positions (1)		
	a) Asset (+)		4.76
	b) Liabilities (-)		5.46
3	Credit Exposure (2)		13.76
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	0.13
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	-	-
	b) on trading	-	Max. 1.01 Min. -0.19

5.4 Asset Quality

5.4.1 Non-Performing Asset

(₹ crore)

Particulars	31 March 2011	31 March 2010
(i) Net NPAs to Net Advances (%)	0.60%	0.48%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	820.97	589.54
(b) Additions during the year	875.84	747.39
(c) Reductions during the year	548.48	515.96
(d) Closing balance	1148.33	820.97
(iii) Movement of Net NPAs		
(a) Opening balance	128.79	68.12
(b) Additions during the year	352.54	327.56
(c) Reductions during the year	290.64	266.89
(d) Closing balance	190.69	128.79
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	684.43	514.93
(b) Provisions made during the year (net)	488.85	413.11
(c) Write-off/ write-back of excess provisions (net)	230.94	243.61
(d) Closing balance	942.34	684.43

5.4.2 Sector wise NPAs

Sl No	Sector	Percentage of NPAs to Total advances in that sector
1	Agriculture and allied Activities	3.61
2	Industry (Micro &Small, Medium and Large)	5.95
3	Services	5.33
4	Personal loans	4.53

5.4.3 Details of Loan Assets subjected to Restructuring for the year 2010-11

(₹ Crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	0	20	153
	Amount outstanding	0.00	58.66	238.72
	Sacrifice(diminution in the fair value)	0.00	2.23	6.77
Sub standard advances restructured	No. of Borrowers	0	1	10
	Amount outstanding	0.00	1.83	2.78
	Sacrifice(diminution in the fair value)	0.00	0.00	0.14
Doubtful advances restructured	No. of Borrowers	0	0	0.
	Amount outstanding	0.00	0.00	0.00
	Sacrifice (diminution in the fair value)	0.00	0.00	0.00
TOTAL	No. of Borrowers	0	21	163
	Amount outstanding	0.00	60.49	241.50
	Sacrifice (diminution in the fair value)	0.00	2.23	6.91

5.4.4 Details of financial assets sold to securitisation/Reconstruction Company for Asset reconstruction

(₹ crore)

Particulars	2010-11	2009-10
(a) No of accounts	181	2
(b) Aggregate value (net of provisions) of accounts sold to SC/RC	44.37	0.00
(c) Aggregate consideration	58.43	2.56
(d) Additional consideration realised in respect of accounts transferred in earlier years	0.00	0.00
(e) Aggregate gain/loss over net book value	14.07	2.56

5.4.5 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased: NIL

(₹ crore)

Particulars	Current year	Previous Year
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year		
(b) Aggregate outstanding		

B. Details of non-performing financial assets sold: NIL

(₹ crore)

Particulars	Current year	Previous Year
1. No of Accounts sold	NIL	NIL
2. Aggregate outstanding		
3. Aggregate consideration received		

5.4.6 Movement of Provision for Standard Assets

(₹ crore)

Particulars	2010-11	2009-10
(a) Opening Balance	145.24	145.04
(b) Addition/Adjustments during the year	14.35	0.20
(c) Deduction during the year	0.00	0.00
(d) Closing Balance	159.59	145.24

5.5 Business Ratios

Particulars	31 March 2011	31 March 2010
(i) Interest Income as a percentage to Working Funds	9.22	9.09
(ii) Non-interest income as a percentage to Working Funds	1.18	1.31
(iii) Operating Profit as a percentage to Working Funds	3.25	3.13
(iv) Return on Assets	1.34	1.15
(v) Business (Deposits plus advances) per employee (₹ crore)	9.23	8.13
(vi) Profit per employee (₹ lakh)	7.26	6.01

5.6 Maturity Pattern of assets and liabilities (As compiled by the Management)

(₹ crore)

Maturity Pattern	Advances	Investments	Deposits	Borrowings (including Subordinated Debt)	Foreign Currency Assets	Foreign Currency Liabilities
Next day	994.37	2.05	117.53	0.00	232.66	188.61
2 -7 days	170.24	122.26	266.00	321.07	23.68	4.05
8-14 days	850.03	19.90	829.22	0.00	10.44	13.57
15-28 days	432.97	103.79	1158.27	0.00	34.80	10.03
29 days to 3 months	1946.40	898.56	4272.25	123.34	83.69	174.00
Over 3 to 6 months	2627.27	644.91	4453.00	80.07	177.16	126.66
Over 6 months to 1 Yr	4071.44	532.61	12577.47	100.00	807.44	247.18
Over 1 Yr to 3Yrs	15513.13	247.35	17832.33	263.88	125.75	175.83
Over 3 Yrs to 5 Yrs	2916.87	230.28	1189.22	800.00	41.16	2.22
Over 5 Yrs	2430.51	11735.97	319.49	200.00	0.00	0.00
Total	**31953.23**	**14537.68**	**43014.78**	**1888.36**	**1536.78**	**942.15**

5.7 Exposures

5.7.1 Exposure to Real Estate Sector (As compiled by the Management)

(₹ crore)

Category	2010-11	2009-10
a) Direct exposure		
(i) Residential Mortgages –		
Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	5309.07	4980.70
(of which individual housing loans eligible for inclusion in Priority sector advances)	(3482.54)	(3490.46)
(ii) Commercial Real Estate –		
Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	537.38	608.06
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	1.80	4.13
b. Commercial Real Estate.	1.21	25.32
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	1037.85	690.23
Total Exposure to Real Estate sector	**6887.31**	**6308.44**

5.7.2 Exposure to Capital Market (As compiled by the Management)

(₹ crore)

Particulars	2010-11	2009-10
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	162.31	175.65
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	9.87	11.23
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.83	1.14
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	120.62	193.98
(vi) Loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	7.00	4.00
Total Exposure to Capital Market	**300.63**	**386.00**

5.7.3 Country Risk (As compiled by the Management)

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required to be made in respect of country risk as per the RBI circular DBOD.BP.BC.96/21.04.103/2003-04 dated 17 June 2004.

Risk Category wise Country Exposure

(₹ crore)

Risk Category*	Exposure (net) as at 31 March 2011	Provision held as at 31 March 2011	Exposure (net) as at 31 March 2010	Provision held as at 31 March 2010
Insignificant	787.17	0.00	630.88	0.00
Low	307.71	0.00	218.59	0.00
Moderate	21.34	0.00	53.92	0.00
High	4.70	0.00	6.07	0.00
Very High	6.43	0.00	2.91	0.00
Restricted	0.00	0.00	0.02	0.00
Off-credit	0.00	0.00	0.00	0.00
Total	**1127.35**	**0.00**	**912.39**	**0.00**

* The above figures include both funded as well as non-funded exposures.

5.7.4 Details of Single Borrower limit (SGL), Group Borrower Limit (GBL) where the bank has exceeded the prudential exposure during the year.

(₹ crore)

Borrower Name	Total Exposure	% to Capital Fund
Housing Development Finance Corporation	829.00	16.33

5.7.5 Concentration of Deposits, Advances, Exposures and NPAs

Concentration of deposits

(₹ crore)

Total Deposits of Twenty Large depositors	3854.01
Percentage of Deposits of twenty large depositors to total deposits of the bank	8.96

Concentration of advances

(₹ crore)

Total advances of Twenty Largest Borrowers	7463.00
Percentage of advances of twenty largest Borrowers to total advances of the bank	14.39%

Concentration of exposures

(₹ crore)

Total exposures of Twenty Largest borrowers/customers	7559.52
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	14.57%

Concentration of NPAs

(₹ crore)

Total exposures to top Four NPA accounts	137.62

5.7.6 Movement of NPAs

(₹ crore)

Gross NPAs as on 1st April 2010	820.97
Additions (Fresh NPAs) during the year	875.84
Sub total (A)	**1696.81**
Less:	
(i) Upgradations	52.18
(ii) Recoveries (excluding recoveries made from upgraded accounts)	241.51
(iii) Write offs	254.79
Sub-total (B)	**548.48**
Gross NPAs as on 31 March 2011	**1148.33**

5.7.7 Details of Overseas Assets, NPAs and Revenue

Nil

5.7.8 Off balance Sheet SPV sponsored

Nil

5.8 Miscellaneous

5.8.1 Amount of Provisions made for Income-tax during the year

(₹ crore)

	2010-11	2009-10
Provision for Income Tax	314.73	395.00

5.8.2 Details of penalties imposed by RBI under the provision of Section 46 (4) of BR Act, 1949

Nil

6. Fixed Assets

i) During the year 1995-96, the appreciation of ₹ 9.65 crore in the value of land and buildings consequent upon revaluation by approved valuers was credited to Capital Reserve. Depreciation for the year on the net addition to value on such revaluation of assets at ₹ 0.23 crore (previous year ₹ 0.24 crore) has been transferred from Capital Reserve to Profit & Loss Account. There has been no revaluation of assets during this year.

ii) Land and premises include flats ₹ 0.37 crore (previous year ₹ 0.37 crore), written down value ₹ 0.19 crore (previous year ₹ 0.21 crore), taken possession of and being used by the Bank, for which documentation/ registration formalities are to be completed.

iii) Safe & Furniture includes cost of software relating to Core Banking solution of ₹ 15.26 crore (Previous year ₹ 15.26 crore) with written down value of `Nil crore (previous year ₹ 1.68 crore)

7. The bank had implemented the Agricultural Debt Waiver and Debt Relief scheme 2008 notified by the Government of India. The claim made under the debt waiver has been fully received and the balance amount receivable from Government in respect of the debts subjected to debt relief ₹ 2.03 crore is included under Other Assets (Schedule 11) as per RBI circular.

8. Disclosure in terms of Accounting Standard

8.1 There is no material prior period income/expenditure requiring disclosure under AS 5 'Net Profit or Loss for the Period, Prior period items and changes in Accounting policies issued by the Institute of Chartered Accountants of India.

8.2 Employee Benefits (AS 15)

a) Defined Contribution Plan

Provident Fund

Eligible employees (employees not opted for pension plan) receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Bank make monthly contributions to the Federal Bank Employees' Provident Fund equal to a specified percentage of the covered employees' salary. The Bank has no other obligation than the monthly contribution.

The Bank recognized ₹ 15.84 Crore (Previous year ₹ 6.44 Crore) for provident fund contribution in the Profit and Loss account.

New Pension Scheme

As per the industry wise settlement dated 27.04.2010, the employees joined the service of the bank on or after 01.04.2010 are not eligible for the existing pension scheme. They will be eligible for Defined Contributory Pension Scheme on the lines of new pension scheme introduced for employees of Central Govt. with effect from 01.01.2004. Employee shall contribute 10% of Pay and Dearness Allowance towards defined contributory Pension Scheme and Bank shall make a matching contribution in respect of these employees. There shall be no separate Provident Fund for employees joining on or after 01/04/2010. The full details of the Scheme and its working are yet to be received from IBA.

(b) Defined benefit plan

1) Gratuity

The Bank provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employee. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and amendment with effect from 24.05.2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules/Award. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the Balance Sheet date, based upon which, the company contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

2) Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as of the Balance Sheet date, based upon which, the company contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Consequent to the industry level settlement dated 27.04.2010, Bank has implemented Second option for pension in line with the settlement. Accordingly 2701 existing employees, 341 retired employees and 35 family pension beneficiaries exercised second option for pension. The Employer's Contribution to Provident Fund in respect of these employees has been transferred to the Federal Bank (employees') Pension Fund by the Bank.

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amounts recognized in the Bank's financial statements as at March 31, 2011.

i) Change in benefit obligations:

(₹ crore)

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Projected benefit obligation, beginning of the year	181.73	153.03	195.38	161.02
Service Cost	9.75	8.57	42.68	36.57
Interest cost	14.05	12.07	11.50	12.29
Actuarial gain/ (loss)	10.15	12.40	443.03	0.19
Benefits paid	(12.17)	(4.34)	(103.25)	(14.69)
Projected benefit obligation, end of the year	**203.51**	**181.73**	**589.34**	**195.38**

ii) Change in plan assets:

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Plan assets at beginning of the year at fair value	181.73	153.03	195.38	161.02
Expected return on plan assets	14.53	12.24	15.63	12.88
Actuarial gain/(loss)	0.60	(0.25)	0.92	(0.17)
Employer's Contributions	-	0.14	295.36	5.42
Benefits paid	(12.17)	(4.34)	(103.25)	(14.69)
Plan assets at end of the year, at fair value	184.69	160.82	404.04	164.46

iii) Reconciliation of present value of the obligation and the fair value of the plan assets

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Fair value of plan assets at the end of the year	184.69	160.82	404.04	164.46
Present value of the defined benefit obligations at the end of the period	203.51	181.73	589.34	195.38
Liability recognized in the Balance Sheet	18.82	20.91	185.30	30.92

iv) Gratuity/pension cost for the year ended 31st March, 2011

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Service cost	9.75	8.57	42.68	36.57
Interest cost	14.05	12.07	11.50	12.29
Expected return on plan assets	14.53	12.24	15.63	12.88
Actuarial gain/(loss)	9.55	12.65	442.10	0.37
Net cost Debit to Profit and Loss account	18.82	21.05	50.58	36.35
Amount recovered employees exercising second option for pension/amount transferred to PF account of such optees *	-	-	295.35	-
Amount not debited in profit and loss account, but carried over to be amortised in future years *	-	-	134.72	-
Actual return on plan assets	15.13	11.99	16.55	12.70

* see Note no. 3

v) Investment details of plan assets

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Central and state Government bonds	50.22	50.76	149.69	64.91
Other debt securities	37.64	40.90	108.08	50.84
Balance in Saving bank account with the Bank	1.53	2.25	22.75	2.11
Net current assets	2.88	2.95	8.62	4.49
Balance with LIC	92.42	63.96	114.90	42.11
Total	184.69	160.82	404.04	164.46

vi) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Discount rate	8.00%	8.00%	8.00%	8.00%
Annuity rate per Rupee	-	-	125.65445	125.65445
Salary escalation rate	5.00%	5.00% Additional 17.50% as one time measure in order to provide for the pending Wage revision	5.00%	5.00% Additional 17.50% as one time measure in order to provide for the pending Wage revision
Estimated rate of return on plan assets	8.00%	8.00%	8.00%	8.00%

(c) Leave encashment

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

(d) Sick Leave / Leave Travel Concession / Unavailed Casual Leave.

A sum of ₹ 22.10 crore (Previous year ₹ 20.91 crore) has been provided towards the above liabilities in accordance with AS 15 (Revised) based on actuarial valuation.

8.3 Segment Information (AS 17) (As compiled by the Management)

In terms of the Accounting Standard 17 of ICAI, the Bank's operations are classified into four business segments (see Principal Accounting Policy no. 12) and the information on them is as under.

(₹ crore)

Business Segments	Treasury		Corporate/Whole sale Banking		Retail Banking		Other Banking Operations		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue	932.00	908.70	1461.07	1285.02	2157.73	1975.06	18.04	35.35	4568.84	4204.13
Result (net of provisions)	83.86	151.47	222.82	229.86	585.51	449.91	9.62	28.31	901.81	859.55
Unallocated expenses									-	-
Operating profit (PBT)									901.81	859.55
Income taxes									314.73	395.00
Extraordinary profit/loss									-	-
Net Profit									587.08	464.55
OTHER INFORMATION										
Segment Assets	17720.83	14004.25	16306.14	12857.96	16233.73	16784.72	448.32	28.77	50709.02	43675.70
Unallocated assets									747.34	-
Total assets									51456.36	43675.70
Segment liabilities	15832.98	12500.40	15028.32	11476.90	14986.50	14982.28	0.41	25.68	45848.21	38985.26
Unallocated liabilities									499.49	-
Total liabilities									46347.70	38985.26

The Bank has only the Domestic geographic segment.

8.4 Related Party Disclosures

The following are the significant transactions with related parties during the year ended 31 March 2011

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate/Joint Venture
Fed Bank Financial Services Limited	Subsidiary
Shri. M Venugopalan	Key Management Personnel (Up to 31 July 2010)
Shri. K. S. Harshan	Key Management Personnel (Up to 30 April 2010)
Shri. P. R. Kalyanaraman	Key Management Personnel (Up to 01 Jan 2011)
Shri. Shyam Srinivasan	Key Management Personnel (w.e.f 23 Sep 2010)
Shri. P. C. John	Key Management Personnel (w.e.f 01 May 2010)

(₹ crore)

Particulars	Key Management Personnel*	
	Current Year	Previous Year
Remuneration	1.62	1.23

*The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose.

Note: In accordance with the RBI Guidelines on Compliance with the Accounting Standards by the Banks, the details of transactions with associate/joint venture and subsidiary company have not been disclosed since there is only one entity in the respective category of the related party.

8.5 Earnings per Share (AS 20)

The Bank reports basic and diluted earnings per share in accordance with the Accounting Standard -20 "Earnings per Share".

Particulars	31 March 2011	31 March 2010
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	171047	171033
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	171047	171033
Nominal Value of share (in ₹)	10	10
Basic earnings per share (in ₹)*	34.32	27.16
Diluted earnings per share (in ₹)*	34.32	27.16
Earnings used in the computation of basic and diluted earnings per share (₹ in Lakhs)	58708.32	46454.51

* Weighted average

8.6 Taxation (AS 22)

i. The disputed amount of income tax demand as on 31.03.2011 amounts to ₹ 564.55 crore. In the opinion of the Bank no provision is considered necessary in respect of the above disputed demand in view of various judicial decisions and the same has been disclosed as contingent liability.

ii. The Bank has accounted for income tax in compliance with ICAI's Accounting Standard 22. Accordingly, timing differences resulting in deferred tax assets and deferred tax liabilities are recognised. The major components of deferred tax liabilities and assets as on 31 March 2011 are shown below:

(₹ crore)

	Current Year	Previous Year
Deferred Tax Liability		
Tax effect of timing difference in the assessment of:		
(i) Interest income	63.04	64.33
(ii) Depreciation on Fixed Asset	6.10	6.23
(iii) Depreciation on Investments	173.58	160.13
(A)	242.72	230.69
Deferred tax asset		
Tax effect on timing difference in allowance of:		
(i) Interest/premium paid on purchase of securities	40.05	33.72
(ii) Provision for Standard Assets	47.00	48.12
(iii) Others	157.17	64.86
(B)	244.22	146.70
Net Deferred tax liability (A-B)	**-1.50**	**83.99**

9. Additional Disclosures:

9.1 Provisions and Contingencies debited in Profit and Loss Account during the year:

(₹ crore)

	For the year ended / As at	31 March 2011	31 March 2010
i)	Provision towards NPAs (net)	488.85	413.11
ii)	Provision for Investments	11.13	-97.74
iii)	Provision for Standard Assets	14.35	0.20
iv)	Provision for Taxation: Current Tax Deferred tax Fringe benefit tax	 316.26 -1.53 -	 361.50 33.50 -
v)	Provision towards P/V sacrifice on restructuring, other contingencies etc	11.11	89.73
	Total	**840.17**	**800.30**

9.2 Floating Provision

(₹ crore)

Particulars	Standard Assets Provision		NPA Provision	
	2010-11	2009-10	2010-11	2009-10
(a) Opening Balance in the floating provisions account	38.00	38.00	179.52	179.52
(b) The quantum of floating provisions made in the accounting year	Nil	Nil	Nil	Nil
(c) Amount of draw down made during the accounting year	Nil	Nil	Nil	Nil
(d) Closing Balance in the floating provisions account	38.00	38.00	179.52	179.52

9.3 Disclosure of customer complaints and awards passed by the Banking Ombudsman:

A. Customer Complaints

(a)	No. of complaints pending at the beginning of the year	75
(b)	No. of complaints received during the year	1312
(c)	No. of complaints redressed during the year	1359
(d)	No. of complaints pending at the end of the year	28

B. Awards passed by the Banking Ombudsman

(a)	No. of unimplemented awards at the beginning of the year	1
(b)	No. of awards passed by the Banking Ombudsman	1
(c)	No. of awards implemented during the year	0
(d)	No. of unimplemented awards at the end of the year	2*

* appeal against 1 award and suit against another award is pending

9.4.1 Income from bancassurance business

(₹ lakh)

Sl No	Nature of Income	As on 31 March 2011
1	For selling life insurance policies	1156.37
2	For selling non-life insurance policies	105.88
3	For selling mutual fund products	21.49
4	Others (reimbursement of expenses)	19.13

9.4.2 Provision coverage ratio

Provision coverage ratio as on 31 March 2011 stood at 82.06%

9.4.3 Amount of advances for which intangible securities such as charge over rights, licences, authority etc. has been taken as collateral security and the value of such collateral security

Total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken: ₹100 crore

The estimated value of such intangible collateral security : ₹ 295.43crore

9.4.4 There are no dues to micro and small enterprises as at 31 March 2011. This disclosure is based on the records available with the Bank.

9.4.5 The Bank has not issued any letters of comforts coming within the Prudential Norms for Issuance of Letters of Comforts by banks regarding their subsidiaries (DBOD.No. BP.BC.65/21.04.009/2007-08 dated March 4, 2008).

9.4.6 The Bank has not made any draw down of reserves during the year.

9.5 Previous year's figures have been regrouped and recast wherever necessary.

THE SPIRIT OF BLUE

ANNUAL REPORT 2010 - 2011

The Federal Bank Limited Cash Flow Statement

(In thousands of ₹)

	For the year ended 31 March 2011	For the year ended 31 March 2010
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extra Ordinary Items/Provisions	1427,25,37	1264,84,72
Adjustments for:-		
Depreciation on Fixed assets	54,48,58	50,43,04
Others	(55,71)	(63,64)
Operating Profit before Working Capital Changes	1481,18,24	1314,64,12
Adjustments for Working Capital Changes:-		
Investments	(1404,15,45)	(838,24,46)
Funds Advanced to Customers	(5491,97,02)	(4971,34,80)
Other Operating Assets	(231,57,67)	21,87,46
Deposits from Customers	6956,82,98	3859,75,93
Borrowings from Banks & Financial Institutions	341,60,62	327,82,13
Other Operating Liabilities	53,37,81	149,16,02
Cash Generated from Operations	**1705,29,51**	**(136,33,60)**
Taxes Paid	(436,79,10)	(418,91,30)
Cash Flow before Extraordinary items	**1268,50,41**	**(555,24,90)**
Extraordinary items	0	0
Net Cash From Operating Activities	**1268,50,41**	**(555,24,90)**
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(58,17,29)	(61,45,79)
Sale of Fixed Assets	3,96,69	2,43,15
Investment in Subsidiary/Joint Venture	(90,00,00)	30,00
Net Cash from Investing Activities	**(144,20,60)**	**(58,72,64)**
C. Cash Flow from Financing Activities		
Equity Capital including Premium	33,61	0
Dividend Paid	(99,71,97)	(99,73,00)
Net Cash used in Financing Activities	**(99,38,36)**	**(99,73,00)**
Increase/(Decrease) in Cash & Cash Equivalents	**1024,91,45**	**(713,70,54)**
Cash & Cash Equivalents at the beginning of year	**2723,38,90**	**3437,09,44**
Cash & Cash Equivalents at the end of year	**3748,30,35**	**2723,38,90**

K. Krishnakumar	P.C. John	Shyam Srinivasan	P. C. Cyriac
Asst. General Manager	Executive Director & CFO	Managing Director & CEO	Chairman

DIRECTORS

P.H. Ravikumar Suresh Kumar Abraham Koshy M.Y. Khan Dr. T.C. Nair

Kochi
6th May, 2011

The Members,
The Federal Bank Limited,
Aluva

1. We have audited the attached Balance Sheet of THE FEDERAL BANK LIMITED, Aluva as at 31st March 2011 and also the Profit and Loss Account of the Bank and the Cash Flow Statement annexed thereto for the year ended on that date in which are incorporated the returns of 20 branches /offices audited by us and 737 branches / offices audited by other auditors. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.

4. We report that:

   a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   b) In our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

   c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit;

   d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, in so far as they apply to banks;

   e) The Bank's Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns;

   f) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;

   g) The reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us;

   h) As per information and explanation given to us, the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act,1956;

i) On the basis of written representation received from the directors as on 31st March 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

5. Without qualifying our opinion, we draw attention to Note No.3 of Schedule 19 to the financial statements, which describes deferment of pension liability of the Bank to the extent of ₹ 134.72 crore pursuant to the approval granted by the Reserve Bank of India to the Bank vide letter no. DBOD. No.BP.BC.15896/21.04.018/2010-11 dated 08.04.2011, for availing the exemption from application of the provisions of Accounting Standard (AS) 15 - Employee Benefits, as provided therein.

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting policies followed by the Bank and the notes thereon, give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March 2011;

   ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and

   iii) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

For Varma and Varma
Chartered Accountants
FRN: 004532S

R. Rajasekharan
Partner, Membership No. 22703

For Price Patt & Co.,
Chartered Accountants
FRN: 02783S

S. Ramaswamy
Partner, Membership No. 025918

Place: Kochi
Date: 6th May, 2011

I. SCOPE OF APPLICATION OF BASEL II DISCLOSURES

TABLE DF – 1: SCOPE OF APPLICATION

1.	**Qualitative disclosures**		
1.1	Name of the top Bank in the group to which the framework applies	The Federal Bank Ltd.	
1.2	Differences in the basis of consolidation for accounting and regulatory purposes: (outline with a brief description of entities within the group)		
	i) The revised capital adequacy norms (in conformity with Basel II Pillar III requirements) apply to Federal Bank at solo level. ii) The Bank has one fully owned subsidiary viz. Fedbank Financial Services Ltd and an associate viz. IDBI Federal Life Insurance Company Ltd. Consolidated financial statements of the group (parent and subsidiary) have been prepared on the basis of audited financial statements of Federal Bank and its subsidiary, combining and adding together the items such as assets, liabilities, income and expenses, after eliminating intra group transactions.		
1.3	That are fully consolidated: (AS 21)		
	Name	Activity	Holding %
a)	FedBank Financial Services Ltd	Marketing of Bank's own products. The subsidiary Company has got registration as NBFC and started the business of lending against Gold.	100%
1.4	That are pro-rata consolidated: (AS 27)		
	Name	Activity	Holding %
a)	NIL		
1.5	That are given a deduction treatment:		
	Name	Activity	Holding %
a)	NIL		
1.6	That are neither consolidated nor deducted		
	Name	Activity	Holding %
	IDBI FEDERAL Life Insurance Company Ltd.	Sale of Insurance products	26%

2.	**Quantitative disclosures**		
2.1	Aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation and that are deducted		
	Name of subsidiary	Activity	Amount of shortfall deducted (In ₹ Cr.)
a)	NIL	NA	NA
2.2	The aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction		
a)	Name	IDBI FEDERAL Life Insurance Co.Ltd.	
b)	Country of incorporation / residence	India	
c)	Proportion of ownership interest	26%	
d)	Proportion of voting power	26%	
e)	Quantitative impact on regulatory capital of using this method versus using the deduction	CRAR under deduction method is 16.34%, as against 16.79% under the risk weighting method.	

II. STRUCTURE AND ADEQUACY OF CAPITAL

TABLE DF – 2: CAPITAL STRUCTURE

1.	**Qualitative Disclosures**					
1.1	*Summary (information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Upper Tier 2.)*					
	Type of capital	Features				
A	Tier I	Tier I Capital includes Equity Share Capital and Reserves and surpluses comprising of Statutory Reserve, Capital Reserve – Investments, Share Premium, Revenue Reserve, Investment fluctuation Reserve, Special Reserve, Contingency Reserve and Balance in Profit & Loss A/c.				
B	Tier II	Tier II Capital includes Revaluation Reserve, Tier II Bonds – Subordinated Debt and General Provisions				
2	**Quantitative Disclosures**					
2.1	Details of capital instruments					
	Type of capital instrument	Date of issue	Amount in ₹ Cr	Tenure in months	Coupon (% p.a.)	Rating
A	Innovative instruments (Tier I capital)					
			Nil			
B	Other capital instruments (Tier I)					
			Nil			

C	Debt capital instruments eligible for inclusion in Upper Tier II capital		Nil			
D	Subordinated debt eligible for inclusion in Lower Tier II capital	Date of Issue	Amount in ₹ Cr	Tenure in Months	Coupon (% p.a.)	Rating
		30.08.03	61	104	7.10	Rating by CARE as 'CARE AA' and by Fitch as 'AA-(ind)'
		26.04.04	30	117	6.85	
		26.07.04	15	93	6.75	
		16.12.06	200	120	9.25	

2.2	Capital funds	Amount in ₹ Crore
A	TIER I CAPITAL	
	Paid up share capital	171.05
	Reserves and Surplus	4931.98
	Innovative instruments (IPDI or any other instrument that may be allowed from time to time)	0.00
	Other capital instruments	0.00
	Amounts deducted from Tier I capital, including goodwill and investments	19.00
B	TIER II CAPITAL (Total amount net of deductions from Tier II capital)	
	Debt capital instruments eligible for inclusion in Upper Tier II capital	0.00
	Total amount outstanding	0.00
	Of which, amount raised during the current year	0.00
	Amount eligible to be reckoned as capital funds	0.00
	Subordinated debt eligible for inclusion in Lower Tier II capital	306.00
	Total amount outstanding	306.00
	Of which, amount raised during the current year	0.00
	Amount eligible to be reckoned as capital funds	233.20
	Other Tier II capital	162.12
	Revaluation Reserve	2.53
	General Provisions	159.59
	Deductions from Tier II capital	17.50
C	Other deductions from capital, if any.	0.00
D	Total eligible capital	5461.84

TABLE DF – 3: CAPITAL ADEQUACY

1.	**Qualitative Disclosures**		
1.1	A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities.		
	1. Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis. 2. Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis. 3. CRAR has been worked out based on Basel- I and Basel- II guidelines and it is well above the Regulatory Minimum level of 9%.		
2.	**Quantitative Disclosures**		
2.1	Minimum capital requirements under Pillar I of Basel II		Amount in ₹ Crore.
A	Capital requirements for credit risk (@ 9% CRAR)		2589.15
	Portfolios subject to Standardized approach		2589.15
	Securitisation exposures		0.00
B	Capital requirements for market risk (Standardized duration approach) (@ 9% CRAR)		109.23
	Interest rate risk		60.16
	Foreign exchange risk (including gold)		18.00
	Equity risk		31.07
C	Capital requirements for operational risk (Basic Indicator Approach) (@ 9% CRAR)		229.51
2.2	Capital Adequacy Ratio (CRAR) % for consolidated group *(consolidation only for annual disclosures) and significant bank subsidiaries*		
	Name of entity	Total CRAR	Tier I CRAR
	Consolidated Bank *(group as a whole – applicable annually only)*	16.67%	15.45%
	The Federal Bank Ltd. (solo basis)	16.79%	15.63%
	Significant bank subsidiaries *(wherever applicable, entity wise data)*		

III. RISK EXPOSURE AND ASSESSMENT

(A) Objectives and policies

Sl. No.	
1.	**Credit risk**
1.1	Strategies and processes: The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are as under: a) Defined segment exposures delineated into retail, small and medium enterprises and to Corporates; b) Industry wise segment caps on aggregate lending by Bank across Branches. c) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds at the end of the previous year. d) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels; the approach also includes diversification of credit rating wise borrowers but within acceptable risk parameters. e) The Bank's current entire business is within India and hence there is no geographic cap on lending in India; there is also no cap on lending within a State in India. However, in respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank/institution. f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit accounts g) A clear and well defined delegation of authority within the Bank in regard to decision making linking risk and exposure amount to level of approval. h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank. i) At present all the credit facilities except agricultural loans, gold loans etc. are being sanctioned at Credit Hubs situated at Regional Offices which has strengthened credit processes . j) All credit proposals of ₹ 5.00 crore and above are scrutinized and risk assessment is conducted by Integrated Risk Management Department, independent of the business functions. Oversight of the Board's sub committee on risk. Bank has put in place Board approved comprehensive Credit Risk Management Policy designed with added focus on credit risk management. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalised required organizational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Bank has Board level sub committee, Risk Management Committee, to oversee Bank wide credit risk management and senior executive level Credit Risk Management Committee to monitor adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets once in a month to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Management Cell of Integrated Risk Management Department. Bank has put in place detailed Loan Policy and Valuation Policy spelling out various aspects of credit dispensation and credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on taking sector wise, rating grade wise, and customer-constitution wise exposure. Bank has also put in place a policy on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures. The Internal Capital Adequacy Assessment Process (ICAAP) periodically conducted by the Bank takes care of the residual risk assessment and also adequacy of capital under Basel II norms.

1.2	Scope and nature of risk reporting / measurement systems: Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating system is drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics etc. Risk rating is made applicable for loan accounts, whether funded or non-funded, with total limits above ₹ 2 lakhs. Bank uses different rating models for different types of exposures. Rating model used for infrastructure exposures and corporate exposures are comprehensive in structure whereas model used for small exposures in the range of ₹ 2 lakh to ₹ 50 lakh is relatively simple in structure. Retail advances are rated using scoring model. Bank also uses a separate rating model for rating its investment exposures. Bank is undertaking annual validation of its rating model for exposures of ₹ 5 Crore and above and is also conducting migration and default rate analysis of all loans of ₹ 50 lakhs and above. Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual common time point rating of its exposures and the findings are used in annual migration study and portfolio evaluation. Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. The exercise of delegation and credit rating assigned by the sanctioning authority are subjected to confirmation by a different authority. Bank has also operationalised pre-sanction risk vetting of exposures of ₹ 5 Crore and above by independent Integrated Risk Management Department. Risk rating and vetting process being done independent of credit appraisal function ensure its integrity and independency. Credit audit is being conducted at specified intervals. Bank has made reasonably good progress in implementing all available instruments of credit risk mitigation.
1.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank has operationalised Credit Risk Mitigation and Collateral Management Policy detailing various tools for credit risk mitigation. Bank's Credit Risk Management Policy also stipulates various tools for mitigation of credit risk. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risk arising in investment portfolio. Credit Risk Management Committee at senior executive level and Risk Management Committee at Board level monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures. Risk rating process by itself is an integral part of processes of selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal/review of existing exposure by field level functionaries is permitted only for borrowers above a pre-specified rating grade. Entry-level restrictions are further tightened in certain sectors when market signals need for extra caution. Rating of an exposure is confirmed by independent authority to ensure its integrity.

2.	**Market risk**
2.1	Strategies and processes: The Bank monitors market risk through risk limits and Middle Office in operationally intense areas. Detailed policies like Asset Liability Management Policy, Investment Policy, Derivatives Policy etc., are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.
2.2	Scope and nature of risk reporting / measurement systems: Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Bank also subjects investment exposures to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit ,Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc are also used for risk management and reporting. Bank has an independent Mid – Office working on the floor of Treasury Department for market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. This separate desk monitors market/operational risks in treasury/forex operations on a daily basis and reports directly to the Chief Risk Officer. Asset Liability Management Committee (ALCO) , also known as Market Risk Management Committee, is primarily responsible for establishing market risk management and asset liability management in the Bank, procedures thereof, implementing risk management guidelines issued by the regulator, best risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices/policies and risk management prudential limits.
2.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants are discussed in ALCO and based on the views taken by/ mandates given by ALCO, hedge deals/ mitigation steps are undertaken. Liquidity risk of the Bank is assessed through Statement of Structural Liquidity on static basis and statement of Short Term Dynamic Liquidity on dynamic basis. Structural liquidity position is assessed on a daily basis and dynamic liquidity position is assessed on a fortnightly basis. Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are also monitored by ALCO on a quarterly basis. Interest rate risk is analyzed from earnings perspective using Traditional Gap Analysis on a monthly basis and economic value perspective using Duration Gap Analysis on a quarterly basis. Based on the analysis, steps are taken to minimize the impact of interest rate changes. Advanced techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.

3.	**Operational risk**
3.1	Strategies and processes: Bank has put in place detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bankwide implementation of Board approved policies and processes in this regard. All new schemes/products of the Bank are risk vetted from the point of view of operational risk, before implementation. Various tools, controls and mitigation measures implemented for management of operational risk are being reviewed and updated on a regular basis, to suit the changes in risk profile. Bank has also put in place a comprehensive bank wide Business Continuity Plan to ensure continuity of critical operations of the Bank covering all identified disasters.
3.2	Scope and nature of risk reporting / measurement systems: Bank has started collection of internal operational loss data from Fiscal 2006-07. In the year 2009, Bank has introduced separate accounting of operational risk events to enhance transparency and to enable effective monitoring of loss events. Well-designed format for reporting identified loss events and data in the most granular form is put in place. Operational Risk Management Cell is the central repository for operational loss data of the Bank. Consolidation and analysis of loss data is placed before the Operational Risk Management Committee on a quarterly basis.
3.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank is using insurance for mitigating operational risk. Bank is subscribing to the General Banker's Indemnity Policy as mitigation against loss of securities due to various external events. Bank also mitigates loss in other physical assets through property insurance.
4.	**Interest rate risk in banking book**
4.1	Strategies and processes: Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis conducted monthly to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis conducted quarterly to assess the impact of adverse movement in interest rate on the market value of Bank's equity.
4.2	Scope and nature of risk reporting / measurement systems: Interest rate risk in Banking Book is measured and Modified Duration of Equity is evaluated on a quarterly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis is calculated on a monthly basis and adherence to tolerance limit set in this regard is monitored and reported to ALCO / RMC. The results of Duration Gap Analysis is also reported to ALCO / RMC. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.

4.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank has operationalised mitigating/hedging measures prescribed by Investment Policy, ALM Policy, Derivatives Policy and Stress Testing Policy. Risk profiles are analyzed and mitigating strategies/hedging process are suggested and operationalised by Treasury Department with the approval of Senior level Committees.

(B) Structure and organization of Bank's risk management function

Bank has put in place appropriate organizational framework for bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all types of risk on an enterprise-wide basis to achieve organizational goals. The structure assures adherence to regulatory stipulations. The structure is designed in tune with the general guidelines of Regulator.

Bank's Board at the top of the structure has assumed overall responsibility for bank-wide management of risk. The Board decides risk management policies of the Bank and sets risk exposure limits by assessing Bank's risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility of devising policy and strategy for enterprise-wide risk management. The Committee also sets guidelines for measurement of risks, risk mitigation and control parameters and approves institution of adequate infrastructure for risk management. The Committee meets regularly and reviews reports placed on various risk areas.

There are three support committees of senior executives (CRMC, ALCO also known as MRMC, ORMC) responsible for implementation of policies and monitoring of level of risks in their respective domains. The Committees are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committees meet regularly to take stock of various facets of risk management function and place their reports to the Board level Risk Management Committee. CRMC meets at least once in a month and ORMC meets at least once in a quarter. ALCO meets at least once in a month and more frequently if required. Further, an apex level Business Continuity Plan Committee is constituted with the Managing Director & CEO as its head, to ensure continuity of critical operations of the Bank in the event of occurrence of disasters.

Single point management of different types of risks bank-wide is made functional through Integrated Risk Management Department. The Department is responsible for overall identification, measurement, monitoring and control of various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator/Board. The Department has three separate Cells to look after three broad categories of risks. Independent Mid-Office functioning on the floor of Treasury Department is reporting directly to the Chief Risk Officer (CRO). Head of IRMD functions as Chief Risk Officer. The distinct risk Cells report to the Chief Risk Officer. Integration of risks occurs at the level of CRO. The CRO reports to the Managing Director & CEO through the Executive Director.

(C) Structured risk wise disclosures

TABLE DF – 4: CREDIT RISK: GENERAL DISCLOSURES

1.	**Qualitative disclosures**
1.1	Definitions of past due and impaired (for accounting purposes).
	1. Non Performing Assets An asset including a leased asset becomes non-performing when it ceases to generate income for the Bank. A non performing asset (NPA) is a loan or an advance where a. Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan b. The account remains 'out of order' as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC) c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops. e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops. An account is classified as NPA if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.
	2. 'Out of Order' status An account is treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as out of order.
	3. 'Overdue' Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.
	4. Credit Risk a. Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities b. Downgrading of counter parties whose credit instruments the Bank may be holding, causing the value of those assets to fall. c. Settlement Risk (possibility that the Bank may pay a counterparty and fail to receive the corresponding settlement in return).
1.2	Discussion of the Bank's Credit Risk Management Policy

	Bank has put in place a detailed Credit Risk Management Policy. Goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organizational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilization of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimizing returns with satisfactory spread over funding cost and overheads. The policy also deals with structure, framework and processes for effective management of inherent credit risk.

2.	**Quantitative disclosures**			
				Amount in ₹ Crore
		Fund based (same as total assets in Balance Sheet)	Non-fund based (Book value, excluding market related OBS contracts and undrawn exposures)	Total
2.1	Total gross credit risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	51456.36	5301.31	56757.67
2.2	Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
	Overseas			
	Domestic	51456.36	5301.31	56757.67
2.3	Industry type distribution of exposures (with industry break up on same lines as prescribed for DSB returns)	Please refer Table 4 (A)		
2.4	Residual contractual maturity breakdown of assets (maturity bands as used in ALM returns should be used)	Please refer Table 4 (B)		

2.5	Amount of NPAs (Gross)	1148.33
	Substandard	548.89
	Doubtful 1	295.79
	Doubtful 2	129.47
	Doubtful 3	18.12
	Loss	156.06
2.6	Net NPAs	190.69
2.7	NPA ratios	
	Gross NPAs to gross advances (%)	3.49
	Net NPAs to net advances (%)	0.60
2.8	Movement of NPAs (Gross)	
	Opening balance (balance as at the end of previous Fiscal)	820.97
	Additions during the period	875.84
	Reductions	548.48
	Closing balance	1148.33
2.9	Movement of provisions for NPAs	
	Opening balance (balance as at the end of previous Fiscal)	684.43
	Provisions made during the period (net)	488.85
	Write-off / Write back of excess provisions (net)	230.94
	Closing balance	942.34
2.10	Amount of Non Performing Investments	0.00
2.11	Amount of provisions held for Non Performing Investments	0.00
2.12	Movement of provisions for depreciation on investments	
	Opening balance (balance as at the end of previous Fiscal)	16.99
	Provisions made during the period	0.00
	Write-off	0.00
	Write-back of excess provisions	0.49
	Closing balance	16.50

TABLE 4 (A): INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(Amount in ₹ Crore)

Sl. No.	Industry	Gross lending exposures, without netting			% to gross credit exposure as per Table DF 4 – 2.1
		Fund based	Non-fund based	Total	
1	Mining & Quarrying	150.03	2.15	152.18	0.27
2	Food Processing	638.72	5.71	644.43	1.14
3	Beverages & Tobacco	8.73	0.01	8.74	0.02
4	Textiles	837.35	6.93	844.28	1.49
5	Leather & Leather products	73.70	1.83	75.53	0.13
6	Paper & paper products	219.73	1.45	221.18	0.39
7	Petroleum, Coal products & Nuclear Fuels	732.54	8.96	741.50	1.31
8	Chemicals & Chem products	530.26	1.32	531.58	0.94
9	Rubber, Plastic &their products	204.97	0.29	205.26	0.36
10	Cement & Cem products	31.35	1.38	32.73	0.06
11	Basic Metal & Metal products	1273.21	28.49	1301.70	2.29
12	All Engineering	426.46	241.17	667.63	1.18
13	Vehicles, parts and Transport Equipments	60.85	0.05	60.90	0.11
14	Gems & Jewellery	16.15	0.00	16.15	0.03
15	Construction	105.28	3.67	108.95	0.19
16	Infrastructure	4082.71	92.33	4175.04	7.36
17	Other Industries	590.41	0.00	590.41	1.04
	TOTAL	9982.45	395.74	10378.19	

As on 31st March 2011, exposure to infrastructure exceeds 5% of the gross credit exposure of the Bank.

TABLE 4 (B): RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS

(Amount in ₹ Crore)

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	332.67	5.50	139.85	2.05	994.37		1.06	1475.50
2 – 7 days		10.45	19.7	122.26	170.24		0.00	322.65
8-14 days		45.42	36.26	19.90	850.03		0.00	951.61
15-28 days		59.06	28.12	103.79	432.97		0.01	623.95
29 days & up to 3 months		211.73	185.442	898.56	1946.40		1.54	3243.67
Over 3 months & up to 6 months		201.12	4.15	644.91	2627.27		1.59	3479.04
Over 6 months & up to 1 year		540.83	0	532.61	4071.44		1.68	5146.56
Over 1 year & up to 3 years		895.21	0	247.35	15513.13		495.09	17150.78
Over 3 years & up to 5 years		36.96	0	230.28	2916.87		1.63	3185.74
Over 5 years		596.10	0	11735.97	2430.51	289.82	424.73	15477.13
Total	**332.67**	**2602.38**	**413.52**	**14537.68**	**31953.23**	**289.82**	**927.33**	**51056.63**

TABLE DF – 5: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

1.	**Qualitative disclosures**
	For portfolios under the Standardized Approach;
	Names of credit rating agencies used, plus reasons for any changes.
	Bank has approved all the four External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are: 1. CRISIL 2. CARE 3. FITCH India 4. ICRA No agency has been added/deleted by the Bank during the year. Wherever short term rating is not available, long term rating grade is used to determine risk weight of the short term claims also. However, even if short term rating is available, it is not used to determine risk weight of long term claims. With respect to external credit rating, Bank is using long term ratings for risk weighing all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty For an unrated claim with respect to external credit rating, The Federal Bank Ltd. is using long term ratings for risk weighting both unrated long term claims as well as unrated short term claims on the same counterparty. However, short term rating of counterparty are only used to assign risk weight to unrated short term claims and not unrated long term claims of the same counterparty. Wherever external credit rating of guarantor is relevant, the same should be used as the entity rating of the guarantor and not the rating of any particular issue of the guarantor. Whereas the entity ratings can be used to risk weigh specific unrated credit exposures of counterparty, rating of any credit exposure of the counterparty cannot be used to arrive at risk weight of that counterparty as guarantor.
1.2	Types of exposure for which each agency is used.
	1. Rating by the agencies is used for both fund based and non-fund based exposures. 2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits). 3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits. 4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group.

1.3	Description of the process used to transfer public issue ratings onto comparable assets in the Banking Book
	The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject. Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/counterparty) or Issuer Ratings (borrower constituent/counterparty) are applied to unrated exposures of the same borrower constituent/counterparty subject to the following: 1. Issue specific ratings are used where the unrated claim of the Bank ranks pari passu or senior to the rated issue / debt. 2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty. 3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned.

2.	**Quantitative disclosures**		
	Risk weight wise details of credit risk exposures (rated and unrated) after risk mitigation subject to the Standardized Approach (Credit equivalent amount of all exposures subjected to Standardized Approach, after risk mitigation)	Risk Weight	Amount in ₹ Crore
		Below 100%	31910.71
		100 %	14515.89
		More than 100%	3239.10
		Deducted	0.00
		Total	49665.70

TABLE DF – 6: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES

1.	**Qualitative disclosures**
	Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk.
1.1	Policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.
	Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.
1.2	Policies and processes for collateral valuation and management.
	Bank has put in place Board approved policy on Credit Risk Mitigation and Collateral Management, covering credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes. The Bank has a separate valuation policy that forms the basis for valuation of collaterals.
1.3	Description of the main types of collateral taken by the Bank

	Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely: 1. Cash margin and fixed deposits of the counterparty with the Bank. 2. Gold jewellery of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity. 3. Securities issued by Central and State Governments 4. Kisan Vikas Patra and National Savings Certificates. 5. Life Insurance Policies with a declared surrender value of an insurance company regulated by the insurance sector regulator. 6. Debt securities rated by a chosen Credit Rating Agency in respect of which the Bank is sufficiently confident of market liquidity of the security and where these securities are either: a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public Sector entities and other entities including banks and Primary Dealers or b. Attracting 100% or lesser risk weight i.e. rated at least PR3/P3/F3/A3 for short term debt instruments 7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the Bank is sufficiently confident of market liquidity of the security and where these securities are a. Issued by the Bank b. Listed on a recognized exchange c. Classified as senior debt d. All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or PR3/P3/F3/A3 by a chosen Credit Rating Agency e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or PR3/P3/F3/A3 8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain b. Mutual fund is limited to investing in the permitted instruments listed. Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/advances and deposits of the same counterparty. Netting benefit, even if available, is not utilized in capital computation under Basel II norms.

1.4	Main types of guarantor counterparty and their creditworthiness.
	Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject. Main types of guarantor counter party are a. Sovereigns (Central / State Governments) b. Sovereign entities like ECGC, CGTSI c. Banks and Primary Dealers with a lower risk weight than the counter party Other entities rate AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.
1.5	Information on market / credit risk concentrations within the mitigation taken by the Bank.
	Majority of financial collaterals held by the Bank are by way of own deposits, government securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not have exposure collateralized through units of eligible MF. Bank does not envisage market liquidity risk in respect of financial collaterals. As far as Gold, where exposure comes to less than 5%, is considered, Bank is maintaining adequate margin (minimum 20%) on such exposures and every exposure is reviewed/renewed/closed with in the maximum period of 12 months stipulated for such exposures. Downward volatility in Gold prices is low, and Gold is increasingly preferred now as an investment asset class. Bank has long experience in this portfolio and measures warranted by situations are timely taken as per practices followed in the past (enhancement of margin, reduction of exposure, auction at short notice etc). Hence, Bank does not anticipate market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realization. Concentration on account of collateral is also relevant in the case of land & building. Except in the case of housing loan to individuals, land and building is considered only as additional security. As land and building is not recognized as eligible collateral under Basel II Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge, and is used only in the case of housing loan to individuals and non performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

(Amount in ₹ Crores)

2.	Quantitative Disclosures			
2.1	Credit risk exposure covered by eligible financial collaterals			
	Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A	Loans and advances	3941.66	3439.01	502.65
B	Non-market related off balance sheet items	4884.82	542.62	4342.20
C	Securitisation exposures – on balance sheet	0.00	0.00	0.00
D	Securitisation exposures – off balance sheet	0.00	0.00	0.00
	TOTAL	8826.48	3981.63	4844.85

2.2	Credit risk exposure covered by guarantees		
	Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)
A	Loans and advances	1372.69	1180.99
B	Non-market related off balance sheet items	78.44	54.80
C	Securitisation exposures – on balance sheet	0.00	0.00
D	Securitisation exposures – off balance sheet	0.00	0.00
	TOTAL	1451.13	1235.79

TABLE DF – 7: SECURITISATION: DISCLOSURES FOR STANDARDIZED APPROACH

1.	**Qualitative disclosures**
1.1	**General disclosures on securitisation exposures of the Bank**
A	Objectives of securitisation activities of the Bank (including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the Bank to other entities and nature of other risks inherent in securitized assets)
	Bank's securitisation exposure is limited to investments in AAA rated securitisation instruments, primarily made in an earnings perspective and risks inherent in the investment is within reasonable levels.
B	Role of Bank in securitisation processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.
	Bank has invested in rated securitized instruments and such investments are held in its Trading Book. Bank is not active in securitisation processes in any other manner.
C	Processes in place to monitor changes in the credit and market risk of securitisation exposures
	Bank is constantly monitoring the changes in credit and market risk profile of securitisation instruments held in the Trading Book.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures
	Bank has not retained any exposure/risk as originator of securitisation transactions.
1.2	**Accounting policies for securitisation activities**
A	Treatment of transaction (whether as sales or financings)
	N.A
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognized on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitized instruments.

D	Policies for recognizing liabilities on the balance sheet for arrangements that could require the Bank to provide financial support for securitized assets.
	Bank has not entered into any arrangement to provide financial support for securitized assets.
1.3	In the Banking Book, names of ECAIs used for securitisations and the types of securitisation exposures for which each agency is used.
	Bank does not have any securitisation exposure in the Banking Book.

(Amount in ₹ Crore)

2.	**Quantitative disclosures**							
2.1	In the Banking Book							
A	Total amount of exposures securitized by the Bank							Nil
B	For exposures securitized, losses recognized by the Bank during the current period *(exposure type wise break up)*							Nil
C	Amount of assets intended to be securitized within a year							Nil
D	Of (C) above, amount of assets originated within a year before securitisation							Nil
E	Securitisation exposures (by exposure type) and unrecognized gain or losses on sale thereon							
	Type of exposure						Amount securitized	Unrecognized gain / loss
	Nil						Nil	Nil
	TOTAL							
F	Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup)							Nil
G	Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup)							Nil
H	Aggregate amount of securitisation exposures retained or purchased and associated capital charges (exposure type wise and risk weight wise breakup)							
	Type of exposure	Risk weights						
		20%	30%	50%	100%	150%	350%	400%
	Nil	-	-	-	-	-	-	-
I	Total amount of deductions from capital on account of securitization exposures							Nil
	Deducted entirely from Tier I capital-underlying exposure type wise break up							Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up							Nil
	Other exposures deducted from total capital – underlying exposure type wise break up							Nil

2.2	In the Trading Book		
A	Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)		
	Type of exposure	Gross Amount	Amt retained
	Nil	Nil	Nil
B	Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup)		
	Type of exposure		Amt in ₹ Cr.
	Investment in Pass through Certificates		1.71
C	Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup)		Nil
D	Securitisation exposures retained / purchased subject to Comprehensive Risk Measure for specific risk		-
E	Securitisation exposures retained / purchased subject to specific risk capital charge (risk weight band wise distribution)		
	Type of Exposure	Capital charge as % to exposure	Exposure (₹ Cr.)
	Investment in Pass through Certificates	1.80%	1.71
F	Aggregate amount of capital requirements for securitisation exposures (risk weight band wise distribution)		
	Type of exposure	Capital charge as % to exposure	(Capital charge ₹ Cr.)
	Investment in Pass through Certificates	1.80%	0.03
G	Total amount of deductions from capital on account of securitisation exposures		Nil
	Deducted entirely from Tier I capital – underlying exposure type wise break up		Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up		Nil
	Other exposures deducted from total capital – underlying exposure type wise break up		Nil

TABLE DF – 8: MARKET RISK IN TRADING BOOK

1.	**Qualitative disclosures**
1.1	Approach used for computation of capital charge for market risk
	Bank has adopted Standardized Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardized Duration Approach is applied for computation of General Market Risk for ➢ Securities under HFT category ➢ Securities under AFS category ➢ Open gold position limits ➢ Open foreign exchange position limits ➢ Trading positions in derivatives ➢ Derivatives entered into for hedging trading book exposures Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.
1.2	Portfolios covered in the process of computation of capital charge
	Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.

(Amount in ₹ Crore)

2.	**Quantitative disclosures**	
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach under Basel II	109.23
	Interest rate risk	60.16
	Foreign exchange risk (including gold)	18.00
	Equity position risk	31.07

TABLE DF – 9: OPERATIONAL RISK

1.	**Qualitative disclosures**
1.1	Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)
	Bank has adopted Basic Indicator Approach as prescribed by RBI for computation of capital charge for operational risk. Bank has initiated steps to move on to the Advanced Measurement Approach in due course.

TABLE DF – 10: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

1.	**Qualitative disclosures**
1.1	Brief description of approach used for computation of interest rate risk and nature of IRRBB.
	Interest Rate Risk in Banking Book is computed through Duration Gap Analysis.
1.2	Key assumptions used in Duration Gap Analysis (DGA) and computation of capital charge for Interest Rate Risk (including assumptions on prepayment of loans and behavior of non-maturity deposits)

	Board approved assumptions as stipulated in applicable policies are used in Duration Gap Analysis and computation of capital charge for Interest Rate Risk. The following are the key assumptions involved: 1) As indicated by RBI, assets and liabilities are grouped under the broad heads under various time buckets and bucket wise modified duration of these groups is computed using the suggested common maturity, coupon and yield parameters. 2) Advances linked to BPLR and Base Rate has been placed in the bucket of 1 to 28 days as per Bank's interest rate expectations. 3) All the future cash flows (future repricing amount) bucket wise are discounted with midpoint of the bucket and suggested yield to get more accurate treatment of cash flows. The same present value is considered to arrive at the weighted modified duration of each asset and liability and further to get the weighted modified duration of Liabilities and Assets. 4) Bank's average standard advances covering Bills Purchased / Discounted, Cash Credits/ Overdrafts and term loans are mapped to AA rating (As on 31.03.2011). Accordingly yield curve is approximated to the same AA rating. Usual bucketing applicable to the Statement of Interest Rate Sensitivity is also made applicable to the duration of Equity calculations. Last bucket for liabilities is approximated as 5 years to 10 years and last bucket for Assets as 5 years to 20 years.
1.3	Frequency of measurement of interest rate risk
	Measurement and Computation of Interest rate risk in Banking Book and evaluation of Modified Duration of Equity is done by the Bank on a quarterly basis. Bank also calculates on quarterly basis the likely drop in Market Value of Equity with 200 bps change in interest rates. Earnings-at-Risk is measured on a monthly basis using Traditional Gap Analysis.

(* Currency wise break up not provided as the turnover in other currencies are less than 5% of total turnover)

2.	**Quantitative disclosures - Impact of interest rate risk**	
2.1	Earnings perspective (Traditional Gap Analysis)	
	Earnings at Risk (EaR) – impact for one year due to	
	Uniform 1% increase in interest rate (Amt in ₹ Cr.)	0.00
	Uniform 1% decrease in interest rate (Amt in ₹ Cr.)	128.89
2.2	Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	5.17% ₹ 282.51 Cr

TABLE DF – 11: ADDITIONAL DISCLOSURES AS PER ICAAP

1.	**Qualitative Disclosures**	
1.1	ICAAP philosophy of the Bank	
	ICAAP is aimed to equip Bank to undertake various risks knowingly and more fruitfully in a fast changing dynamics of integrated and complex global financial market. The policy proposes process to identify, control, monitor and appropriately mitigate all possible risks embedded in its operations so as to draw the risk appetite and risk bearing parameters of the Bank and measure and allocate capital for quantifiable risks. Policy aims the Bank to move towards more advanced approaches in its capital planning and risk assessment and thereby gather enough strength to sail safe through normal as well as troubled times, present or future. The document envisages Bank to give sufficient comfort to the Regulator and all its stakeholders on its stability, growth and earning potential. Policy supports Bank to maximize shareholders' wealth and improve services delivery to the public by following industry level best practices. ICAAP embodies risk philosophy of the Bank, 'take risk by choice and not by chance'.	
2.	**Quantitative Disclosures**	
2.1	Additional capital requirements under ICAAP	Amt in ₹ Cr.
	Credit risk –over and above Pillar I capital charge	0.00
	Sectoral credit concentration risk	0.00
	Geographical credit concentration risk	72.14
	Interest rate risk	0.00
	Liquidity risk	9.55
2.2	Overall capital adequacy of solo Bank (With aggregate of capital charge under Pillar I and Pillar II of Basel II norms)	16.33%

Balance Sheet Abstract and The Bank's General Business Profile

I.	Registration Details.			
	Registration No.368		State Code : 09	
	Balance Sheet Date:		Date Month Year	
			31 March 2011	
II.	Capital raised during the year (Amount in ₹ Thousands)			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
III.	Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)			
	Total of Liabilities	51456,36,42	Total Assets	51456,36,42
	Sources of Funds:			
	Paid up Capital	171,04,71	Reserves and Surplus	4937,61,46
	Secured Loans	NIL	Unsecured Loans	1888,36,26
	Deposits	43014,78,06		
	Application of funds			
	Net fixed assets	289,81,68	Investments	14537,67,50
	Advances	31953,23,37	Miscellaneous Expenditure	NIL
	Net Current Assets	3231,07,94	Accumulated Losses	NIL
IV.	Performance of Bank (Amount in ₹ Thousands)			
	Turnover	4568,84,24	Total Expenditure	3141,58,87
	Profit before Tax	901,81,32	Profit after Tax	587,08,32
	Earning per share	₹ 34.32 (Annualised)	Dividend @ 85% (Proposed)	145,39,00
V.	Generic Name of Three Services of Bank (as per monetary terms)			
	Item Code No. (ITC Code)			N A
	Product Description			Banking, Leasing, Merchant Banking

P.C. John	Shyam Srinivasan	P.C. Cyriac
Executive Director & CFO	Managing Director & CEO	Chairman

DIRECTORS

P.H. Ravikumar, Suresh Kumar, Abraham Koshy, M.Y. Khan, Dr. T.C. Nair

Kochi
06th May, 2011

Statement Pursuant to Section 212 of The Companies Act, 1956 Related to Subsidiary Companies

Name of Subsidiary	The Fedbank Financial Services Limited
1. Financial year of the subsidiary ended on	31st March 2011
2. Share of the subsidiary held by the Company on the above date:	
a) Number and face value	3,50,00,000 equity shares of Rs.10/- each fully paid up
b) Extent of holding	100%
3. Net aggregate amount of Subsidiary's Profit/(Losses) so far as it concerns the members of the Holding Company not dealt with in the Holding Company's accounts	
a) for the current financial year (Amount in thousands)	₹ 13,883
b) for the previous financial year (Amount in thousands)	₹ 24,289
4. Net aggregate amount of Subsidiary's Profits/(Losses) so far as it concerns the members of the Holding Company dealt with in the Holding Company's accounts	
a) for the current financial year	NIL
b) for the previous financial year	NIL

P.C. Cyriac
Chairman

Shyam Srinivasan
Managing Director & CEO

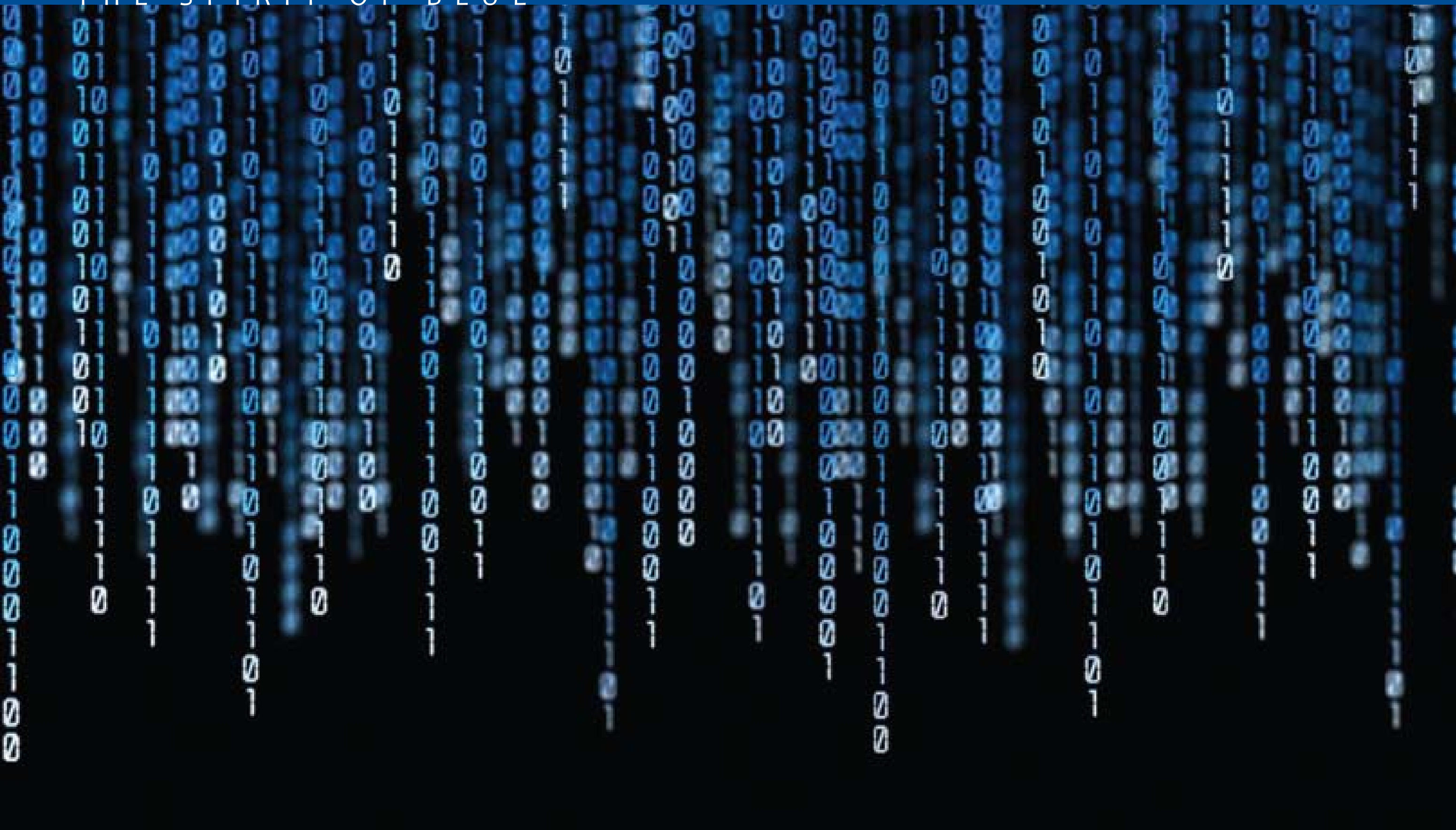
DIRECTORS

P.H. Ravikumar Suresh Kumar Abraham Koshy M. Y. Khan Dr. T. C. Nair

EXECUTIVE DIRECTOR & CFO
P. C. John

KOCHI
06th May, 2011

THE SPIRIT OF BLUE



ANNUAL REPORT 2010 - 2011

Dear Shareholders,

Your directors have pleasure in presenting 16th Annual Report of Fedbank Financial Services Limited (FedFina) with the audited statement of accounts for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

(₹ In Lakhs)

Particulars	2010-11	2009-10
Operating Income	1,455.56	1,234.28
Less: Expenses	1,320.60	961.64
Profit/Loss (-) before Interest, Depreciation and Tax	134.96	272.64
Add: Interest Income	96.00	63.69
Less: Depreciation	22.77	21.14
Profit /Loss (-) before Tax	208.19	315.19
Provision for Tax	69.36	72.30
Less: Fringe Benefit Tax	-	-
Profit After Tax	138.83	242.89
Add : Net Profit brought forward	171.06	(71.83)
Balance Available for Appropriation	309.89	171.06
Transfer to Reserve Fund	27.77	-
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Corporate Dividend Tax	-	-
Balance Carried to Balance Sheet	282.12	171.06

FINANCIAL REVIEW

During the year under review, the operating income of your company increased by 18%. The operating income for the year 2010-11 stood at ₹ 1455.56 Lakhs as compared to ₹ 1234.28 Lakhs in the previous year. The profit after tax was 138.83 Lakhs as compared to ₹ 242.89 Lakhs in the previous year. The profit for the year 2010-2011 is lower since the Company started new business of Loans against Gold towards the end of the financial year and these expenses have already been factored in; the revenues will come in during the financial year 2011-2012.

OPERATIONAL REVIEW

We have achieved disbursal of ₹ 534 Crores of retail loans for Federal Bank through our distribution business compared to the ₹ 445 Crores in the previous year which is an increase of 20%. Out of which Car Loans has grown the fastest, by 63% followed by Home Loans at 12%.

The Company has received Certificate of Registration from Reserve Bank of India, for NBFC activities during the year. It started it NBFC activities in Feb 2011. As on 31st March 2011, 33 branches were opened to do the business of Loans against Gold.

DIVIDEND

The operations of the Company being in growth phase, your directors consider it prudent to conserve resources and therefore do not recommend any dividend on equity shares for the financial year under review.

SHARE CAPITAL

During the year under review, company has increased its authorised capital from ₹ 1500 Lakh to ₹ 19000 Lakh. During the year under review, company has issued and allotted 250 Lakh equity shares of ₹ 10/- each at par to Federal Bank. Consequent to above allotment, the issued, subscribed and paid-up capital has increased from 1000 Lakh to ₹ 3500 Lakh as at the end of the financial year.

RBI GUIDELINES

The company has complied with the regulations of Reserve Bank of India as on 31st March 2011 as are applicable to it as a Non-banking Finance Company.

CAPITAL ADEQUACY

The company's capital adequacy ratio was 199% as on 31st March 2011 which is significantly above the threshold limit as prescribed by the Reserve Bank of India.

BOARD OF DIRECTORS

The Board consists of six members including Chairman.

Mr. M. Venugopalan retired from the Board of Directors following his retirement from the Board of Directors of Holding Company. He ceased to be a director with effect from 1st August 2010.

Mr. Santhanakrishnan Sankaran ceased to be a director following his resignation from the Board of Directors with effect from 30th December 2010.

Mr. P. R. Kalyanaraman retired from the Board of Directors following his retirement from the Board of Directors of Holding Company. He ceased to be a director with effect from 1st Jan 2011.

The Board placed on record the contributions of Mr. M Venugopalan, Mr. Santhanakrishnan Sankaran and Mr. P. R. Kalyanaraman during their tenure as Directors.

Mr. P. C. Cyriac and Mr. M. Y. Khan, Directors are due to retire by rotation at the forthcoming Annual General Meeting. As per the Articles of Association of the Company and the Provision of the Companies Act, 1956, Mr. P. C. Cyriac and Mr. M. Y. Khan being eligible, offer themselves for re-appointment.

Mr. Shyam Srinivasan, presently Managing Director of The Federal Bank Limited, was appointed as an additional Director of the Company with effect from 18th March 2011.

Pursuant to the provision of Section 260 of the Companies Act, 1956, Mr. Shyam Srinivasan vacates his office at the ensuing Annual General Meeting. A member of the company has expressed his intention to propose Mr. Shyam Srinivasan as a candidate for being elected as a Director and has given notice in writing along with a deposit of ₹ 500/- in terms of Section 257 of the Companies Act, 1956.

Mr. Shyam Srinivasan is a B. E., and PFDM (IIM Kolkata). He is the Managing Director & CEO of the Holding Company, The Federal Bank Limited.

The Board met 6 times during FY11, and no two successive meetings were more than four months apart.

AUDIT COMMITTEE

Constitution of the Audit Committee was changed following the resignation of Mr. Santhanakrishnan Sankaran. The Board in its meeting held on 15th Jan 2011 reconstituted the Audit Committee of the Board as required under Section 292A of the Companies Act, 1956, with Mr. Suresh Kumar replacing Mr. Santhanakrishnan Sankaran.

Constitution of the Audit Committee was again changed following the induction of Mr. Shyam Srinivasan. The Board in its meeting held on 18th March 2011 (Adjourned Board Meeting dated 12th March 2011) reconstituted the Audit Committee of the Board as required under Section 292A of the Companies Act, 1956, with Mr. Shyam Srinivasan replacing Mr. Suresh Kumar.

Mr. P. H. Ravikumar and Mr. P. C. Cyriac are the other members of the committee.

AUDITORS AND AUDITORS' REPORT

M/s R. Krishna Iyer & Co. Chartered Accountants, auditors of the Company retire at the ensuing Annual General Meeting. They have been statutory auditors of the Company since inception. The Audit Committee of the Board places on record their appreciation of the professional services rendered by M/s. R Krishna Iyer & Company, during their association with the company as auditors.

As per RBI, there are restrictions on the period up to which statutory auditor can hold the position for banking companies; as a corollary to above provision for banking industry, parent bank (our shareholder) has advised us on change of auditor.

The Directors recommend appointment of new auditor for FY 2011-12.

The Audit Committee and the Board of Directors therefore recommend M/s. Varma and Varma, Chartered Accountants as statutory auditors of the Company for 2011-12 for the approval of shareholders.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

A. Conservation of Energy, Technology Absorption and Foreign Exchange Earning & Outgo: Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

There are no foreign exchange earnings or outgo during the year under review.

B. Particulars of Employees: The Company does not have any employee of the category specified in Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

C. Directors' Responsibility Statement: As required by Section 217(2AA) of the Companies Act, 1956, your directors hereby confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
4. The Directors have prepared the annual accounts on a going-concern basis.

ACKNOWLEDGEMENT

Your Directors wish to express their sincere appreciation for the co-operation, assistance and guidance received from the Reserve Bank of India, other Government and regulatory agencies and The Federal bank Ltd. Your directors look forward to their continued support in future.

Your Directors express their deep sense of appreciation of the commitment, co-operation, active involvement and dedication displayed by all the employees.

Your Directors thank you for your continued support, trust and confidence reposed in them.

For and on behalf of the Board of Directors

Date: 2nd June 2011
Place: Mumbai

Suresh Kumar
Chairman

Fedbank Financial Services Limited

Balance Sheet as at 31 March 2011

(In Thousands of ₹)

	Schedule No.	31 March 2011	31 March 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	35,00,00	10,00,00
Reserves & Surplus	2	3,80,93	2,42,10
	Total	**38,80,93**	**12,42,10**
APPLICATION OF FUNDS			
Fixed Assets - Gross Block	3	4,66,03	1,01,33
Less: Depreciation		64,31	41,54
Net Block		4,01,72	59,79
Deferred tax Asset		8,53	4,25
Current Assets, Loans & Advances	4		
Sundry Debtors		4,13,40	2,48,29
Cash and Bank Balance		27,58,95	8,51,46
Loans & Advances		10,36,25	2,52,84
		42,08,60	13,52,59
Less: Current Liabilities & Provisions	5		
Current Liabilities		7,15,22	1,67,78
Provisions		22,70	6,75
		7,37,92	1,74,53
Net Current Assets		34,70,68	11,78,06
Profit & Loss Account		-	-
	Total	**38,80,93**	**12,42,10**
Notes to Accounts	10		

The schedules referred to above and notes to accounts form part of the Balance Sheet

Dilip Maloo Head – Finance & Company Secretary	P. K. Mohapatra Dy. General Manager	Somsankar Sengupta M.D. & C.E.O.	Suresh Kumar Chairman

DIRECTORS

M.Y. Khan	P.H. Ravikumar	P.C. Cyriac	Shyam Srinivasan

As per our report of even date
For R. KRISHNA IYER & CO.
CHARTERED ACCOUNTANTS

Kochi
6th May, 2011

R. KRISHNA IYER
PARTNER

Fedbank Financial Services Limited

Profit & Loss Account for the Year Ended 31st March 2011

(In Thousands of ₹)

	Schedule No.	Year ended 31 March 2011	Year ended 31 March 2010
INCOME			
Income from Operations	6	14,55,56	12,34,28
Other Income	7	96,00	63,69
Total		**15,51,56**	**12,97,97**
EXPENDITURE			
Payment & Benefits to Employees	8	5,27,26	3,87,44
Administration & Other Expenses	9	7,93,34	5,74,22
Depreciation / Amortisation	3	22,77	21,14
	Total	**13,43,37**	**9,82,80**
Profit Before Taxes		2,08,19	3,15,17
Provision for Taxes:			
Current Tax		73,64	76,55
Deferred Tax		(4,28)	(4,25)
Profit After Taxation		1,38,83	2,42,87
Balance Brought forward from previous year		1,71,05	(71,82)
Profit available for Appropriation		3,09,88	1,71,05
Transfer to reserve under Section 45 IC of the RBI Act 1934		27,77	-
Balance carried to Balance Sheet		2,82,11	1,71,05
Basic & Diluted EPS		0.85	2.43
Notes to Accounts	10		

The schedules referred to above and notes to accounts form part of the Profit & Loss Account

Dilip Maloo Head – Finance & Company Secretary	P. K. Mohapatra Dy. General Manager	Somsankar Sengupta M.D. & C.E.O.	Suresh Kumar Chairman

DIRECTORS

M.Y. Khan	P.H. Ravikumar	P.C. Cyriac	Shyam Srinivasan

As per our report of even date
For R. KRISHNA IYER & CO.
CHARTERED ACCOUNTANTS

Kochi
6th May, 2011

R. KRISHNA IYER
PARTNER

Fedbank Financial Services Limited

Schedules Forming Part of the Balance Sheet as at 31st March 2011

(In Thousands of ₹)

	31 March 2011	31 March 2010
SCHEDULE 1 SHARE CAPITAL:		
Authorised Capital:		
19,00,00,000 Equity Shares of ₹ 10 each	190,00,00	15,00,00
Issued Subscribed & Paid Up Capital:		
3,50,00,000 Equity Shares of ₹ 10 each fully paid-up.	35,00,00	10,00,00
(100% held by The Federal Bank Ltd.)		
SCHEDULE 2 RESERVES & SURPLUS:		
Reserve under Section 45 IC of the RBI Act		
Balance as per last Balance Sheet	56,35	56,35
Add: Transferred from Profit & Loss Account	27,77	-
	84,12	**56,35**
General Reserve		
Balance as per last Balance Sheet	14,70	14,70
Profit & Loss Account		
Balance carried from Profit & Loss Account	2,82,11	1,71,05
Total	3,80,93	2,42,10

SCHEDULE 3 FIXED ASSETS (₹ 000)

Description	Gross Block (at cost)			Depreciation			Net Block	
	As on 1st April 2010	Addition	As on 31st Mar 2011	As on 1st April 2010	For the year	As on 31st Mar 2011	As on 31st Mar 2011	As on 31st Mar 2010
Intangible Assets								
Loan Management Software	-	700	700	-	32	32	668	-
Tangible Assets								
Computers	1,975	324	2,299	1,128	645	1,773	526	847
Office Equipments	1,910	1,471	3,381	861	353	1,214	2,167	1,049
Furniture & Fixtures	4,534	6,724	11,258	1,217	774	1,991	9,267	3,317
Vehicles - Cars	1,714	-	1,714	948	198	1,146	568	766
Leasehold Improvements - Interior Furnishings	-	18,102	18,102	-	275	275	17,827	-
Capital Work-in-Progress	-	9,149	9,149	-	-	-	9,149	-
	10,133	**36,470**	**46,603**	**4,154**	**2,277**	**6,431**	**40,172**	**5,979**
Previous Year	10,031	102	10,133	2,040	2,114	4,154	5,979	

(In Thousands of ₹)

	31 March 2011	31 March 2010
SCHEDULE 4 CURRENT ASSETS, LOANS & ADVANCES:		
A. Current Assets		
Sundry Debtors		
(Unsecured & considered Good)		
Debts outstanding for a period exceeding 6 months	-	-
Other Debts	4,13,40	2,48,29
[Includes amount due from Federal Bank Ltd (Holding Company) ₹ 32162 Thousands - Previous year - ₹ 18528 Thousands]		
	4,13,40	**2,48,29**
Cash & Bank Balance		
Cash - in - hand	1,29,77	-
Balance with Scheduled Banks in:		
Current Accounts	2,97,85	9,34
Deposit Accounts	23,31,33	8,42,12
	27,58,95	**8,51,46**
B. Loans & Advances		
Loans		
(Secured and considered Good)		
Loans against Gold	4,54,80	-
Interest accrued on Loan against Gold	2,41	-
	4,57,21	**-**
Advances		
(Unsecured and considered Good)		
Security Deposits - Premises	2,31,52	75,26
Prepaid Expenses	15,69	-
Deposit with Govt. and other Semi Govt. Authorities	16	31
Withholding and other Taxes Receivables (Net of Provisions)	2,27,86	1,46,09
Advances for Supplies & Services	94,05	1,23
Interest accrued on Fixed Deposits	3,44	22,33
Service Tax Input Credit Receivable	6,32	7,62
	5,79,04	2,52,84
Total Loans and Advances	**10,36,25**	2,52,84

(In Thousands of ₹)

	31 March 2011	31 March 2010
SCHEDULE 5 CURRENT LIABILITIES & PROVISIONS:		
A. Current Liabilities:		
Sundry Creditors:		
Towards Services	2,17,51	1,21,54
Withholding and Other Taxes Payable	32,49	7,64
Retention Monies	19,80	-
Other Liabilities:		
Advances received from Clients	8,40	8,50
Unearned Revenue	3,93,75	-
Others	43,27	30,10
	7,15,22	**1,67,78**
B. Provisions		
Provision for Compensated Absences	13,94	6,75
Provision for Gratuity	7,63	-
Provision for Standard Assets	1,13	-
	22,70	**6,75**
	7,37,92	**1,74,53**
Note: Amount payable to :		
Small, Micro & Medium Enterprises	NIL	NIL
Investor Protection Fund	NIL	NIL
SCHEDULE 6 INCOME FROM OPERATIONS		
Commission Income	11,73,20	10,47,26
(TDS ₹ 11291 Thousands; Prev yr. ₹ 11389 thousands)		
Exclusivity Fees	2,22,67	1,87,02
(TDS ₹ 1530 Thousands; Prev yr. ₹ 1994 thousands)		
Logo-sharing Fees	56,25	-
(TDS ₹ 993 Thousands; Prev yr. ₹ NIL thousands)		
Interest on Loans	3,40	-
Overdue Charges	4	-
Total	**14,55,56**	**12,34,28**

Fedbank Financial Services Limited

Schedules Forming Part of the Profit and Loss Account as at 31st March 2011

(In Thousands of ₹)

	31 March 2011	31 March 2010
SCHEDULE 7 OTHER INCOMES		
Interest on Refunds	-	80
Interest on fixed deposits with Federal Bank	96,00	62,89
(TDS ₹ 698 Thousands; Prev yr. ₹ 451 Thousands)		
Total	**96,00**	**63,69**
SCHEDULE 8 PAYMENTS & BENEFITS TO EMPLOYEES:		
Salaries and other allowances	5,23,74	3,84,76
Staff Welfare Expenses	3,52	2,68
Total	**5,27,26**	**3,87,44**
SCHEDULE 9 ADMINISTRATION EXPENSES & OTHERS:		
Rent & Maintenance	1,61,94	1,16,40
Travelling & Conveyance	28,83	16,67
Advertisement & Business Promotion	19,91	55
Auditors Remuneration :		
- As Audit Fees	1,10	1,10
- For Tax Audit & Taxation	15	15
- Certification & Out of Pocket Expenses	35	35
Commission Paid	1,73,59	1,57,77
Electricity Charges	10,83	8,57
Filing Fees	87,67	15
Sourcing Expenses	2,13,36	2,30,99
Insurance	2,27	-
Maintenance of Motor Car	4,54	4,12
Office Expenses	11,91	5,66
Postage & Telegram	1,46	70
Printing & Stationery	5,37	3,67
Professional Fees	31,85	3,60
Recruitment Charges	10,99	1,51
Repairs	2,14	2,73
Telephone Charges	19,27	17,86
Contingent Provision for Standard Assets	1,13	-
Miscellaneous Expenses	4,68	1,67
	7,93,34	**5,74,22**

SCHEDULE 10

(A) Principal Accounting Policies

1. Basis of Preparation of Financial Statements
   Financial Statements are prepared under the historical cost convention, in compliance with the provisions of the Companies Act 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules 2006. Accounting Policies not stated explicitly otherwise are consistent with generally accepted accounting principles.

2. Use of Estimates:
   The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual result could differ from those estimates. Any revision to accounting estimates is recognized prospectively.

3. Revenue Recognition:
   Revenue is recognized as and when it is earned and no significant uncertainty exists as to its realization or collection. Income from Logo-sharing (Display of Logo on website) is recognized pro-rata over the period of contract. Exclusivity Fees (for providing services exclusively to the clients) is recognized in the year in which right to receive the same is established subject to volume of business generated.

4. Fixed Assets and Depreciation:

   Tangible Assets
   Fixed Assets are stated at their cost of acquisition less accumulated depreciation and impairment losses, if any.
   Computers including peripherals and accessories are depreciated using SLM @ 33.33% as against 16.21% as prescribed under Schedule XIV of the Companies Act 1956.
   Leasehold improvements are depreciated @ 18.10% using WDV method.
   Depreciation on other assets is provided, pro-rata for the period of use, using WDV method at the rates and in the manner prescribed in the said schedule.

   Intangible Assets
   Intangible assets include computer software which are acquired, capitalized and amortized on an SLM basis over the estimated useful lives of 3 years.

5. Employee Benefits:
   I. Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.
   II. The provision towards Long Term Compensated Absences is made based on actuarial valuation.
   III. Provision for gratuity is made on actuarial valuation.

6. Provision for Taxes:
   Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between book profit and taxable income is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable/ virtual certainty that asset will be realized in future.

7. Provisions, Contingent Liabilities and Contingent Assets:
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

8. Advances:
Advances are classified as Performing Assets and Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to Non-banking Financial (Non-Deposit Accepting and Holding) Companies.

9. Segment Reporting:
The company has classified its operations into two segments – Distribution (Marketing of Financial Products) and Retail Finance. For presentation of segment information, directly attributable income and assets are allocated as such and the other income, expenses and other assets and liabilities are apportioned on appropriate basis.

(B) Notes on Accounts

1. Contingent Liabilities not provided for: ₹ NIL.

2. Remuneration to Managing Director:

(₹ Thousands)

Particulars	FY 2010-11*	FY 2009-10
Salary	2400	2400
Incentive arrears of FY 09-10	1000	
Incentive Arrears of FY 08-09	400	400
Total	3800	2800

*A provision of ₹ 12 Lakh has been made towards annual incentive. However, amount in excess of remuneration payable as per Schedule XIII of the Companies Act, 1956, has not been paid pending approval of Central Govt. for which application has been filed.

3. Earnings per share (Basic and diluted):

(₹ Thousands)

Particulars	FY 2010-11	FY 2009-10
Profit / (Loss) after Taxation	13883	24287
Weighted average No. of Equity Shares	16250	10000
Basic & Diluted Earnings per Share (₹)	0.85	2.43

4. In terms of the Accounting Standard 17 of ICAI, the company's operations are classified into two business segments as described in the accounting policy and the information on the same is as under:

(₹ In Thousands)

Business Segments	Distribution		Retail Finance		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue	145212	123428	344	0	145556	123428
Result (Net of Provisions)	**36504**	**25148**	**(25285)**	**0**	**11219**	**25148**
Unallocated Expenses	0	0	0	0	0	0
Operating Profit (PBT)	36504	25148	(25285)	0	11219	25148
Interest Income					9600	6369
Income Taxes					(6936)	(7230)
Extra-Ordinary Profit / Loss					0	0
Net Profit					13883	24287
Other Information						
Segment Assets	90439	40184	114330	0	204769	40184
Unallocated Assets	0	0	0	0	256908	101479
Total Assets	**90439**	**40184**	**114330**	**0**	**461677**	**141663**
Segment Liabilities	71998	17453	1624	0	73622	17453
Unallocated Liabilities	0	0	0	0	0	0
Total Liabilities	**71998**	**17453**	**1624**	**0**	**73622**	**17453**
Capital Expenditure	2502	102	33968	0	36470	102
Depreciation	1817	2114	460	0	2277	2114

The Company has only the Domestic Geographic Segment.

5. Deferred Tax Asset comprises:

Particulars	**31-03-2011**	**31-03-2010**
Depreciation	116	201
Expenses allowable on payment basis	737	224
Deferred Tax Asset	**853**	**425**

6. Rent cost is net of rent recovery from The Federal Bank Ltd for use of rented premises.

7. Related Party transactions:
   (i) List of Related parties with whom control exists –
      (a) The Federal Bank Ltd. – 100% Holding Company.
      (b) Shri Somsankar Sengupta – CEO and MD - Key Managerial Personnel

(ii) Transactions -

Particulars	31.3.2011	31.3.2010
(a) Holding Company		
Transactions during the year:		
Interest Income	9600	6289
Commission Income	93145	77027
Re-imbursements of Expenses	32778	26284
Rent recovered	5381	6455
Rent Paid	4425	3734
Security Deposit (Sub-lease of premises) received	378	2968
Security Deposit Adjusted	249	-
Electricity Expenses Paid	72	-
Re-imbursement of Salary	924	-
Closing Balances in:		
- Fixed Deposit Account including interest accrued	233477	86445
- Current Account	29785	141
- Account Receivable	32162	18528
- Account Payable	860	582
- Security Deposit (Sub-lease of Premises)	3096	2968
Amount provided for / written off / written back		-
(b) Remuneration to Managing Director	3400	2800

8. Previous year's figures have been regrouped and rearranged wherever necessary.

9. Contingent Provision of ₹ 1.13 Lakh has been made for standard assets as per clause 9A of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

10. Schedule to the Balance Sheet of a non-deposit taking non-banking financial company (as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

	Particulars	**Amount outstanding**	**Amount overdue**
Liabilities side :			
1	**Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:**		
	(a) Debentures : Secured	NIL	NIL
	: Unsecured	NIL	NIL
	(other than falling within the meaning of public deposits*)		
	(b) Deferred Credits	NIL	NIL
	(c) Term Loans	NIL	NIL
	(d) Inter-corporate Loans and Borrowing	NIL	NIL
	(e) Commercial Paper	NIL	NIL
	(f) Other Loans (specify nature)	NIL	NIL
* Please see Note 1 below			

Assets side :		
-	-	Amount outstanding
2	**Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :**	
	(a) Secured	45721
	(b) Unsecured	NIL
3	**Break up of Leased Assets and stock on hire and other assets counting towards AFC activities**	
	(i) Lease assets including lease rentals under sundry debtors:	
	(a) Financial lease	NIL
	(b) Operating lease	NIL
	(ii) Stock on hire including hire charges under sundry debtors:	
	(a) Assets on hire	NIL
	(b) Repossessed Assets	NIL
	(iii) Other Loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	NIL
	(b) Loans other than (a) above	NIL

4	**Break-up of Investments :**			
	Current Investments :			
	1 Quoted :			
	(i) Shares : (a) Equity	NIL		
	(b) Preference	NIL		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of Mutual Funds	NIL		
	(iv) Government Securities	NIL		
	(v) Others (please specify)	NIL		
	2 Unquoted :			
	(i) Shares : (a) Equity	NIL		
	(b) Preference	NIL		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of Mutual Funds	NIL		
	(iv) Government Securities	NIL		
	(v) Others (please specify)	NIL		
	Long Term Investments :			
	1. Quoted :			
	(i) Shares : (a) Equity	NIL		
	(b) Preference	NIL		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of Mutual Funds	NIL		
	(iv) Government Securities	NIL		
	(v) Others (please specify)	NIL		
	2. Unquoted :			
	(i) Shares : (a) Equity	NIL		
	(b) Preference	NIL		
	(ii) Debentures and Bonds	NIL		
	(iii) Units of Mutual Funds	NIL		
	(iv) Government Securities	NIL		
	(v) Others (please specify)	NIL		
5	**Borrower group-wise classification of assets financed as in (2) and (3) above :**			
	Please see Note 2 below			
	Category	Amount net of provisions*		
		Secured	Unsecured	Total
	1. Related Parties **			
	(a) Subsidiaries	NIL	NIL	NIL
	(b) Companies in the same group	NIL	NIL	NIL
	(c) Other related parties	NIL	NIL	NIL
	2. Other than related parties	45721	NIL	45721
	Total	45721	NIL	45721

* Contingent Provision on Standard Assets has not been netted off as per prudential norms

6	**Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**		
	Please see note 3 below		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties **		
	(a) Subsidiaries	NIL	NIL
	(b) Companies in the same group	NIL	NIL
	(c) Other related parties	NIL	NIL
	2. Other than related parties	NIL	NIL
	Total	NIL	NIL
	** As per Accounting Standard of ICAI (Please see Note 3)		
7	**Other information**		
	Particulars	Amount	
	(i) Gross Non-Performing Assets		
	(a) Related parties	NIL	NIL
	(b) Other than related parties	NIL	NIL
	(ii) Net Non-Performing Assets		
	(a) Related parties	NIL	NIL
	(b) Other than related parties	NIL	NIL
	(iii) Assets acquired in satisfaction of debt	NIL	NIL

Signatures to Schedules 1 to 10

Dilip Maloo Head-Finance & Company Secretary	P.K. Mohapatra Dy. General Manager	Somsankar Sengupta MD & CEO	Suresh Kumar Chairman

DIRECTORS

P.H. Ravikumar	P.C. Cyriac	Shyam Srinivasan	M.Y. Khan

Kochi
06th May, 2011

Fedbank Financial Services Limited

Cash Flow Statement For The Year Ended 31 March 2011

(In Thousands of ₹)

		For the Year ended 31.03.2011	For the Year ended 31.03.2010
A.	**Cash Flow from Operating Activities**		
	Net Profit / Loss (-) before tax as per P&L Account	**20,819**	**31,517**
	Adjusted for		
	Interest income	(9,600)	(6,289)
	Interest on IT Refund	-	(80)
	Depreciation	2,277	2,114
	Operating profit before Working Capital changes	13,496	27,262
	Adjusted for Increase / Decrease in		
	Other Receivables	(86,675)	(866)
	Trade Payables	56,339	5,316
	Cash generated from Operations	(16,840)	31,712
	Taxes paid / refunded (net)	**(15,541)**	**(12,943)**
	Cash Flow before extraordinary items		
	Extraordinary items	-	-
	Net Cash inflow / outflow (-) from Operating Activities	**(32,381)**	**18,769**
B.	**Cash Flow from Investment Activities**		
	Purchase of fixed assets	(36,470)	(102)
	Net Cash inflow from Investment Activities	**(36,470)**	**(102)**
C.	**Cash Flow from Financing Activities**		
	Interest Income	9,600	6,289
	Interest on IT Refund	-	80
	Issue of fresh Equity Shares	250,000	-
	Net Cash inflow from financing activities	259,600	6,369
D.	**Net increase / decrease (-) in cash and cash Equivalents (A+B)**	**190,749**	**25,036**
	Opening Balance of Cash and Cash Equivalents	85,146	60,108
	Closing Balance of Cash and Cash Equivalents	**275,895**	**85,146**

Cash Flow Statement has been prepared in accordance with the Accounting Standard 3 as per the Companies (Accounting Standards) Rules, 2006.

As per our report of even date

Dilip Maloo	P. K. Mohapatra	Somsankar Sengupta	Suresh Kumar
Head - Finance & Company Secretary	Dy. General Manager	MD & C.E.O	Chairman

DIRECTORS

P. H. Ravikumar | P.C. Cyriac | M. Y. Khan | Shyam Srinivasan

Ernakulam
06th May, 2011

To
The Members,
Fedbank Financial Services Ltd

1. We have audited the attached Balance Sheet of FEDBANK FINANCIAL SERVICES LIMITED as at 31st March, 2011, Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:-

   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books;
   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the accounting standards referred to in Section 211(3C) of the Act, to the extent applicable;
   e. On the basis of the written representation received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director of the Company under Section 274(1)(g) of the Act;
   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with "Principal Accounting Policies and Notes of Accounts" in Schedule '9' and other notes appearing elsewhere in the accounts, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011 and
      ii) in the case of the Profit & Loss Account, of the profit for the year ended as on that date.
      iii) in the case of the Cash Flow Statement, of the cash flow of the company for the year ended on that date.

For **R KRISHNA IYER & CO.**
CHARTERED ACCOUNTANTS

R KRISHNA IYER
PARTNER (Membership No. 10525)
Firm Registration No. 1474 S

Kochi
06.05.2011

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR AUDIT REPORT OF EVEN DATE

On the basis of such checks as were considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

1. (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

   (b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed in such verification, and the same has been properly dealt within the books of accounts;

   (c) No fixed assets have been disposed off during the year.

2. The company has no inventories.

3. The Company has not taken / granted any loans from/to companies, firms and other parties covered under Section 301 of the Act.

4. The Company has adequate internal control system commensurate with the size of the company, and the nature of its business, for the purchase of fixed assets, and for sale of services. We have not observed any major weaknesses in the internal control system.

5. The Company has not entered into any contracts or arrangements referred to in section 301 of the Act.

6. The Company has not accepted any deposits during the year.

7. The Company has an internal audit system commensurate with the size and nature of its business.

8. Maintenance of cost records is not prescribed by the Central Government in respect of the activities of the company.

9. (a) According to the information and explanations given to us, the company is generally regular in depositing undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, service tax, excise duty, cess and other statutory dues. No undisputed amounts payable in respect of above were outstanding as at 31.3.2011 for a period of more than six months from the date they become payable except Employees state insurance contribution of ₹ 191,496 which it is informed will be dealt with upon completion of Registration formalities.

   (b) According to the records of the company, there are no dues of sales tax, income-tax, customs duty, wealth tax, excise duty, service tax and cess which have not been deposited on account of any dispute.

10. The Company has no accumulated losses as at 31st March 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. The company has not borrowed any money from financial institutions or banks or debenture holders.

12. The company has not granted any loans and advances on the basis of security, by way of pledge of shares, debentures and other securities.

13. The company is not a chit fund, Nidhi, or a mutual benefit society.

14. The company is not dealing in shares, securities, debentures and other investments.

15. The company has not given any guarantee for loans taken by others.

16. The company has not taken any term loans.

17. No funds have been raised on short term basis.

18. The company has not made any preferential allotment of shares.

19. No debentures have been issued.

20. Company has not raised any money by way of public issue.

21. During the course of our examination of the books and records for the Company, carried out in accordance with the generally accepted audit practices in India, and according to the information and explanation given to us, we have not come across any instances of fraud on or by the Company, noticed or reported during the year.

For **R KRISHNA IYER & CO.**
CHARTERED ACCOUNTANTS

R KRISHNA IYER
PARTNER (Membership No. 10525)
Firm Registration No. 1474 S

Kochi
06.05.2011

Fedbank Financial Services Limited

Balance Sheet Abstract And Company's General Business Profile As Per Schedule VI, Part (IV) Of The Companies Act, 1956.

I.	**Registration Details**			
	Registration No.		:	08910
	State Code		:	09
	Balance Sheet Date		:	31.3.2011
II	**Capital Raised during the year**			(In '000)
	Public Issue		:	NIL
	Rights Issue		:	NIL
	Bonus Issue		:	NIL
	Private Placement		:	25,00,00
III	**Position of Mobilisation and Deployment of Funds**			(In '000)
	Sources of Funds			
	Paid-up Capital		:	35,00,00
	Reserves & Surplus		:	3,80,93
		Total	:	38,80,93
	Application of Funds			
	Fixed Assets		:	4,01,72
	Net Current Assets (Including Deferred Tax Asset)		:	34,79,21
	Accumulated Losses		:	-
		Total		38,80,93
IV	**Performance of the Company**			(In '000)
	Total Income		:	15,51,56
	Total Expenditure		:	13,43,37
	Profit/Loss Before Tax		:	2,08,19
	Profit/Loss After Tax		:	1,38,83
	Earnings Per Share (₹)		:	0.85
	Dividend Rate (%)		:	-
V	**Generic Names of Principal Products/ Services of the Company (as per monetary terms)**			
	Item Code No.		:	NA
	Product Description		:	Non-Banking Finance Company

Dilip Maloo Head-Finance & Company Secretary	P.K. Mohapatra Dy. General Manager	Somsankar Sengupta MD & CEO	Suresh Kumar Chairman

DIRECTORS

P.H. Ravikumar	P.C. Cyriac	Shyam Srinivasan	M.Y. Khan

Kochi
06th May, 2011

THE SPIRIT OF BLUE

ANNUAL REPORT 2010 - 2011

Consolidated Balance Sheet as at 31 March 2011

(In Thousands of ₹)

	Schedule No.	As at 31 March 2011	As at 31 March 2010
CAPITAL AND LIABILITIES			
Capital	1	171,04,71	17,103,30
Reserves & Surplus	2	4846,65,37	4459,07,11
Deposits	3	42988,45,44	36049,29,22
Borrowings	4	1888,36,26	1546,75,64
Other Liabilities & Provisions	5	1448,32,67	1379,19,18
Total		**51342,84,45**	**43605,34,45**
ASSETS			
Cash & Balances with Reserve Bank of India	6	2936,35,08	2318,87,71
Balances with banks & money at call and short notice	7	813,25,04	404,59,12
Investments	8	14407,90,48	12981,88,21
Advances	9	31957,80,58	26950,11,13
Fixed assets	10	292,91,91	290,36,76
Other assets	11	934,61,36	659,51,52
Total		**51342,84,45**	**43605,34,45**
Contingent liabilities	12	22112,74,97	9736,37,64
Bills for collection		912,52,04	849,34,43
Principal Accounting Policies	18		
Notes on Accounts	19		

K. Krishnakumar, Asst. General Manager
P.C. John, Executive Director & CFO
Shyam Srinivasan, Managing Director & CEO
P.C. Cyriac, Chairman

DIRECTORS

P.H. Ravikumar Suresh Kumar Abraham Koshy M.Y. Khan Dr. T.C. Nair

As per our report of even date

For Varma & Varma
FRN: 004532S
Chartered Accountants

For Price Patt & Co.,
FRN: 02783S
Chartered Accountants

Kochi
06 May, 2011

R. Rajasekharan
Partner, Membership No. 22703

S. Ramaswamy
Partner, Membership No. 025918

Consolidated Profit and Loss Account for the year ended 31 March 2011

(In Thousands of ₹)

	Schedule No.	As at 31 March 2011	As at 31 March 2010
I. INCOME			
Interest earned	13	4052,02,83	3673,24,43
Other income	14	518,33,49	532,54,59
Total		**4570,36,32**	**4205,79,02**
II. EXPENDITURE			
Interest expended	15	2304,48,96	2261,77,41
Operating expenses	16	836,53,81	676,01,70
Provisions & contingencies		840,86,41	801,02,51
Share of loss of Associate		32,00,48	27,30,72
Total		**4013,89,66**	**3766,12,34**
III. PROFIT/LOSS			
Net Profit for the year		556,46,66	439,66,68
Add Profit b/f from Previous Year			
- relating to holding company		(39,62,60)	(13,52,40)
- relating to subsidiary company		1,71,05	(71,83)
		518,55,11	**425,42,45**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		232,11,00	208,27,00
Transfer to Statutory Reserve		146,80,00	116,14,00
Transfer to Capital Reserve		0	8,20,00
Transfer to Contingency Reserve		0	0
Transfer to Special Reserve (Sec 36(1)(viii) of IT Act)		36,56,00	31,00,00
Transfer to Reserve under Sec 45 IC of RBI Act		27,77	0
Provision for proposed dividend		145,39,00	85,52,00
Provision for Dividend Tax		23,58,59	14,21,00
Balance carried over to Balance Sheet		(66,17,25)	(37,91,55)
Total		**518,55,11**	**425,42,45**
Earnings per Share (Basic) (₹)	17	32.53	25.71
Principal Accounting Policies	18		
Notes on Accounts	19		

K. Krishnakumar	P.C. John	Shyam Srinivasan	P.C. Cyriac
Asst. General Manager	Executive Director & CFO	Managing Director & CEO	Chairman

DIRECTORS

P.H. Ravikumar	Suresh Kumar	Abraham Koshy	M.Y. Khan	Dr. T.C. Nair

As per our report of even date

	For Varma & Varma FRN: 004532S Chartered Accountants	For Price Patt & Co., FRN: 02783S Chartered Accountants
Kochi 06 May, 2011	R. Rajasekharan Partner, Membership No. 22703	S. Ramaswamy Partner, Membership No. 025918

Schedules Forming Part of Consolidated Balance Sheet

(In Thousands of ₹)

	As at 31 March 2011	As at 31 March 2010
SCHEDULE 1. CAPITAL		
Authorised Capital	200,00,00	200,00,00
[20,00,00,000 (Previous year 20,00,00,000) equity shares of ₹ 10 each]		
Issued Capital	171,31,79	171,31,79
[17,13,17,910 (Previous year 17,13,17,910) equity shares of ₹ 10/- each]		
Subscribed & Called up Capital	171,04,75	171,03,34
[17,10,33,430 (Previous year 17,10,33,430) equity shares of ₹ 10/- each, which includes 3318 shares (Previous year 3318) of ₹ 10/- each issued for consideration other than cash and 4,37,35,378 shares (previous year 4,37,35,378) issued as Bonus shares and 2,00,00,000 underlying equity shares (previous year 2,00,00,000) of ₹ 10/- each issued towards Global Depository Receipts (including over allotment option of 20,00,000 equity shares) and 8,54,29,763 equity shares of ₹ 10/- each allotted on Rights basis during the financial year 2007-08] (Allotment of 1306 Shares (Previous year 1306) of ₹ 10/- each pertaining to the Rights Issue of 1993 issued at a premium of ₹ 25/- per share and 52420 shares (previous year 53,982) of ₹ 10/- each pertaining to the Rights Issue of 1996 issued at a premium of ₹ 140/- per Share and 2,16,683 equity shares of ₹ 10/- each at a premium of ₹ 240/- per share pertaining to Rights issue of 2007 are kept pending following orders from various courts) (Issue of certificates/credit in demat account in respect of 91,036 shares of ₹ 10/ each out of the Bonus issue of 2004 (previous year - 94,236) are kept in abeyance consequent to injunction orders from various courts)		
Less: Calls in arrears	4	4
Total	**171,04,71**	**171,03,30**
SCHEDULE 2. RESERVES & SURPLUS		
I. Statutory Reserves		
Opening balance	728,46,76	612,32,76
Additions during the year	146,80,00	116,14,00
	875,26,76	728,46,76
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	5,86,30	6,10,54
Deductions during the year	23,02	24,24
	5,63,28	5,86,30
(b) Others		
Opening balance	160,21,75	15,201,75
Additions during the year	0	8,20,00
	160,21,75	160,21,75
	165,85,03	166,08,05

Schedules Forming Part of Consolidated Balance Sheet

(In Thousands of ₹)

		As at 31 March 2011	As at 31 March 2010
III.	Share premium		
	Opening balance	2475,26,36	2475,26,36
	Additions during the year	32,20	0
		2475,58,56	2475,26,36
IV.	Revenue & Other Reserves		
	a) Revenue Reserve		
	Opening Balance	789,64,42	581,37,42
	Additions during the year	232,11,00	208,27,00
		1021,75,42	789,64,42
	b) Other Reserves		
	Investment Fluctuation Reserve		
	Opening Balance	189,72,00	189,72,00
	Additions during the year	0	0
		189,72,00	189,72,00
	c) Special Reserve (As per section 36(1)(viii) of IT Act)		
	Opening balance	117,00,00	86,00,00
	Addition during the year	36,56,00	31,00,00
		153,56,00	117,00,00
V.	Contingency Reserve		
	Opening balance	30,10,03	30,10,03
	Addition during the year	0	0
		30,10,03	30,10,03
VI.	Reserve Fund		
	Balance as per last Balance Sheet	56,35	56,35
	Transferred from P & L A/c	27,77	Nil
		84,12	56,35
VII.	General Reserve		
	Balance as per last Balance Sheet	14,70	14,70
	Transferred from P & L A/c	Nil	Nil
		14,70	14,70
VI.	Balance in Profit & Loss A/c	-66,17,25	-37,91,55
	Total	**4846,65,37**	**4459,07,11**

Schedules Forming Part of Consolidated Balance Sheet

(In Thousands of ₹)

			As at 31 March 2011	As at 31 March 2010
SCHEDULE 3. DEPOSITS				
A.	I.	Demand Deposits		
	i.	From Banks	142,68,91	120,90,68
	ii.	From Others	2260,14,09	1710,34,93
			2402,83,00	1831,25,61
	II.	Savings Bank Deposits	9148,29,02	7611,12,91
	III.	Term Deposits		
	i.	From Banks	199,20,23	4,40,06
	ii.	From Others	31238,13,19	26602,50,64
			31437,33,42	26606,90,70
		Total	**42988,45,44**	**36049,29,22**
B.	i.	Deposits of branches in India	42988,45,44	36049,29,22
	ii.	Deposits of branches outside India	Nil	Nil
		Total	**42988,45,44**	**36049,29,22**
SCHEDULE 4. BORROWINGS				
I.	Borrowings in India			
	i.	Reserve Bank of India	100,00,00	0
	ii.	Other Banks	500,00,00	500,00,00
	iii.	Other institutions and agencies	917,29,17	688,09,60
	iv.	Subordinated debt	306,00,00	320,00,00
			1823,29,17	1508,09,60
II.	Borrowings outside India		65,07,09	38,66,04
		Total	**1888,36,26**	**1546,75,64**
	Secured borrowings in the above		0	0
SCHEDULE 5. OTHER LIABILITIES AND PROVISIONS				
I.	Bills Payable		24,29,70	36,22,03
II.	Interoffice adjustments (Net)		182,36,54	192,62,07
III.	Interest accrued		149,23,10	145,15,73
IV.	Deferred Tax Liability (Net)		0	83,94,75
V.	Others (including provisions)*		1092,43,33	921,24,60
		Total	**1448,32,67**	**1379,19,18**
*Includes Contingent provisions against standard assets			159,59,94	145,23,81

(In Thousands of ₹)

		As at 31 March 2011	As at 31 March 2010
SCHEDULE 6. CASH & BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash in hand (including foreign currency notes)	333,96,66	276,91,75
II.	Balance with R B I in Current Account	2602,38,42	2041,95,96
	Total	**2936,35,08**	**2318,87,71**
SCHEDULE 7. BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE			
I.	In India		
	i. Balances with banks		
	a. in Current Accounts	40,16,13	30,63,91
	b. in Other Deposit Accounts	273,67,20	101,53,00
	ii. Money at call & short notice		
	a. With Banks	399,72,13	50,00,00
	b. With other institutions	0	199,86,81
	Total	**713,55,46**	**382,03,72**
II.	Outside India		
	i. in Current Accounts	32,80,33	4,59,40
	ii. in Other Deposit Accounts	66,89,25	17,96,00
	iii. Money at call & short notice	Nil	Nil
	Total	**99,69,58**	**22,55,40**
	Grand Total	**813,25,04**	**404,59,12**
SCHEDULE 8. INVESTMENTS			
I.	Investments in India (Gross)	14424,40,94	12998,87,82
	Less Provision for Depreciation	16,50,46	16,99,61
	Net Investments	14407,90,48	12981,88,21
Break up of Investments in India			
	i. Govt. Securities	9964,52,93	9277,50,65
	ii. Other approved Securities	35,74	82,53
	iii. Shares	168,06,61	179,61,82
	iv. Debentures & Bonds	605,34,48	649,76,25
	v. Associates & Joint Ventures	87,22,98	54,23,45
	vi. Others (Mutual Funds, Commercial Paper etc.)	3582,37,74	2819,93,51
	Total	**14407,90,48**	**12981,88,21**
II.	Investments outside India	Nil	Nil

(In Thousands of ₹)

			As at 31 March 2011	As at 31 March 2010
SCHEDULE 9. ADVANCES				
A.	i.	Bills purchased & discounted	898,60,67	1216,65,16
	ii.	Cash credits, overdrafts and loans repayable on demand	17416,05,69	13903,23,17
	iii.	Term loans	13643,14,22	11830,22,80
		Total	**31957,80,58**	**26950,11,13**
B.	i.	Secured by tangible assets (includes advances against Book Debts)	23513,08,77	19333,69,47
	ii.	Covered by Bank/Government guarantees	1671,22,62	1898,32,11
	iii.	Unsecured	6773,49,19	5718,09,55
		Total	**31957,80,58**	**26950,11,13**
C.	I.	Advances in India		
		i. Priority Sector	10585,79,92	9851,06,89
		ii. Public Sector	1945,87,30	1858,00,49
		iii. Banks	4,50,44	2,12,89
		iv. Others	19421,62,92	15238,90,86
		Total	**31957,80,58**	**26950,11,13**
	II.	Advances outside India	Nil	Nil
SCHEDULE 10. FIXED ASSETS				
I	**OWNED ASSETS**			
	a.	Premises At cost as on 31st March of the preceding year	218,54,14	214,55,59
		Additions during the year	74,86	4,00,05
			219,29,00	218,55,64
		Deductions during the year	1,83	1,50
			219,27,17	218,54,14
		Depreciation to date	50,78,90	44,43,39
			168,48,27	174,10,75
	b.	Other fixed assets (including furniture & fixtures)		
		At cost as on 31st March of the preceding year	338,63,08	299,74,45
		Additions during the year	60,15,64	57,46,76
			398,78,72	357,21,21
		Deductions during the year	11,18,89	18,58,13
			387,59,83	338,63,08
		Depreciation to date	263,54,53	222,75,58
			124,05,30	115,87,50

Schedules Forming Part of Consolidated Balance Sheet

(In Thousands of ₹)

		As at 31 March 2011	As at 31 March 2010
II	**ASSETS GIVEN ON LEASE**		
	At cost as on 31st March of the preceding year	3,10,13	3,10,13
	Additions during the year	Nil	Nil
		3,10,13	3,10,13
	Deductions during the year	0	0
		3,10,13	3,10,13
	Depreciation to date	2,71,79	271,62
		38,34	38,51
	Total (I & II)	**292,91,91**	**290,36,76**
SCHEDULE 11. OTHER ASSETS			
I.	Inter office adjustments (net)	0	0
II.	Interest accrued	280,41,36	248,94,64
III.	Tax paid in advance/tax deducted at source (Net of provision)	338,48,01	301,87,01
IV.	Stationery & Stamps	2,62,69	2,80,47
V.	Non-banking assets acquired in satisfaction of claims	3,05,01	1,12,68
VI.	Deferred Tax Asset (Net)	1,58,53	0
VII.	Others	308,45,76	104,76,72
	Total	**934,61,36**	**659,51,52**
SCHEDULE 12. CONTINGENT LIABILITIES			
I.	Claims against the Bank not acknowledged as debts	613,31,98	399,85,56
II.	Liability on account of outstanding forward exchange contracts	16163,50,63	5837,09,25
III.	Guarantees given on behalf of constituents - in India	3739,03,73	2168,26,99
IV.	Acceptances, endorsements and other obligations	1562,27,47	1311,48,49
V.	Other items for which the Bank is contingently liable	34,61,16	19,67,35
	Total	**22112,74,97**	**9736,37,64**
SCHEDULE 13. INTEREST EARNED			
I.	Interest/discount on advances/bills	3168,80,24	2849,73,18
II.	Income on investments	868,03,04	783,40,90
III.	Interest on balances with RBI & other inter-bank funds	10,59,78	29,85,45
IV.	Others	4,59,77	10,24,90
	Total	**4052,02,83**	**3673,24,43**
SCHEDULE 14. OTHER INCOME			
I.	Commission, exchange and brokerage	114,44,45	105,26,14
II.	Net profit/loss on sale of investments	45,75,89	107,70,79
III.	Net profit/loss on revaluation of investments	-	-

Schedules Forming Part of Consolidated Profit and Loss Account

(In Thousands of ₹)

				As at 31 March 2011		As at 31 March 2010
IV.	Net profit on sale of land, buildings & other assets			32,69		39,40
V.	Net profit on foreign exchange transactions			57,22,90		44,61,61
VI.	Income earned by way of dividends etc. from companies in India			3,52,36		4,68,60
VII.	Miscellaneous income [Includes Processing fee etc on loans ₹ 6073.60 lakh (previous period ₹ 5541.96 lakh) and Recoveries in assets written off ₹ 14607.34 lakh (previous year ₹ 12770.47 lakh) and Service Charges ₹ 2744.21 lakh (PY ₹ 3228.74 lakh)]			297,05,20		269,88,05
	Total			**518,33,49**		**532,54,59**

SCHEDULE 15. INTEREST EXPENDED

I.	Interest on deposits	2161,02,20	2167,62,66
II.	Interest on Reserve Bank of India/Inter bank borrowings	9,86,75	5,62
III.	Others	133,60,01	94,09,13
	Total	**2304,48,96**	**2261,77,41**

SCHEDULE 16. OPERATING EXPENSES

I.	Payments to & provisions for employees		485,68,59		369,92,85
II.	Rent, taxes & lighting		80,77,21		71,92,71
III.	Printing & stationery		10,21,75		8,97,80
IV.	Advertisement & publicity		18,32,28		10,46,32
V.	Depreciation on Bank`s property	54,71,35		50,64,18	
	Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	23,02		24,24	
			54,48,33		50,39,94
VI.	Directors' fees, allowances and expenses		70,85		96,91
VII.	Auditors' fees & expenses (including branch auditors)		8,10,88		6,89,44
VIII.	Law charges		5,36,41		4,82,18
IX.	Postage, Telegrams,Telephones etc.		19,07,58		15,18,14
X.	Repairs & maintenance		23,06,13		19,32,46
XI.	Insurance		35,86,97		32,04,45
XII.	Other expenditure		94,86,83		85,08,50
	Total		**836,53,81**		**676,01,70**

SCHEDULE 17. EARNINGS PER SHARE

Net Profit for the year	556,46,66	439,66,68
Number of Shares	17,10,47	17,10,33
Earnings Per Share	32.53	25.71

SCHEDULE 18 – PRINCIPAL ACCOUNTING POLICIES

1. General

The financial statements have been drawn up on historical cost convention and on accrual basis of accounting (unless otherwise stated) and conform to Generally Accepted Accounting Principles in India which comprises the statutory provisions and practices followed in the banking industry in India.

2. Advances

a) Advances are classified as Performing Assets (Standard) and Non Performing assets, (Sub-standard, Doubtful, or Loss assets) and provisions required for possible losses on non performing advances are made over and above the minimum required as per the guidelines of the Reserve Bank of India (RBI) on matters relating to prudential norms.

b) Advances shown in the Balance Sheet are net of:
   (i) bills rediscounted,
   (ii) provisions made for non performing advances.

c) Provisions are made in respect of the following as per the guideline of RBI and included under the head "Other liabilities – others" in the Balance Sheet.
   (i) Provisions towards interest sacrifice/fair value diminution on restructured /rescheduled advances.
   (ii) Provision for standard asset.

3. Investments

a) Investments are classified under three categories, viz 'Held for Trading' (HFT), 'Available for Sale' (AFS), and 'Held to Maturity' (HTM) as per RBI guidelines and disclosed in the Balance Sheet under six classifications viz.
   (i) Government Securities
   (ii) Other Approved Securities
   (iii) Shares
   (iv) Debentures and Bonds
   (v) Subsidiaries & Joint Ventures
   (vi) Others

Investments are also classified into performing & non performing as per the guidelines of RBI & provisions are made for possible losses as non performing investments as per the guidelines of the RBI.

b) In respect of Profit on sale of investments under 'Held to Maturity' category, an equivalent amount, net of taxes and transfer to statutory reserve, is apportioned to the Capital reserve account.

c) REPO & Reverse REPO transactions are accounted in accordance with the extant RBI Guidelines.

d) Valuation
   (i) Investments classified as HFT have been marked to market and valued scrip-wise under each classification at monthly intervals, excluding equity shares which are done on a weekly basis. Within a classification net appreciation is ignored and net depreciation is provided for.

   (ii) Investments classified as AFS have also been marked to market, and valued quarterly excluding equities, which are done on a weekly basis. Within a classification net appreciation is ignored and net depreciation is provided for.

(iii) Investments classified as HTM are stated at acquisition cost except in cases where the acquisition cost is higher than the face value, in which case the excess, i.e. premium on acquisition, is amortised over the period remaining to maturity on equated basis. Any diminution in value other than temporary, in investments in subsidiaries/joint venture/ associates included under HTM is provided for.

(iv) Closing stock of gold is valued at cost or market price whichever is lower.

4. Derivatives

Interest rate swaps/currency swaps pertain to trading position and which are outstanding as on Balance Sheet date are marked to market and net appreciation is ignored and net depreciation is recognised in the Profit and Loss Account.

5. Transactions Involving Foreign Exchange

a) All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the close of the year as advised by the Foreign Exchange Dealers' Association of India (FEDAI).

b) Income and expenditure denominated in foreign currencies have been accounted at the exchange rates prevailing on the dates of the transactions.

c) Outstanding foreign exchange forward contracts are revalued at the rates applicable on the closing date as advised by FEDAI. The resultant profit/loss is taken into Profit and Loss account.

d) Contingent liabilities on guarantees, letters of credit, acceptances and endorsements are reported at the rates prevailing on the Balance Sheet date.

6. Fixed Assets

(a) Fixed Assets are stated at historical/revalued cost less accumulated depreciation & impairment of assets, if any. Premises which were revalued are stated at such values on revaluation and the appreciation credited to the Capital Reserve.

(b) Depreciation on assets has been provided for on the diminishing balances at the rates as per Schedule XIV to the Companies Act, 1956, except on Computers, Mobile phones & EPABX, which are depreciated under the straight line method at 33.33% per annum as per RBI guidelines.

Depreciation on assets sold/disposed off during the year is provided for the period up to the date of sale. Depreciation on assets costing less than ₹ 5000 each has been fully written off.

(c) Depreciation on assets revalued has been charged on their written-down value including the addition made on revaluation, and an equivalent amount towards the additional depreciation provided consequent upon revaluation has been transferred from the Capital Reserve to the Profit & Loss Account.

(d) Licence fee and implementation expenditure for Core Banking Solution are amortised on the straight line basis over a period of three years, on a pro rata basis.

7. Finance Leasing

Accounting Standard on Leases (AS19) issued by the Institute of Chartered Accountants of India (ICAI) is applicable to leases entered into on or after 1 April 2001. Since all the Bank's outstanding finance lease transactions were entered into prior to that date, the Bank has followed the earlier ICAI guidelines in respect of these leases.

Depreciation on non-performing leased assets (NPAs) is provided on written-down value as per the Companies Act 1956, by directly charging to Profit & Loss Account without any corresponding adjustment in the Lease Adjustment Account. In addition to depreciation, provision is also made for non-performing leased assets as per RBI guidelines.

8. Employee Benefits

(a) Post–Employment Benefit Plans

Payments to defined contribution retirement benefit schemes (other than second option for pension) are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets.

The net liability arising out of exercise of the second option for pension is fully reckoned, to be amortised in five years with 1/5th thereof being absorbed in the Profit and Loss Account of the year as per approval of RBI (vide letter DBOD. No.BP.BC.15896/21.04.018/2010.-11 dated 08.04.2011.)

(b) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

(c) The provision towards sick leave benefit to staff is made based on actuarial valuation.

9. Recognition of Income and Expenditure

Items of income and expenditure are accounted for on accrual basis, except as stated hereunder:

(a) Income from non-performing investments/advances are recognised on realisation as per the guidelines of RBI.

(b) Commission other than guarantee commission is accounted on cash basis. Guarantee commission is recognised over the period of the guarantees. Dividends are recognised as and when declared by the investee companies.

(c) Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.

(d) Income from consignment sale of gold is accounted as other income.

10. Provision for Income Tax

Provision for Income Tax is made for the current tax, and adjustment is made for deferred tax for the year representing the net change in the deferred tax asset or deferred tax liability, in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India (ICAI) Deferred tax assets are recognised on the basis of the management's judgment of reasonable certainty of future profits.

11. Earnings per Share

Basic Earnings per share (EPS) reported is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year.

12. Segment Information

In terms of the guidelines of the RBI on enhanced disclosure of segment information, the Bank's operations are classified into four reportable business segments, viz. Treasury Operations (investment and trading in securities, shares, debentures, etc.), Wholesale Banking, Retail Banking and Other Banking Operations and segment information is reported accordingly. For this purpose, aggregate exposure to a single entity exceeding ₹ 5 crore is treated as wholesale banking segment and other exposures are treated as retail banking segment as per the RBI guidelines. For presentation of segment information, directly attributable income and assets are allocated as such and the other income, expenses, other assets and liabilities are apportioned on appropriate basis.

13. Net Profit

The net profit disclosed in the Profit and Loss Account is after:

(a) provision for taxes;
(b) provision for possible losses on Standard Assets, NPAs, and other contingencies;
(c) depreciation on investments; and
(d) other usual and necessary provisions.

14. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

15. Impairment of Assets

Impairment losses, if any, on Fixed Assets (including revalued assets) are recognised in accordance with the Accounting Standard 28 "Impairment of Assets" issued by Institute of Chartered Accountants of India (ICAI) and charged to Profit and Loss Account.

16. Accounting for Provisions, Contingent Liabilities & Contingent Assets

As per the Accounting Standard 29, "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India (ICAI), the Bank recognises provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Contingent assets are not recognised in the financial statements.

SCHEDULE 19 – NOTES ON ACCOUNTS

1. **Reconciliation**

The reconciliation of outstanding entries in inter branch/office transactions as on 31st March 2011 has been substantially completed and the effect, if any, of pending entries will not be material.

2. **Consolidation**

a) The Consolidated Financial Statements include results of the Subsidiary and Associate of Federal Bank limited.

Name of the Company	Country of incorporation	% Shareholding	Consolidated as
Fedbank Financial services Limited	India	100%	Subsidiary
IDBI Federal Life Insurance Company Limited	India	26%	Associate

b) The Consolidated Financial Statements have been prepared on the following basis:

The Financial Statements of the parent company and its subsidiary company have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.

Accounting for investment in 'Associates' under the 'Equity Method' as per Accounting Standard (AS) 23, 'Accounting for Investments in Associates in Consolidated Financial Statements'.

c) Differences in accounting policies followed by the Subsidiary and associate have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. During the year the accounting policy, hitherto followed by the Bank up to the year ended 31.03.2010, of not providing for depreciation on assets sold/disposed off during the year except for vehicles, has been changed by providing depreciation on all the assets sold/disposed off during the year for the period up to the date of sale. The change as above does not have any impact on the Profit for the year.

4. The net liability arising on exercise of second option for Pension by employees (other than separated/retired employees) actuarially determined at ₹ 168.43 cr is fully reckoned and disclosed as liability in the Balance Sheet, and 1/5th of the said liability amounting to ₹ 33.71 cr is charged to the Profit and Loss Account of the year and balance unamortized amount of ₹ 134.72 cr is carried forward to be amortised equally over the succeeding four years, as per approval of RBI (vide letter no.DBOD.No.BP.BC.15896/21.04.018/2010-11 dated 08.04.2011). The amounts relating to separated/retired employees have been fully charged to the Profit and Loss Account.

In terms of the requirements of the Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹ 168.43 crore is required to be charged to the Profit and Loss Account. Had such an approval not been issued by the RBI, the profit of the bank would have been lower by ₹ 134.72 cr pursuant to application of the requirements of AS 15.

5. The provision made for Dividend recommended for the year ended March 31, 2011 is subject to the notification of exemption by Government of India u/s 53 read with Section 15 of the Banking Regulation Act 1949, which is being sought for.

6.1 Capital

(₹ crore)

Particulars	31 March 2011		31 March 2010	
	Basel II	Basel I	Basel II	Basel I
i) CRAR (%)	16.67%	15.27%	18.23%	17.13%
ii) CRAR - Tier I capital (%)	15.45%	13.62%	16.77%	15.11%
iii) CRAR - Tier II Capital (%)	1.22%	1.65%	1.56%	2.02%
iv) Percentage of the shareholding of the Government of India in nationalized banks	Nil		Nil	
v) Amount raised by issue of IPDI	Nil		Nil	
vi) Amount raised by issue of Upper Tier-II Instruments (₹ Crore)	Nil		Nil	

The computation of CRAR as per Basel II is compiled by the management with the information/data drawn from CBS system on which reliance is placed by the Auditors.

6.2 Investments

6.2.1 a) Investments under HTM (excluding specified investments as per RBI norms) account for 21.01% (previous year 22.76%) of demand and time liabilities as at the end of March 2011 as against permitted ceiling of 25% stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 21.90 crore (previous year ₹ 23.93 crore) has been amortised during the year and debited under interest received on government securities.

c) Profit on sale of securities from HTM category amounting to ₹ Nil crore (previous year ₹ 16.58 crore) has been taken to Profit and Loss Account and a sum of ₹ Nil crore (previous year ₹ 8.20 crore) being net of taxes and transfer to statutory reserve of such profit, appropriated to Capital Reserve.

6.2.2 Investments

(₹ crore)

Particulars	31 March 2011	31March 2010
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	14424.40	12998.88
(b) Outside India,	Nil	Nil
Provisions for Depreciation		
(a) In India	16.50	16.99
(b) Outside India,	Nil	Nil
(ii) Net Value of Investments		
(a) In India	14407.90	12981.88
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	16.99	128.33
(ii) Add: Provisions made during the year	0.00	0.00
(iii) Less: Write-off/ write-back of excess provisions during the year	0.49	111.34
(iv) Closing balance	16.50	16.99

6.2.3 REPO Transactions

(₹ crore)

	Outstanding during the year			Outstanding as on 31 March 2011
	Minimum	Maximum	Daily average	
Securities sold under market REPOs	0.00 (0.00)	20.00 (0.00)	0.11 (0.00)	0.00 (0.00)
Securities sold under REPOs (LAF)	0.00 (0.00)	600.00 (0.00)	56.33 (0.00)	0.00 (0.00)
Securities purchased under reverse market REPOs	0.00 (0.00)	5.00 (12.50)	0.01 (0.03)	0.00 (0.00)
Securities purchased under reverse REPOs (LAF)	0.00 (0.00)	750.00 (1800.00)	32.44 (393.11)	0.00 (0.00)

(Previous year figures are given in brackets)

6.2.4 Non-SLR Investment Portfolio

i) Issuer Composition of Non-SLR Investments as on 31 March 2011

(₹ crore)

No. (1)	Issuer (2)	Amount (3)	Extent of private placement (4)	Extent of 'below investment grade' securities (5)	Extent of 'unrated' securities (6) **	Extent of 'unlisted' Securities (7) ***
1	PSUs	87.54 (125.81)	84.00 (105.76)	0.00 (0.00)	0.00 (0.76)	0.00 (0.76)
2	FIs	0.50 (56.82)	0.50 (0.50)	0.00 (0.00)	0.00 (24.33)	0.50 (24.83)
3	Banks	1964.51 (1536.23)	54.68 (60.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
4	Private corporates	834.25 (952.33)	423.03 (324.47)	0.00 (0.00)	0.00 (0.00)	66.13 (60.33)
5	Subsidiaries/ Joint ventures	87.23 (54.23)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
6	Others	1472.80 (974.96)	12.50 (4.00)	0.00 (0.00)	0.83 (0.00)	0.83 (0.00)
7	Less: Provisions held towards depreciation	-4.11 (-1.67)	xx	xx	xx	xx
	Total	4442.72 (3698.71)	574.71 (621.73)	0.00 (0.00)	0.83 (25.09)	67.46 (85.92)

(Previous year figures are given in brackets)
** excluding investments in shares – ₹ 162.56 crore (previous year ₹ 171.90 crore)
*** excluding investments in pass through certificates ₹ 1.80 crore (previous year ₹ 4.13 crore)

ii) Non-SLR investments category-wise:

(₹ crore)

Particulars	31 March 2011	31 March 2010
Shares	168.07	173.98
Debentures & Bonds	605.34	649.76
Subsidiaries/Joint Ventures	87.23	54.23
Others	3582.08	2820.74
Total	4442.72	3698.71

iii) Non-performing Non-SLR investments

(₹ crore)

As at 31 March 2010	0.81
Additions during the year since 01 April 2010	0.00
Reductions during the above period	0.81
As at 31 March 2011	0.00
Total Provisions held	0.00

6.2 Derivatives

6.3.1 Forward Rate Agreement / Interest Rate Swap

(₹ crore)

Particulars	31 March 2011	31 March 2010
i) The notional principal of swap agreements	1250.00	2575.00
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	4.76	28.02
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Nil	Nil
v) The fair value of the swap book	-0.70	-2.19

6.3.2 Exchange Traded Interest Rate Derivatives:

(₹ crore)

Sl.No.	Particulars	31 March 2011
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	NIL
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2011	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	NIL
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	NIL

6.3.3Disclosure on Risk exposure in Derivatives

Qualitative Disclosures

Structure, organization, scope and nature of management of risk in derivatives etc.

The organizational structure consists of Treasury Department which is segregated into three functional areas, ie. front office, mid office and back office. Derivative deals are executed for hedging and market making.

The risk in the derivatives is monitored by regularly assessing Marked to Market Position (MTM) of the entire portfolio and the impact on account of the probable market movements. Various risk limits have been put in place under different segments of the derivatives, as approved by Board. The risk profile of the outstanding portfolio is reviewed by Board at regular intervals. For own balance sheet management, hedging policies are devised to mitigate risks; lower borrowing costs and enhance yields. The current outstanding under the derivatives portfolio were executed for trading only.

Accounting:

Board Approved Accounting Policies as per RBI guidelines have been adopted. The hedge swaps are accounted for like a hedge of the asset or liability. The hedge swaps are accounted on accrual basis except where swaps for hedging marked to market asset/liability. Such hedge swaps are marked to market on a monthly basis and the gain/losses are recorded as an adjustment to the designated asset/ liability. The Non hedge swaps are marked to market every month and the MTM losses in the basket are accounted in the books while MTM profits are ignored.

Collateral Security:

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/PDs etc. For deals with Corporate Clients, appropriate collateral security/margin etc. are stipulated wherever considered necessary.

Credit Risk Mitigation:

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. In the case of deals with corporate clients, the outstanding positions are closely monitored for the default risks and appropriate measures are initiated.

Quantitative Disclosures

(₹ crore)

Sl.No	Particulars	Currency Derivatives	Interest rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	-	-
	b) For trading	-	1250
2	Marked to Market positions (1)		
	a) Asset (+)		4.76
	b) Liabilities (-)		5.46
3	Credit Exposure (2)		13.76
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) On hedging derivatives	-	-
	b) On trading derivatives	-	0.13
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) On hedging	-	-
	b) On trading	-	Max. 1.01 Min. -0.19

6.4 Asset Quality

6.4.1 Non-Performing Asset

(₹ crore)

Particulars	31 March 2011	31 March 2010
(i) Net NPAs to Net Advances (%)	0.60%	0.48%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	820.97	589.54
(b) Additions during the year	875.84	747.39
(c) Reductions during the year	548.48	515.96
(d) Closing balance	1148.33	820.97
(iii) Movement of Net NPAs		
(a) Opening balance	128.79	68.12
(b) Additions during the year	352.54	327.56
(c) Reductions during the year	290.64	266.89
(d) Closing balance	190.69	128.79
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	684.43	514.93
(b) Provisions made during the year (net)	488.85	413.11
(c) Write-off/ write-back of excess provisions (net)	230.94	243.61
(d) Closing balance	942.34	684.43

6.4.2 Sector wise NPAs

Sl. No.	Sector	Percentage of NPAs to Total advances in that sector
1	Agriculture and allied Activities	3.61
2	Industry (Micro &Small, Medium and Large)	5.95
3	Services	5.33
4	Personal loans	4.53

6.4.3 Details of Loan Assets subjected to Restructuring for the year 2010-11

(₹ Crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	0	20	153
	Amount outstanding	0.00	58.66	238.72
	Sacrifice(diminution in the fair value)	0.00	2.23	6.77
Sub standard advances restructured	No. of Borrowers	0	1	10
	Amount outstanding	0.00	1.83	2.78
	Sacrifice(diminution in the fair value)	0.00	0.00	0.14
Doubtful advances restructured	No. of Borrowers	0	0	0
	Amount outstanding	0.00	0.00	0.00
	Sacrifice (diminution in the fair value)	0.00	0.00	0.00
TOTAL	No. of Borrowers	0	21	163
	Amount outstanding	0.00	60.49	241.50
	Sacrifice (diminution in the fair value)	0.00	2.23	6.91

6.4.4 Details of financial assets sold to securitisation/Reconstruction Company for Asset reconstruction

(₹ crore)

Particulars	2010-11	2009-10
(a) No of accounts	181	2
(b) Aggregate value (net of provisions) of accounts sold to SC/RC	44.37	0.00
(c) Aggregate consideration	58.43	2.56
(d) Additional consideration realised in respect of accounts transferred in earlier years	0.00	0.00
(e) Aggregate gain/loss over net book value	14.07	2.56

6.4.5 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased: NIL

(Amount in ₹ crore)

Particulars	*Current year*	*Previous Year*
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year		
(b) Aggregate outstanding		

B. *Details of non-performing financial assets sold:* NIL

(Amount in ₹ crore)

Particulars	*Current year*	*Previous Year*
1. No of Accounts sold	NIL	NIL
2. Aggregate outstanding		
3. Aggregation consideration received		

6.4.6 Movement of Provision for Standard Assets

(₹ crore)

Particulars	2010-11	2009-10
(a) Opening Balance	145.24	145.04
(b) Addition/Adjustments during the year	14.36	0.20
(c) Deduction during the year	0.00	Nil
(d) Closing Balance	159.60	145.24

6.5 Business Ratios

Particulars	31 March 2011	31 March 2010
(i) Interest Income as a percentage to Working Funds	9.22	9.09
(ii) Non-interest income as a percentage to Working Funds	1.18	1.32
(iii) Operating Profit as a percentage to Working Funds	3.25	3.14
(iv) Return on Assets	1.27	1.09
(v) Business (Deposits plus advances) per employee (₹ crore)	9.23	8.13
(vi) Profit per employee (₹ lakh)	6.88	5.69

6.6 Maturity Pattern of assets and liabilities (As compiled by the Management)

(₹ crore)

Maturity Pattern	Advances	Investments	Deposits	Borrowings (including Subordinated Debt)	Foreign Currency Assets	Foreign Currency Liabilities
Next day	994.37	2.05	114.55	0.00	232.66	188.61
2 -7 days	170.24	122.26	266.00	321.07	23.68	4.05
8-14 days	850.03	19.90	829.22	0.00	10.44	13.57
15-28 days	432.97	103.79	1158.27	0.00	34.80	10.03
29 days to 3 months	1946.40	898.56	4272.25	123.34	83.69	174.00
Over 3 to 6 months	2627.27	644.91	4453.00	80.07	177.16	126.66
Over 6 months to 1 Yr	4076.02	532.61	12577.47	100.00	807.44	247.18
Over 1 Yr to 3 Yrs	15513.13	247.35	17832.33	263.88	125.75	175.83
Over 3 Yrs to 5 Yrs	2916.87	230.28	1189.22	800.00	41.16	2.22
Over 5 Yrs	2430.51	11606.19	296.14	200.00	0.00	0.00
Total	**31957.81**	**14407.90**	**42988.45**	**1888.36**	**1536.78**	**942.15**

6.7 Exposures

6.7.1 Exposure to Real Estate Sector (As compiled by the Management)

(₹ crore)

Category	2010-11	2009-10
a) Direct exposure		
(i) Residential Mortgages –		
Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	5309.07	4980.70
(of which individual housing loans eligible for inclusion in Priority sector advances)	(3482.54)	(3490.46)
(ii) Commercial Real Estate –		
Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	537.38	608.06
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	1.80	4.13
b. Commercial Real Estate.	1.21	25.32
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	1037.85	690.23
Total Exposure to Real Estate sector	**6887.31**	**6308.44**

6.7.2 Exposure to Capital Market (As compiled by the Management)

(₹ crore)

Particulars	2010-11	2009-10
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	162.31	175.65
(ii) advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	9.87	11.23
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.83	1.14
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	--	--
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	120.62	193.98
(vi) loans sanctioned to corporates against the security of shares / bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	--	--
(vii) bridge loans to companies against expected equity flows/issues;	--	--
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	--	--
(ix) financing to stockbrokers for margin trading;	--	--
(x) all exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	7.00	4.00
Total Exposure to Capital Market	**300.63**	**386.00**

6.7.3 Country Risk (As compiled by the Management)

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required to be made in respect of country risk as per the RBI circular DBOD.BP.BC.96/21.04.103/2003-04 dated 17 June 2004.

Risk Category wise Country Exposure

(₹ crore)

Risk Category*	Exposure (net) as at 31 March 2011	Provision held as at 31 March 2011	Exposure (net) as at 31 March 2010	Provision held as at 31 March 2010
Insignificant	787.17	0.00	630.88	0.00
Low	307.71	0.00	218.59	0.00
Moderate	21.34	0.00	53.92	0.00
High	4.70	0.00	6.07	0.00
Very High	6.43	0.00	2.91	0.00
Restricted	0.00	0.00	0.02	0.00
Off-credit	0.00	0.00	0.00	0.00
Total	**1127.35**	**0.00**	**912.39**	**0.00**

* The above figures include both funded as well as non-funded exposures.

6.7.4 Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) where the bank has exceeded the prudential exposure during the year.

(₹ crore)

Borrower Name	Total Exposure	% to Capital Fund
Housing Development Finance Corporation	829.00	16.33

6.7.5 Concentration of Deposits, Advances, Exposures and NPAs

Concentration of deposits

(₹ crore)

Total Deposits of Twenty Large depositors	3854.01
Percentage of Deposits of twenty large depositors to total deposits of the bank	8.96

Concentration of advances

(₹ crore)

Total advances of Twenty Largest Borrowers	7463.00
Percentage of advances of twenty largest Borrowers to total advances of the bank	14.39%

Concentration of exposures

(₹ crore)

Total exposures of Twenty Largest borrowers/customers	7559.52
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	14.57%

Concentration of NPAs

(₹ crore)

Total exposures to top Four NPA accounts	137.62

6.7.6 Movement of NPAs

(₹ crore)

Gross NPAs as on 1st April 2010	820.97
Additions (Fresh NPAs) during the year	875.84
Sub total (A)	**1696.81**
Less:	
(i) Upgradations	48.45
(ii) Recoveries (excluding recoveries made from upgraded accounts)	241.51
(iii) Write offs	258.52
Sub-total (B)	**548.48**
Gross NPAs as on 31 March 2011	**1148.33**

6.7.7 Details of Overseas Assets, NPAs and Revenue

Nil

6.7.8 Off balance Sheet SPV sponsored

Nil

6.8 Miscellaneous

6.8.1 Amount of Provisions made for Income-tax during the year

(₹ crore)

	2010-11	2009-10
Provision for Income Tax	315.42	395.72

6.8.2 Details of penalties imposed by RBI under the provision of Section 46 (4) of BR Act, 1949

Nil

7. Fixed Assets

i. During the year 1995-96, the appreciation of ₹ 9.65 crore in the value of land and buildings consequent upon revaluation by approved valuers was credited to Capital Reserve. Depreciation for the year on the net addition to value on such revaluation of assets at ₹ 0.23 crore (previous year ₹ 0.24 crore) has been transferred from Capital Reserve to Profit & Loss Account. There has been no revaluation of assets during this year.

ii. Land and premises include flats ₹ 0.37 crore (previous year ₹ 0.37 crore), written down value ₹ 0.19 crore (previous year ₹ 0.21 crore), taken possession of and being used by the Bank, for which documentation/registration formalities are to be completed.

iii. Safe & Furniture includes cost of software relating to Core Banking solution of ₹ 15.26 crore (Previous year ₹ 15.26 crore) with written down value of ₹ Nil crore (previous year ₹ 1.68 crore)

8 The Bank had implemented the Agricultural Debt Waiver and Debt Relief scheme 2008 notified by the Government of India. The claim made under the debt waiver has been fully received and the balance amount receivable from Government in respect of the debts subjected to debt relief ₹ 2.03 crore is included under other assets

9 Disclosure in terms of Accounting Standard

9.1 There is no material prior period income/expenditure requiring disclosure under AS 5 'Net Profit or Loss for the Period, Prior period items and changes in Accounting policies issued by the Institute of Chartered Accountants of India.

9.2 Employee Benefits (AS 15) – Holding Company

a) Defined Contribution Plan

Provident Fund

Eligible employees (employees not opted for pension plan) receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Bank make monthly contributions to the Federal Bank Employees' Provident Fund equal to a specified percentage of the covered employees' salary. The Bank has no other obligation than the monthly contribution.

The Bank recognized ₹ 15.84 Crore (Previous year ₹ 6.44 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry wise settlement dated 27.04.2010, the employees joined the service of the bank on or after 01.04.2010 are not eligible for the existing pension scheme. They will be eligible for Defined Contributory Pension Scheme on the lines of new pension scheme introduced for employees of Central Govt. with effect from 01.01.2004. Employee shall contribute 10% of Pay and Dearness Allowance towards defined contributory Pension Scheme and Bank shall make a matching contribution in respect of these employees. There shall be no separate Provident Fund for employees joining on or after 01/04/2010. The full details of the Scheme and its working are yet to be received from IBA.

(b) Defined Benefit Plan

1) Gratuity

The Bank provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employee. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and amendment with effect from 24.05.2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules/Award. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the Balance Sheet date, based upon which, the company contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

2) Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as of the Balance Sheet date, based upon which, the company contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Consequent to the industry level settlement dated 27.04.2010, Bank has implemented Second option for pension in line with the settlement. Accordingly 2701 existing employees, 341 retired employees and 35 family pension beneficiaries exercised second option for pension. The Employer's Contribution to Provident Fund in respect of these employees has been transferred to the Federal Bank (employees') Pension Fund by the Bank.

The following table as furnished by actuary sets out the funded status of gratuity/pension plan and the amounts recognized in the Bank's financial statements as at March 31, 2011.

i) Change in benefit obligations:

(₹ crore)

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Projected benefit obligation, beginning of the year	181.73	153.03	195.38	161.02
Service Cost	9.75	8.57	42.68	36.57
Interest cost	14.05	12.07	11.50	12.29
Actuarial gain/ (loss)	10.15	12.40	443.03	0.19
Benefits paid	(12.17)	(4.34)	(103.25)	(14.69)
Projected benefit obligation, end of the year	203.51	181.73	589.34	195.38

ii) Change in plan assets:

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Plan assets at beginning of the year at fair value	181.73	153.03	195.38	161.02
Expected return on plan assets	14.53	12.24	15.63	12.88
Actuarial gain/(loss)	0.60	(0.25)	0.92	(0.17)
Employer's Contributions	-	0.14	295.36	5.42
Benefits paid	(12.17)	(4.34)	(103.25)	(14.69)
Plan assets at end of the year, at fair value	184.69	160.82	404.04	164.46

iii) Reconciliation of present value of the obligation and the fair value of the plan assets

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Fair value of plan assets at the end of the year	184.69	160.82	404.04	164.46
Present value of the defined benefit obligations at the end of the period	203.51	181.73	589.34	195.38
Liability recognized in the Balance Sheet	18.82	20.91	185.30	30.92

iv) Gratuity/pension cost for the year ended 31st March, 2011

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Service cost	9.75	8.57	42.68	36.57
Interest cost	14.05	12.07	11.50	12.29
Expected return on plan assets	14.53	12.24	15.63	12.88
Actuarial gain/(loss)	9.55	12.65	442.10	0.37
Net cost Debit to Profit and Loss Account	18.82	21.05	50.58	36.35
Amount recovered employees exercising second option for pension/amount transferred to PF account of such optees *	-	-	295.35	-
Amount not debited in Profit and Loss Account, but carried over to be amortised in future years *	-	-	134.72	-
Actual return on plan assets	15.13	11.99	16.55	12.70

* see Note no. 4

v) Investment details of plan assets

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Central and state Government bonds	50.22	50.76	149.69	64.91
Other debt securities	37.64	40.90	108.08	50.84
Balance in Saving Bank account with the Bank	1.53	2.25	22.75	2.11
Net current assets	2.88	2.95	8.62	4.49
Balance with LIC	92.42	63.96	114.90	42.11
Total	184.69	160.82	404.04	164.46

vi) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	2010-11	2009-10	2010-11	2009-10
Discount rate	8.00%	8.00%	8.00%	8.00%
Annuity rate per Rupee	-	-	125.65445	125.65445
Salary escalation rate	5.00%	5.00% Additional 17.50% as one time measure in order to provide for the pending Wage revision	5.00%	5.00% Additional 17.50% as one time measure in order to provide for the pending Wage revision
Estimated rate of return on plan assets	8.00%	8.00%	8.00%	8.00%

(c) Leave encashment

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

(d) Sick Leave / Leave Travel Concession / Unavailed Casual Leave

A sum of ₹ 22.10 crore (Previous year ₹ 20.91 crore) has been provided towards the above liabilities in accordance with AS 15 (Revised) based on actuarial valuation.

9.3 Segment Information (AS 17) (As compiled by the Management)

In terms of the Accounting Standard 17 of ICAI, the Bank's operations are classified into four business segments (see Principal Accounting Policy no. 12) and the information on them is as under.

(₹ crore)

Business Segments	Treasury		Corporate/Whole sale Banking		Retail Banking		Other Banking Operations		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue	932.00	908.70	1461.70	1285.07	2158.62	1975.02	18.04	37.00	4570.36	4205.79
Result (net of provisions)	84.09	151.92	223.59	230.45	586.59	450.68	9.61	29.65	903.88	862.70
Unallocated expenses									--	--
Operating profit (PBT)									903.89	862.70
Income taxes									315.42	395.72
Share of loss of associate									32.00	27.31
Extraordinary profit/loss									0.00	0.00
Net Profit									556.46	439.67
OTHER INFORMATION										
Segment Assets	17591.06	13931.74	16312.02	12858.12	16239.62	16785.36	448.32	30.13	50591.02	43605.35
Unallocated assets									751.82	
Total assets									51342.84	43605.35
Segment liabilities	15744.79	12452.44	15061.18	11492.82	15019.27	15003.06	0.41	26.93	45825.65	38975.25
Unallocated liabilities									499.49	--
Total liabilities									46325.14	38975.25

The Bank has only the Domestic geographic segment.

9.4 Related Party Disclosures

The following are the significant transactions with related parties during the year ended 31 March 2011

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate/Joint Venture
Sri. M Venugopalan	Key Management Personnel (Up to 31 July 2010)
Sri. K S Harshan	Key Management Personnel (Up to 30 April 2010)
Sri. P R Kalyanaraman	Key Management Personnel (Up to 01 Jan 2011)
Sri. Shyam Srinivasan	Key Management Personnel (w.e.f 23 Sep 2010)
Sri. P C John	Key Management Personnel (w.e.f 01 May 2010)
Sri. SomSankar Sengupta	key Management Personnel

(₹ crore)

Particulars	Key Management Personnel*	
	Current Year	Previous Year
Remuneration	2.00	1.51

*The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose.

Note: In accordance with the RBI Guidelines on Compliance with the Accounting Standards by the Banks, the details of transactions with associate/joint venture and subsidiary company have not been disclosed since there is only one entity in the respective category of the related party.

9.5 Earnings per Share (AS 20)

The Bank reports basic and diluted earnings per share in accordance with the Accounting Standard -20 "Earnings per Share".

Particulars	31 March 2011	31 March 2010
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	171047	171033
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	171047	171033
Nominal Value of share (in ₹)	10	10
Basic earnings per share (in ₹)*	32.53	25.71
Diluted earnings per share (in ₹)*	32.53	25.71
Earnings used in the computation of basic and diluted earnings per share (₹ in Lakhs)	55646.66	43966.68

* Weighted average

9.6 Taxation (AS 22)

i. The disputed amount of income tax demand as on 31.03.2011 amounts to ₹ 564.55 crore. In the opinion of the Bank no provision is considered necessary in respect of the above disputed demand in view of various judicial decisions and the same has been disclosed as contingent liability.

ii. The Bank has accounted for income tax in compliance with ICAI's Accounting Standard 22.

Accordingly, timing differences resulting in deferred tax assets and deferred tax liabilities are recognised. The major components of deferred tax liabilities and assets as on 31 March 2011 are shown below:

(₹ crore)

	Current Year		**Previous Year**	
	Holding	Subsidiary	Holding	Subsidiary
Deferred Tax Liability				
Tax effect of timing difference in the assessment of:				
(i) Interest Income	63.04	0.00	64.33	0.00
(ii) Depreciation on Fixed Asset	6.10	0.00	6.23	0.00
(iii) Depreciation on Investments	173.58	0.00	160.13	0.00
(A)	242.72	0.00	230.69	0.00
Deferred tax asset				
Tax effect on timing difference in allowance of:				
(i) Interest/premium paid on purchase of securities	40.05	0.00	33.72	0.00
(ii) Provision for Standard Assets	47.00	0.00	48.12	0.00
(iii) Others	157.17	0.09	64.86	0.00
(B)	244.22	0.09	146.70	0.00
Net Deferred tax liability (A-B)	**-1.50**	**-0.09**	**83.99**	**0.00**

10. Additional Disclosures:

10.1 Provisions and Contingencies debited in Profit and Loss Account during the year:

(₹ crore)

	For the year ended / As at	**31 March 2011**	**31 March 2010**
i)	Provision towards NPAs (net)	488.85	413.11
ii)	Provision for Investments	11.13	-97.74
iii)	Provision for Standard Assets	14.35	0.20
iv)	Provision for Taxation: Current Tax Deferred tax Fringe benefit tax	 316.99 -1.57 -	 362.23 33.50 -
v)	Provision towards P/V sacrifice on restructuring, other contingenices etc	11.12	89.73
	Total	**840.87**	**801.03**

10.2 Floating Provision

(₹ crore)

Particulars	Standard Assets Provision		NPA Provision	
	2010-11	2009-10	2010-11	2009-10
(a) Opening Balance in the floating provisions account	38.00	38.00	179.52	179.52
(b) The quantum of floating provisions made in the accounting year	Nil	Nil	Nil	Nil
(c) Amount of draw down made during the accounting year	Nil	Nil	Nil	Nil
(d) Closing Balance in the floating provisions account	38.00	38.00	179.52	179.52

10.3 Disclosure of customer complaints and awards passed by the Banking Ombudsman:

A. Customer Complaints

(a)	No. of complaints pending at the beginning of the year	75
(b)	No. of complaints received during the year	1312
(c)	No. of complaints redressed during the year	1359
(d)	No. of complaints pending at the end of the year	28

B. Awards passed by the Banking Ombudsman

(a)	No. of unimplemented awards at the beginning of the year	1
(b)	No. of awards passed by the Banking Ombudsman	1
(c)	No. of awards implemented during the year	0
(d)	No. of unimplemented awards at the end of the year	2*

* appeal against 1 award and suit against another award is pending

10.4.1 Income from bancassurance business

₹ lakh

Sl. No.	Nature of Income	As on31 March 2011
1	For selling life insurance policies	1156.37
2	For selling non-life insurance policies	105.88
3	For selling mutual fund products	21.49
4	Others (reimbursement of expenses)	19.13

10.4.2 Provision Coverage Ratio

Provision coverage ratio as on 31 March 2011 stood at 82.06%

10.4.3 Amount of advances for which intangible securities such as charge over rights, licences, authority etc. has been taken as collateral security and the value of such collateral security

Total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken: ₹ 100 crore

The estimated value of such intangible collateral security: ₹ 295.43crore

10.4.4 There are no dues to micro and small enterprises as at 31 March 2011. This disclosure is based on the records available with the Bank.

10.4.5 The Bank has not issued any letters of comforts coming within the Prudential Norms for Issuance of Letters of Comforts by banks regarding their subsidiaries (DBOD.No. BP.BC.65/21.04.009/2007-08 dated March 4, 2008).

10.4.6 The Bank has not made any draw down of reserves during the year.

10.5 Previous year's figures have been regrouped and recast wherever necessary.

Consolidated Cash Flow Statement

(In Thousands of ₹)

	For the Year ended 31.03.2011	For the Year ended 31.03.2010
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extra Ordinary Items/Provisions	1429,33,55	1267,99,91
Adjustments for:-		
Depreciation on Fixed assets	54,71,35	50,64,18
Others	(55,71)	(63,64)
Operating Profit before Working Capital Changes	**1483,49,19**	**1318,00,45**
Adjustments for working capital changes:-		
Investments	(1379,15,45)	(838,24,44)
Funds Advanced to Customers	(5496,54,23)	(4971,34,80)
Other Operating Assets	(238,48,84)	22,49,88
Deposits from Customers	6939,16,22	3856,97,89
Borrowings from Banks & Financial Institutions	341,60,62	327,82,13
Other Operating Liabilities	58,36,06	149,20,41
Cash Generated from Operations	**1708,43,57**	**(135,08,48)**
Taxes Paid	(435,98,11)	(420,20,73)
Cash Flow before Extraordinary items	**1272,45,46**	**(555,29,21)**
Extraordinary items	0	0
Net Cash From Operating Activities	**1272,45,46**	**(555,29,21)**
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(60,90,50)	(61,46,81)
Sale of Fixed Assets	3,96,69	2,43,15
Investment in Associate	(90,00,00)	30,00
Net Cash from Investing Activities	**(146,93,81)**	**(58,73,66)**
C. Cash Flow from Financing Activities		
Equity Capital including Premium	33,61	0
Dividend Paid	(99,71,97)	(99,73,00)
Net Cash used in Financing Activities	**(99,38,36)**	**(99,73,00)**
Increase/(Decrease) in Cash & Cash Equivalents	**1026,13,29**	**(713,75,87)**
Cash & Cash Equivalents at the beginning of year	**2723,46,83**	**3437,22,70**
Cash & Cash Equivalents at the end of year	**3749,60,12**	**2723,46,83**

K. Krishnakumar
Asst. General Manager

P. C. John
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

P. C. Cyriac
Chairman

DIRECTORS

P. H. Ravikumar — Suresh Kumar — Abraham Koshy — M. Y. Khan — Dr. T. C. Nair

Kochi
06th May, 2011

Auditors' Report on Consolidated Financial Statements

The Board of Directors,
The Federal Bank Limited,
Aluva

We have audited the attached Consolidated Balance Sheet of THE FEDERAL BANK LIMITED, Aluva and its subsidiary (FedBank Financial Services Ltd.) and its associate (IDBI Federal Life Insurance Company Limited) (collectively referred to as 'the group') as at 31st March, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of The Federal Bank Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of ₹ 3880.93 lakhs as at 31st March 2011, the total revenue of ₹ 1551.56 lakhs and net cash inflows amounting to ₹ 1907.49 lakhs for the year then ended and of the associate whose financial statements reflect the bank's share of losses of such investments accumulated up to 31st March, 2011 amounting to ₹ 9477.01 lakhs and for the year ended on such date amounting to ₹ 3200.48 lakhs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by The Federal Bank Limited's management in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements", prescribed by the Companies (Accounting Standards) Rules, 2006.

Without qualifying our opinion, we draw attention to Note No.4 of Schedule 19 to the consolidated financial statements, which describes deferment of pension liability of the bank to the extent of ₹ 134.72 crore pursuant to the approval granted by the Reserve Bank of India to the bank vide letter no. DBOD.No.BP. BC.15896/21.04.018/2010-11 dated 08.04.2011 for availing the exemption from application of the provisions of Accounting Standard (AS) 15 - Employee Benefits, as provided therein.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st March 2011;
b) in the case of the Consolidated Profit and Loss Account, of the profit of the group for the year then ended; and
c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For Varma and Varma,
Chartered Accountants
FRN: 004532S

R. Rajasekharan
Partner, Membership No. 22703

For Price Patt & Co.,
Chartered Accountants
FRN: 02783S

S. Ramaswamy
Partner, Membership No. 025918

Place: Kochi
Date: 06th May 2011

Hon. Union Minister of State for Agriculture Prof. K. V. Thomas inaugurates Br. Kumbalanghi in the presence of Shri. P. C. John (Executive Director), Shri. Thomas Joseph C (GM & Regional Head - Ernakulam), Shri. Sajeevan M.K., (Branch Manager) and others.

Azim H. Premji (Chairman, Wipro Limited) who made a visit to our Corporate Office at Aluva today, seen in a conversation with Shri. Shyam Srinivasan, our MD & CEO.

Our MD & CEO Shri.Shyam Srinivasan receives the tickets for the ODI at Kochi between India and Australia, from Malayalam cine star Shri. Mammootty, in the presence of officials of KCA.

Famous Malayalam film star Shri. Dileep receives the mobile banking pin mailer from our MD & CEO Shri.Shyam Srinivasan after the launch of Interbank Mobile Payment Service at Kochi. Our Executive Director Shri. P. C. John is also seen.

'Fed Flash' the real time account credit product is jointly launched by our MD & CEO Shri. Shyam Srinivasan and Shri. Sudhir Kumar Shetty (CEO, UAE Exchange), in the presence of Shri. P. C. John (Executive Director) & Shri. T. S. Jagadeesan (Chief General Manager).

Chairman of the Board, Shri. P. C. Cyriac addressing the shareholders in the 79th Annual General Meeting of our Bank at Municipal Town Hall, Aluva.

The Priority Lounge at Br. Howrah is inaugurated by our MD & CEO Shri. Shyam Srinivasan in the presence of Shri. K. S. Harikumar (DGM & Regional Head-Kolkata), Shri. Debadutta Parija (AGM) and others.

Shri. Kapil Dev presents the Federal Champions Trophy to Shri. Achuthan U, captain of Alapuzha team, in the presence of our MD & CEO Shri. Shyam Srinivasan, Shri. P. C. John (Executive Director) and Shri. T. S. Jagadeesan (Chief General Manager).

Our Chief General Manager Shri. T. S. Jagadeesan, exchanges MOU of title sponsorship of Grand Kerala Shopping Festival, with Shri. K. N. Satheesh, Director, GKSF, in the presence of Shri. T. Balakrishnan IAS, Additional Chief Secretary (Industries & Commerce).

Launch of 'FedJyothi' by Smt. Suma Varma (Regional Director, RBI) in the presence of our MD & CEO Shri. Shyam Srinivasan, Shri. P. R. Kalyanaraman (Executive Director), Shri. M Sashi Kumar (DGM & Regional Head- Alapuzha) and others.

Dr. D Subbarao, Governor, Reserve Bank of India is seen with Shri. P. C. Cyriac, Chairman, Board of Directors, Shri. Shyam Srinivasan, our MD & CEO and Smt. Suma Varma, Regional Director, RBI, Thiruvananthapuram, during his visit to our Gram Jeevan Branch at Thuruthy, Vengoor West as part of the Outreach Programme of RBI.

Our MD & CEO Shri. Shyam Srinivasan paying tribute to the founder at the Corporate Office, on the joining day.

Dr. D Subbarao, Governor, Reserve Bank of India is seen with our MD & CEO Shri. Shyam Srinivasan at the pavilion put up by our Bank at the venue of the outreach programme conducted by Reserve Bank at Vengoor West Village, Ernakulam Dist.

Inauguration of ATM at Br. Edavanakkad by Shri. S Sharma (MLA) in the presence of Shri. Abraham Chacko (Executive Director), Shri.Thomas Joseph C (GM & Regional Head-Ernakulam), Shri. Davis P. A. (Branch Head) and others.

New premises of Br. Puthuppally is inaugurated by Shri. Oommen Chandy (Chief Minister of Kerala) in the presence of Shri. P. C. John (Executive Director), Shri. George Zacharia (DGM & Regional Head-Kottayam), Shri. Mohan P Abraham (Branch Head) and others.

Inauguration of Mumbai Credit Hub by our Executive Director Shri. Abraham Chacko in the presence of Shri. Ashuthosh Khajuria (President, Treasury), Shri. Sathyamoorthy (AGM & Mumbai Credit Hub Head), Shri.Varghese K. I. (Zonal Head- Mumbai) and other staff members.

Our MD & CEO Shri. Shyam Srinivasan receives IDRBT Best Bank Award for the year 2010 -11 for category "IT for Internal Effectiveness among Small Banks" from Shri. Anand Sinha (Dy. Governor RBI & Chairman, IDRBT) in the presence of other dignitaries.

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