To The Members

Your Directors take great pleasure in presenting the 79th Annual Report on the business and operations of your Bank together with the audited accounts for the year ended March 31, 2010.

FINANCIAL PERFORMANCE

The financial highlights of your Bank for the financial year 2009-10 are given below:

Rs. in crore

Financial Parameters	For the year ended	
	March 31, 2010	March 31, 2009
Net Interest Income	1410.83	1,315.46
Fee and Other Income	530.91	515.77
Net Revenue	1941.74	1,831.23
Operating Expenses	676.89	571.45
Profit before Depreciation and Tax	909.73	835.85
Net Profit	464.55	500.49
Profit Brought Forward	21.93	14.62
Total Profit Available for Appropriation	486.48	515.11
Appropriations:		
Transfer to Statutory Reserves	116.14	125.12
Transfer to Revenue Reserves	208.27	197.25
Transfer to Capital Reserves	8.20	29.75
Transfer to Special Reserves	31.00	11.00
Transfer to Investment Fluctuation Reserve	0.00	0.00
Transfer to Contingency Reserve	0.00	30.00
Proposed Dividend	85.52	85.52
Provision for Dividend Tax	14.21	14.54
Balance Carried Over to Balance Sheet	23.14	21.93
Financial Position:		
Deposits	36057.95	32,198.19
Advances	26950.11	22,391.88
Total Business (Deposits + Advances)	63008.06	54,590.07
Other Borrowings	1546.76	748.94
Investments	13054.65	12,118.97
Total Assets (Balance Sheet Size)	43675.61	38,850.86
Capital	171.03	171.03
Ratios:		
Return on Total Assets (%)	1.15	1.48
Return on Equity (%)	10.30	12.13
Earnings Per Share (Rs.)	27.16	29.26
Book Value Per Share (Rs.)	274.24	252.93
Operating Cost to Income (%)	34.86	31.21
Capital Adequacy Ratio (%)	17.27	20.14

Considering the economic slowdown and the risks in going for exponential growth, your Bank had opted for a consolidation phase. But at the same time, the Bank used the opportunity for reaching out to new areas through Branch expansion, putting up of new ATMs and to improve and enhance various channels. Strategic investments were also made to enhance the shareholder value .

OPERATING PROFIT

Operating Profit registered a small growth from Rs.1, 259.78 crore to reach Rs.1, 264.85 crore. The liquidity overhang throughout the period under review affected the growth of operating profit. There was an increase in net interest income from Rs.1, 315.46 crore to Rs. 1,410.83 crore and the non-interest income has gone up from Rs.515.77 crore to Rs. 530.91crore.

INCOME GROWTH

The interest/discount income from advances has gone up from Rs.2564.25 crore to Rs.2, 849.73 crore. In spite of the uncertainties prevailed in the economy, the Bank could create select good quality earning assets. Bank continued to enjoy a decent interest spread (4.75%) on advances. Based on the increase in interest income, total income has gone up from Rs.3831.15 crore to Rs.4204.14 crore registering a growth of 9.74%. Income from advances as percentage to total income was 67.78%. Income from investments recorded an increase of Rs. 118.86 crore and touched Rs.894.90 crore. Cumulative income from advances and investments recorded a growth of 11.92% and stood at Rs. 3,744.63 crore against Rs. 3,345.79 crore of the previous year. Yield on advances moved in tandem with the market movement of interest rates and decreased by 100 bps to 11.30%. Return on advances plus investments decreased to 10.20%% from 11%. As a result of the adverse movement in the yield on advances, the net interest margin declined from 4.28% to 3.82% , still one of the best in the industry. The growth in other income was marginal with a growth of 2.93%from a level of Rs.515.77 crore to Rs.530.91 crore. Recovery from written off accounts contributed Rs.127.70 crore as against Rs.132.77 crore during the last financial year.

The net revenue, that is the net interest income plus other income, of the Bank increased by Rs. 110.51 crore from Rs. 1,831.23 crore as on March 31, 2009 to Rs. 1,941.74 crore.

EXPENDITURE

The Bank embarked upon organic expansion adding 60 branches and 115 ATMs. Total expenses for the financial year 2009-10 increased from Rs. 2,571.37 crore, to Rs. 2,939.29 crore registering an increase of 14.31%. Interest expenses increased from Rs. 1,999.92 crore in FY 09 to Rs. 2,262.40 crore in FY 10. Cost of all funds (deposits plus borrowings plus bonds) decreased to 6.62% from 7.08% of last financial year . Cost of deposits witnessed a downward trend and has fallen by 43 bps to 6.55% from last year's 6.98%. The Bank was conscious in shedding bulk deposits and concentrated on retail deposits. Interest rates did not show large movements during the last financial year. Operating expenses increased by Rs. 105.44 crore and amounted to Rs. 676.89 crore. Employee costs came to Rs.366.05 crore during the year compared to last year's figure of Rs. 317.45 crore. Other operating expenses came to Rs. 310.84 crore. Employee costs as percentage to total income has gone up from 8.29% for the year ended March 31, 2009 to 8.71% for the year ended March 31, 2010. Cost to income ratio is 34.86% (31.21% % in FY 2008-09) which is still one of the best in the industry. This figure is maintained even after the spurt in recruitment during the last 2 financial years and increase in other operating expenses including expenses for technological advancement.

NET PROFIT

The net profit for the year after making all provisions, was Rs.464.55 crore as on March 31, 2010 as against Rs. 500.49 crore showing a marginal decrease of 7.18%. Total provisions amounted to Rs. 800.30 crore, excluding Income Tax provisions amounting to Rs.395 crore. The profit margin decreased from 13.07% to

11.05%. Return on average equity stood at 10.30%. Earnings per share was at Rs.27.16 and the return on average total assets at 1.15%. Book value increased from Rs.252.93 as on March 31, 2009 to Rs.274.24 as of March 31, 2010.

DIVIDEND

The Bank has been consistently rewarding shareholders through cash pay outs after taking into account the requirement for ploughing back of profits to support growth. Retained profits add impetus for the future growth and enhance the value of the stake of the shareholders. In view of the satisfactory performance, the Board of Directors recommends a dividend of 50% on the paid up capital of the Bank which is the same percentage as that of last financial year .

GROWTH IN BUSINESS

Attracting new customers and further enhancing relationships with the existing customers were the cornerstones of the business philosophy of the Bank. New products were introduced taking into account the customer preferences. The policy of the Bank is to enter new geographies to enhance visibility of the Bank. Tiered Current and Savings Bank account products have started attracting customer interest. Most of the back office functions were centralised to take advantage of volume as well as expertise. Deposits grew to Rs.36057.95 crore clocking 11.99% growth. The Bank had assiduously avoided bulk deposits and hence the fall in growth rate of deposits. However, average deposits have shown a decent growth of 23.33%. Advances registered 20.36% growth touching a figure of Rs.26, 950.11 crore. Savings Bank deposits has grown from a base of Rs.6, 445.84 crore to Rs.7, 611.13 crore. The NRI deposits of the Bank stood at Rs. 7,350.71 crore. Investments grew to Rs.13054.65 crore from Rs.12,118.97 crore. The size of the balance sheet for the year grew to Rs. 43,675.61 crore from Rs. 38,850.86 crore.

LOAN ASSET QUALITY

Loan delinquencies were higher during the year which was a fall out of the economic recession. Gross NPA as on March 31, 2010 stood at Rs.820.97 crore as against Rs.589.54 crore in the previous year. Gross NPAs as percentage to Gross Advance is 2.97% as against 2. 57 % in the previous year. Net NPAs stood at Rs. 128.79 crore (0. 48% of Net Advances) as against Rs. 68.12 crore (0.30% of Net advances) in the previous financial year.

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 with a humanitarian approach. Services of Recovery Officers/Agents are used strictly adhering to Codes of Conduct prescribed by RBI. During the financial year 132 recovery camps and 14 Lok Adalaths were held at different centres and the results were overwhelming. A Mega Adalath was held exclusively for the Bank, which was inaugurated by the acting Chief Justice of Kerala.

As on 31.03.2010, the Bank held a total provision of Rs 684.43 crore. This includes a Floating Provision of Rs.179.52 crore. The total provision coverage for NPAs as on March 31, 2010 is 83.37 %. As per the extant RBI directive, banks should achieve provision coverage of 70 % (by Sept. 2010) including technically written off accounts. As on 31st March 2010, Provision Coverage Ratio of your bank including technically written off accounts is 91.82%.

EXPANSION OF NETWORK

During the financial year, the Bank opened 60 new branches and 115 new ATM centres. As on March 31, 2010, the total number of branches and ATM centres of the Bank increased to 672 and 732 respectively, as against 612 and 617 of last financial year.

CAPITAL ADEQUACY

The Capital to Risk-weighted Assets Ratio (CRAR) as per BASEL I as on March 31, 2010 stood at 17.27%. As per BASEL II CRAR came to 18.36%. As per RBI guidelines lower of the above two shall be reckoned and accordingly CRAR is 17.27%. Tier-1 CRAR (core CRAR) was 15.27%.

BUSINESS PRODUCTIVITY

The business per average employee increased to Rs. 8.13 crore as against Rs.7.50 crore of the last financial year. Profit per employee stood at Rs. 6.01 lakh on an enhanced workforce.

EXTERNAL RATING

The certificate of deposit and short term fixed deposits (with a contracted maturity upto one year) of the bank are rated "P1+" by Crisil . Tier II subordinated debts issued by the bank aggregating to Rs.320 crore is rated "CARE AA" by Care and "AA - (Ind)" by Fitch.

CORPORATE GOVERNANCE

Your Bank is committed to achieving highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance. The corporate governance practices followed by the Bank are given in the annexure.

BOARD OF DIRECTORS

The Board consists of nine members as on 31 March 2010, including Managing Director and Chief Executive Officer and two Executive Directors (whole time directors). All other members of the Board are Non-Executive & Independent Directors.

Shri. M. Venugopalan, Managing Director & Chief Executive Officer has laid down the office on July 31, 2010 after being at the helm of affairs for 63 months. He was Chairman & Chief Executive Officer of the Bank from May 01, 2005 to July 30, 2008. Pursuant to the implementation of the Dr.Ganguly Committee recommendations on Corporate Governance, he was designated as Managing Director & Chief Executive Officer from July 31, 2008. Shri. M. Venugopalan made significant contribution towards the development, growth and visibility of the Bank. He could successfully position the Bank with capital and bring in strategic structural and technological changes to remain agile to meet today's competition. The Board acknowledges his valuable services.

The Board has appointed Shri. Shyam Srinivasan, as the MD & CEO of the Bank on the retirement of Shri. M. Venugopalan. RBI has also accorded their approval vide letter DBOD No: 1785/08.38.001/2010-11 July 29, 2010 for the appointment of Shri. Shyam Srinivasan,

Shri. P. R. Kalyanaraman has taken charge of the office of MD and CEO from 31st July, 2010, as an interim arrangement as approved by RBI (Shri P. R. Kalyanaraman has been designated as MD & CEO in charge during the interim period,) and will work subject to the overall control of the Board, until Shri. Shyam Srinivasan, the new MD & CEO designate assumes office.

Prof. A.M. Salim retired from the Board on August 22, 2009 after rendering 8 years of valuable service in the Board. The Board extends its appreciation to the meritorious services of Prof. Salim as a member of the Board of the Bank.

Executive Director, Shri. K. S. Harshan retired from the Bank after completing a five year tenure in the Bank, out of which three years as a member of the Board. The Board acknowledges his valuable services.

Shri. P C Cyriac and Prof. Abraham Koshy are due to retire by rotation at the forthcoming Annual General Meeting (AGM), as per the Articles of Association of the Bank, our Code of Corporate Governance and the provisions of the Companies Act, 1956, Shri. P C Cyriac and Prof. Abraham Koshy being eligible, offer themselves for re-appointment.

Shri P Surendra Pai is retiring at the forthcoming AGM, after completing his term of appointment of three years as approved by the Board at the time of his initial appointment and is not offering himself for re-appointment. The Board records its appreciation of the valuable services of Shri P Surendra Pai as a member of the Board of the Bank.

A shareholder of the Bank has expressed his intention to propose Dr.T.C.Nair as a candidate for the office of directorship in this vacancy and has given notice in writing along with deposit of Rs.500/- in terms of Sec.257 of the Companies Act, 1956.

The Board also co-opted Shri. P.C. John as Executive Director from 1st May 2010 and RBI approval has been received vide letter DBOD No: 21949/08.38.001/2009-10 dated June 24, 2010.

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 FY10 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 2010, its profit and loss account for FY10, 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. Because of 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 Rs.31crore during this year (previous year Rs.11 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., namely IDBI Fortis Life Insurance Company Limited commenced its operation in March 2008. The Bank has infused Rs. 117 crore as its share of capital into this company holding 26% of the equity capital of the company. The performance of this Life Insurance Company is encouraging and it has a range of customer-centric products.

AWARDS RECEIVED DURING THE YEAR

- Most Efficient Bank in India in the large bank category by Business Today - KPMG survey
- Federal Bank was adjudged, as the best bank among the Old Private Sector Banks category in the survey conducted by the Financial Express in association with Ernst & Young.
- Federal Bank has won the 'Great Mind Challenge' award for implementing the most innovative solution for business. This award was introduced by IBM for the first time in India for business development initiatives. Federal Bank is the first Bank in India to receive the award
- Ranked 8th among all banks in India, in a study conducted by Economic Times under four parameters of growth, efficiency, financial strength and shareholder returns. Of these, our Bank was ranked No.1 in Efficiency and Financial Strength.

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.

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.

Your 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 contributions from every employee of the Bank.

For and on behalf of the Board of Directors

Aluva
August 6, 2010

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, 2010) 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 (Rs.)	Net (Rs.) #			
M. Venugopalan B. Com, CAIIB 65 years	Managing Director & CEO	54,04,899 @	37,24,139	45 years	May 01, 2005	CMD, Bank of India
K. S. Harshan M.A.(Economics) 58 years	Executive Director	36,95,128*	27,94,628	36 years	May 01, 2007	Vice President, Union Bank of California
P.R. Kalyanaraman B.sc (Chemistry), CAIIB 62 Years	Executive Director	28,25,839	21,34,339	38 Years	January 02, 2008	GM, Bank of India

Net of Taxes Paid

@ Over and above this, an amount of Rs. 3.10 lakh towards ex-gratia payments for the year 2005-06 and 2006-07 were paid to Shri. M. Venugopalan in July 2009.

* Over and above this, an amount of Rs. 1,05,967.40 was paid as HRA arrears to Shri. K.S. Harshan pertaining to FY 2008-09.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC SCENARIO

During the last financial year global economy was slowly showing signs of recovery. While the uncertainties in the American continent have further extended to Europe, Asian economies, were becoming more resilient. Central Banks of various countries had to move away from fundamental theories and acted according to the situations. Enough care was taken by all the regulatory authorities to ensure that public trust in the financial system and banking is not put to question. There were debates over phasing out of accommodative monetary policies.

In the Domestic front, there was sufficient liquidity in the system and credit off take was sluggish during the first half of the last financial year. The credit off-take gradually picked up during the second half of the last financial year. Growth in broad money (M3) decelerated.

EQUITY MARKET

Stock markets had shown upward movement albeit occasional corrections due to events like Dubai World default, Greek crisis etc. The feel good factor displayed by the Indian economy and the measures announced in the Union Budget helped the equity market to perform better.

INFLATION

Wholesale price index (WPI) inflation accelerated from 1.5 per cent in October 2009 to 9.9 per cent by March 2010. The rise in inflation which was generally driven by food article prices became more broad based in the second half of the year. Movement of inflation will be dependent upon multiple factors like, fuel prices, agricultural production which relies on monsoon, global commodity prices, demand side pull related to economic recovery, money supply etc.

FOREX

Rupee displayed strength against major currencies, although it moved down against USD on occasions. Capital inflows were smooth. Merchant activity in the forex trade is showing improvement on the back of higher exports and imports.

BANKING SCENARIO

In the wake of the global economic crisis, the Reserve Bank pursued an accommodative monetary policy beginning mid-September 2008. This policy instilled confidence in market participants, mitigated the adverse impact of the global financial crisis on the economy and ensured that the economy started recovering ahead of most other economies. However, in view of the rising food inflation and the risk of it impinging on inflationary expectations, the Reserve Bank embarked on the first phase of exit from the expansionary monetary policy by terminating some sector-specific liquidity facilities and restoring the statutory liquidity ratio (SLR) of scheduled commercial banks to its pre-crisis level in the Second Quarter Review of October 2009. Aggregate deposits of Scheduled Commercial Banks stood at Rs.44, 21,639 crore. Increase in absolute numbers was Rs.6, 54,798 crore and percentage growth was 17.40%. Credit of Scheduled Commercial Banks grew to Rs.32, 40,399 crore with an increase of Rs.4,64,849 crore in quantum (16.70%). As per annual policy of RBI (announced in April 2010), money supply (M3) growth for 2010-11 is placed at 17.0 per cent. Consistent with this, aggregate deposits of scheduled commercial banks (SCBs) are projected to grow by 18.0 per cent. The growth in non-food credit of SCBs is estimated at 20.0 per cent.

RECENT MEASURES

Monetary Measures

- The repo rate has been raised to 5.75 per cent.
- The reverse repo rate has been raised to 4.50 per cent.
- The cash reserve ratio (CRR) has been raised to 6.0 per cent

Interest Rate Policy

- Banks switched over to the system of Base Rate from July 1, 2010 to facilitate transparency in rates of interest for lending as well as to assess the cost and improve the pricing of loans.

Financial Inclusion

- Permitting banks to engage any individual as banking correspondent (BC) subject to individual banks' comfort level and due diligence.
- Individual banks to formulate Financial Inclusion Plans (FIPs)

Customer Service

- Setting up a Committee to look into banking services rendered to retail and small customers.
- Further strengthening the mechanism for implementing the Reserve Bank's guidelines on customer service, through on-site and off-site inspections.
- Requiring banks to devote exclusive time in a Board meeting once every six months to review and deliberate on customer service.

Financial Market Products

- Introducing Interest Rate Futures on 5-year and 2-year notional coupon bearing securities and 91-day Treasury Bills.
- Permitting the recognised stock exchanges to introduce plain vanilla currency options on spot US Dollar/Rupee exchange rate for residents.
- Introducing a reporting platform for secondary market transactions in CDs and CPs.
- Setting up a Working Group to work out the modalities for an efficient, single-point reporting mechanism for all OTC interest rate and forex derivative transactions.

Relaxations in the Branch Authorisation Policy

Reserve Bank of India permitted domestic Scheduled Commercial Banks (other than RRBs) to open branches in Tier 3 to Tier 6 centres (with population up to 49,999 as per Census 2001 without having the need to take permission from Reserve Bank of India in each case, subject to reporting. Reserve Bank of India also permitted domestic scheduled commercial banks (other than RRBs) to open branches in rural, semi-urban and urban centres in North Eastern States and Sikkim without having the need to take permission from Reserve Bank of India in each case, subject to reporting. Opening of branches by domestic scheduled commercial banks (other than RRBs) in Tier 1 and Tier 2 centres (centres with population of 50,000 and above as per 2001 Census) will continue to require prior permission of the Reserve Bank of India, except in the case of North Eastern States and Sikkim where the general permission would cover semi-urban and urban centres also. The number of branches which would be authorized by the Reserve Bank of India based on such applications would depend, inter alia, upon various aspects, including a requirement that banks may plan their annual branch expansion in such a manner, that at least one-third of total number of branches opened in a financial year in Tier 3 to Tier 6 centres are in underbanked districts of underbanked states as also upon a critical assessment of the Bank's performance in financial inclusion, priority sector lending, customer service etc. Banks are also free to convert their general banking branches into Specialised branches subject to the condition that the bank should continue to serve the existing customers of the general banking branches, which are being converted into specialized branches.

INTEREST RATE SCENARIO

Interest rates remained stable as there was surplus liquidity especially in the first half of the year. Sucking of excess liquidity through tightening monetary measures as well as the high inflation rate have created an upward bias in the interest rate front.

BANK'S PERFORMANCE

The operating profit stood at Rs.1264.85 crore as against the previous year's figure of Rs.1, 259.78 crore. The Net Profit of the Bank for the financial year ended March 31, 2010, was Rs. 464.55 crore. There was a small dip in Net Profit due to higher provisioning towards Income Tax liabilities. Total income for the financial year ended March 31, 2010 was Rs.4204.14 crore showing an increase of 9.74 %. Deposits increased by 11.99 % from Rs. 32,198.19 crore to Rs. 36,057.95 crore. Advances increased by 20.36% from Rs. 22,391.88 crore to Rs. 26,950.11 crore The Net Interest Margin of the Bank for the reporting period ended March 31, 2010 is at 3.82 %vis-a-vis 4.28 % for the previous year. Total business of the Bank increased to Rs.63,008.06 crore.

The Net Interest Income (net of interest earned less interest expenses) for the reporting period was Rs.1,410.83 crore. The non-interest income, during the period was Rs.530.91 crore as against Rs. 515.77 crore of last financial year .

DEPOSIT MOBILISATION

On the resource mobilisation, the strategy was to shed high cost bulk deposits and concentrate on retail deposits. There were concerted efforts to leverage on the capabilities of CBS (Core Banking Solution). At the Branch level, exclusive relationship executives were posted at select branches. Savings Bank deposits grew by 18.08% to touch Rs.7, 611.13 crore. Current account deposits grew by 28.78% to touch Rs.1,601.72 crore. NRI deposits grew by 6.39% to reach Rs.7,350.71 crore.

Total deposits increased to Rs.36,057.95 crore from Rs.32,198.19 crore with a quantum growth of Rs.3859.76 crore and percentage increase of 11.99%. Average deposits has grown well by 23.33% to touch Rs.33083.34 crore. The cost of deposits decreased by 43 bps from 6.98% to 6.55% owing to shedding of high cost deposits. Bank continued its efforts to increase recurring deposit base through mobilisation campaign.

NRI BUSINESS

There was a small dip in inward remittances and a general trend of shifting the NRE deposit to NRO deposit was witnessed during the Fiscal. However, our bank could retain our NRI figures and have shown a positive growth of more than 6% . NRI deposit of the bank has grown to a level of Rs. 7,350.71 crore as on March 31, 2010 from Rs. 6908.92 crore as on March 31, 2009. Bank is also having a representative office in Abu Dhabi , which is functioning from January 2008 onwards. During the reporting fiscal, Bank could introduce more value added products to cater to the HNI customers.

Inward Remittance Business

The Bank has recorded substantial increase in the number remittance tie up arrangements from GCC countries. We have tied up with 47 Exchange Houses/Banks for remittances to India from abroad by way of DD and TTs. The Bank has started using IBM software for faster and hassle free remittances to India .

Remittances from abroad to India by NRIs through our partners came to 25.32 L remittances totalling Rs.11,324 crore during the FY 2010. In addition to this, customers leveraged on technology and used convenient electronic channels of remittances like SWIFT and Fed India remit service.

Forex Business

The Bank undertakes foreign exchange business of all types. As on March 31, 2010, the Bank has two 'A' Category branches and seventy six (76) branches designated as 'B' category for handling the foreign exchange business. Extension of SWIFT connectivity at the designated branches facilitates 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 requirements of exporters. Cashew, seafood, garments, minerals, coir, spices, other food products, leather, rubber, pharmaceutical products, gems and jewellery are the important sectors to which the Bank extends export credit facilities. Important sectors where import credit facilities are extended include chemicals, timber, raw cashew nuts, paper and electronic goods.

CREDIT GROWTH

The gross advances of the Bank as on March 31, 2010, stood at Rs.27634.55 crore as against Rs. 22906.81 crore as on March 31, 2009. Growth rate for gross advances was 20.36%. Net advances stood at Rs.26950.11 crore against a base of Rs.22,391.88 crore showing a growth of 20.36%. The average advances during the year stood at Rs.25, 223.09 crore and showed an increase of 20.70% over previous year's average advances.

CORPORATE FINANCE

Corporate lending provides a solid foundation to the loan portfolio of the Bank. As on 31.3.2010 large corporate advances constituted about 38% of total advance portfolio.

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

* Large Indian Corporate Groups
* Public Sector Enterprises
* Central and State Governments undertakings, Government Bodies
* Multinational Companies
* Financial Institutions

The Bank provides its corporate and institutional clients a wide range of commercial and transactional banking products, backed by high quality service and relationship management. The Bank's Corporate Banking business covers not only the top end of the corporate sector but also the emerging corporate segments.

The Large Corporate Department caters to various segments of its large corporate customers with a wide range of banking 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 assessment, 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 services 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-deepening constitute the two-pronged strategies for growth. With these objectives, the Bank has set up Corporate Banking Branches in Mumbai and Delhi, and more being planned at other metros and major centres, exclusively to cater to the requirements of large corporate clients.

The Bank provides industry specific financial solutions by creating tailor-made services through superior structuring to best suit client requirements, which helps to lower entry barriers, strengthen business relationships, and ensure risk mitigation. The credit policy of the Bank has put in place a matrix of industry exposure limits with a view to de-risking of the portfolio through diversification. The Bank has also stipulated minimum entry-level exposure criteria based on credit rating for taking large new exposures.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

As we acknowledge and appreciate the fact that Small & Medium Enterprises (SME) contribute significantly to our national economy in terms of production, employment and exports, Federal Bank with its traditional values and modern out look is committed to development of a strong, vibrant and responsive SME sector. Considering the emerging trends, we are evolving a more focused approach towards this sector. We are offering parameterized loan and deposit products tailor-made for each sector under SME. Competitive pricing, relaxation in collateral security, collateral free loans with CGTMSE cover, customization in liability products, cash management services, internet bill payment facility etc are some of the features of our products which makes us a real friend of entrepreneurs.

During the past financial year, we have re-launched our existing loan products, Federal Industrial Loan Scheme (FILS), Federal Service Loan Scheme (FSLS) and Federal Trade Loan Scheme (FTLS) designed for entrepreneurs in manufacturing, service and trading sector with refined features. Two new products viz. FTLS clean OD and Federal Travel Agents Loan Scheme (FTALS) were also introduced to meet the customer requirement. Workshops were conducted at all regional centers to create awareness on SME sector and SME loan products among our field level functionaries. Bank acted as main sponsor for " Focus Kerala" , world investors' meet ,a novel initiative by Kerala Chamber of Commerce and Industry where Federal Bank has played a key role. This gave us an opportunity to augment the growth of SME loan portfolio & CASA mobilization

All existing Current Account (CA) products were revamped with increasing free facilities/ limits for higher (Monthly Average Balance (MAB) maintained, aiming for up gradation of existing clients to higher MAB schemes and also for aggressive new client acquisition. New CA product- Fed Trade 50 – with an MAB of Rs.50, 000/- was introduced to bridge a gap in our product range. All these initiatives have enabled the Bank to achieve a growth rate of around 33% both in SME advances and current account

AGRICULTURE

The Bank with an Agricultural business Loan portfolio size of more than Rs. 2,800 crore as on March 2010, is one of the leading providers of Agricultural credit, especially in the southern part of India. Federal Bank caters to the need of farmers through a network of rural, semi-urban & urban branches. To give special focus to agricultural lending, the Bank has set up specialized Agricultural Credit Cells at Corporate Office and various Regional Offices across the country. The Bank also provides services of agricultural credit specialists through selected branches in different centers.

Products offered by the Bank cover a whole gamut of agricultural activities like crop production, horticulture, plantation crops, farm mechanization, land development and reclamation, digging of wells, tube wells and irrigation projects, agricultural nurseries, construction of cold storages and godowns, processing of agri-products, finance to agri-input dealers, allied activities like dairy , fisheries, poultry, sheep-goat, piggery etc. The Bank is also offering loans in emerging areas like contract farming, food & agro-processing, warehouse receipt financing, bio-control and bio-fertilizers etc.

FINANCIAL INCLUSION

The Bank has been actively involved in implementation of Financial inclusion Plan (FIP). The Bank offers no frill accounts and general credit cards to the weaker sections of the society. No frill account holders also enjoy technological advancement like ATM enabled Cards etc.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility and sustainable Development initiatives are already incorporated in the Bank's business strategies/ policies. As a part of this, Federal Ashwas, a Trust for establishing and running "Federal Ashwas Financial Literacy & Credit Counseling Centers" was established by Federal Bank and it was launched on November 11, 2009 by Dr. K C Chakraborthy. Dy. Governor, RBI. The trust is an initiative that works towards empowering the under-privileged with financial and credit counseling. Several loan schemes like Federal Ashwas Gold Loan scheme, Prathyasa Gold loan scheme etc were introduced as an initiative in this direction. As a measure to combine warehouse receipts with price hedging instruments and to access complex trade sector, tie–up arrangements with collateral managers were entered into.

PRIORITY-SECTOR LENDING

The Bank continued to give added focus on Priority Sector Lending in conformity with the national policies, expectations and fulfilment of social objectives. The Bank's priority sector loan portfolio stood at Rs.10962.95 crore as on March 31, 2010.

Priority sector lending, as percentage of Adjusted Net Bank Credit (ANBC), stood at 48.96 % of ANBC as on March 2010 against the benchmark of 40%. The Bank is actively involved in implementing various government-sponsored schemes.

RETAIL BUSINESS

The Bank reported an overall growth of 25.65% in resident retail deposits during the reporting period when the deposits had reached Rs.18,537 crore from a base level of Rs.14,753 crore. More pronounced has been the growth in resident Savings Bank balances where the growth was 27 per cent. A special campaign to improve the recurring deposits was launched during February and March 2010 and the Bank garnered 40% growth in no. of accounts during the special drive period.

As part of extending personalized and customized services to High Networth customers, Bank launched Priority Banking Services during the year. The special service christened "FedSelect" is made available through important branches. Under the special services, customers can experience a new world of banking through dedicated Customer Relations personnel and special banking lounges. Bank offers Home Banking services also under the new product.

During the year ended March 31, 2010, Bank had made a total life insurance premium collection of Rs.134 crore for the joint venture life insurance company, IDBI Fortis Life Insurance Co. Ltd., as against a total premium collection of Rs.75 Crore during the previous financial year. Bank had contributed 40% of the total Bancassurance Channel business done by IDBI Fortis. During the reporting year as a para banking service, Bank sold Federal PureGold through select branches. The Bank also offers Depository Services and e-trade facilities for investors.

The retail loan book of the Bank grew 20.67% during the year and reached Rs.8615 crore forming 31% of the total advances of the Bank. Housing Loans continued to be major contributor in retail advances constituting 56% of the total retail loans. The Housing Loan portfolio increased by 15.20% even after Bank had put in place a slew of quality control measures for such loans, consciously aiming at weeding out sub-prime customers. Auto Loans reported a growth of 23.37% and Gold Loans (excluding Agricultural Gold Loans) grew by 31% even in the backdrop of intense competition from private players/NBFCs. As on March 31, 2010, there are 14,209 Educational Loans outstanding with balances totaling to Rs.245.57 crore. The Bank had put in place stricter norms in sanction of retail loans to improve asset quality.

SPONSORING SOCIAL, CHARITABLE INITIATIVES

The Bank has been associating with social and charitable initiatives for the betterment of the society at large. Some of the philanthropic activities the Bank associated with during the FY 2009-10 are:

1. Associated with Santhwanam –a project by Rotary Cochin Central for orphans.
2. Sponsored the event "Farming Export" at CIAL, for encouraging export of farm products
3. Sponsored the project of Bharatiya Vidya Bhavan to provide regular income to women
4. Sponsored programmes of Cancer Relief Society to raise funds
5. Sponsored Road adoption programme, Traffic Rules Awareness programme and Janamythri programme of Kerala Police
6. Scholarships disbursed to students of professional courses, in Kerala through Fedbank Hormis Memorial Foundation.

INTEGRATED TREASURY OPERATIONS

The Bank's Integrated Treasury operations involve maintenance of Statutory Reserve requirements, Balance-Sheet Management, trading in Money Market; Bonds and Debentures; Equity and Foreign Exchange. Subsequent to shifting of Treasury department to Mumbai, we have established dedicated Dealing desks for Foreign Exchange, Currency Futures, Money Market, Govt. Securities, Non-SLR and Equity in our dealing room at Mumbai. To en-cash the trading opportunities in Certificates of Deposit and Commercial Papers, a separate trading desk has been established under Money Market exclusively to deal in CDs and CPs.

For improved and more refined Forex trading activities, we have installed various trading platforms like Reuters D2, FX clear, BARX, AUTOBAHN and COMMERZ in our dealing room at Mumbai. With a view to streamline the Treasury Operations further and to offer competitive quotes to our customers at large, the Forex Merchant Back-Office was shifted to Mumbai in June 2010. The entire CSGL activities hither to handled at our Funds & Investment branch, Mumbai has been shifted to Treasury Department. With this, all functions of Integrated Treasury are under single roof at Bandra Kurla Complex, Mumbai.

In order to reduce the cost of deposits, we have shed substantial portion of our High-Value deposits during the year focusing more on mobilizing funds through Certificates of Deposit. To facilitate this shift in strategy, we got the rating amount under Certificates of Deposit enhanced to Rs. 7000 Cr. We continue to enjoy the highest rating of P1+ from CRISIL for our CD programme.

We have taken equity stake as a co-promoter in Experian Credit Information Co. of India Pvt. Ltd, a credit information company and United Stock Exchange of India Ltd, an exclusive exchange for Currency Futures. Both the companies will commence operations during FY 2010-11. Our Bank continues to be a managing committee member of FEDAI.

In our effort to have integrated systems, procedures and risk management tools, new Treasury Software is getting installed and will be operational soon.

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.

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, 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 March 31, 2010 under Basel II norms is 18.36% as against 17.27% under Basel I framework. As the minimum level of CRAR prescribed by Reserve Bank of India is 9%, Bank's CRAR of 18.36% 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 EFFECTIVENESS THROUGH TECHNOLOGY

This year the bank has taken major steps in the technology front, which would enable it to meet the future challenges. A state of the art contact center with a capacity of 100 plus seats is made functional, which attends to the customer queries round the clock through toll-free numbers. Newly introduced IVR based Telebanking service provides online fund transfer facility and account information to the customers.

With the objective of expanding our current account portfolio, bank has started deploying Point-of-Sale terminals at merchant locations in association with Tata Communications Banking Infrasolutions Ltd. This has evoked good response from the merchant community. Bank is taking steps to launch its own Payment Gateway shortly. In order to promote e-commerce over the net for all our debit card holders, bank has facilitated for the Verified by Visa security feature, as mandated by the Reserve Bank of India.

Bank's website was fully revamped to make it more user-friendly and information-rich. FedNet, the Internet banking service of the bank, was upgraded to include RTGS and NEFT facility. Facilities such as online payment of Telephone Bills, Fees of leading Educational Institutions, Credit Cards, Insurance Premium, Mutual Fund payments, Stock broker, Travel Agents, Utility Bills, etc are provided through FedNet.

During the year under report our Data Center was upgraded to meet the business growth anticipated for next few years. The Disaster Recovery site also was upgraded to make the capacity equal to the data center.

Implementation of comprehensive solutions for Human Resource Management, Document Management etc. is in progress. In order to reduce paper based communication and to make the information easily shared and accessible the Intranet is being migrated to a powerful portal platform.

Innovative software modules were developed in Core Banking System for School/College fee collection and Agency payment arrangements such as Dividend Warrant, Interest warrant etc. The Bank has integrated almost all systems to the Core Banking environment to minimise manual intervention and improve the efficiency at all levels.

ASBA (Application Supported by Blocked Amount) facility designed by SEBI is offered by the Bank both online and at branches. Bank has tied up with brokers to offer Online Stock Trading Platform. This technology product enables the customer to purchase shares by blocking an amount in their account.

The Bank's ATM network is strong with 732 numbers. The Bank has already tied up with Master Cards and National Payment Corporation of India for issue and acquiring of varied card products.

This year, the bank has won the 'Great Mind Challenge Award' sponsored by IBM 'for implementing the most innovative solution for business'. This is the fifth consecutive year the Bank is winning awards from renowned forums such as IBA, Asian Banker etc. for its technology initiatives.

INSPECTION AND AUDIT

The Audit and Inspection policy of the Bank covers policy objectives, role of Audit Committee of the Board (ACB), Inspection Review Committee of Executives (IRCE), type of audits, audit plan, follow up procedures and closure of audit reports. The policy also stipulates the norms for identifying the branches due for audit and for reporting the audit comments. Audit and Inspection policy was last revised and approved by the Board on 20th March 2010.

All branches are subjected to Risk Based Internal Audits and Regional Offices and Departments at Head Office are subjected to Management Audits. 199 branches/offices of the bank covering 70.61% of the total business of the Bank are subjected to Concurrent Audit. Treasury Department, International Banking Department, Funds and Investment branch at Mumbai and Depository Participant Division, Data Centre, CPC and Operations Department are also subjected to Concurrent Audit. Foreign Exchange Audit, Credit Audit, Revenue Audit, Gold Loan Audit, IS Audit, ATM Audit, Security Audit, Audit of Investments under Provident Fund, Audit of Pension Fund and Gratuity Funds are also regularly conducted.

The frequency of Risk Based Internal Audit is determined, based on the Composite Risk rating assigned to each branch in the previous audit. The present risk rating system identifies and captures various inherent risks in credit, operational, management and compliance areas. The Bank has made functional a system for on-line reporting of Risk Based Internal Audit of Branches. Concurrent Audit and Gold Loan Audit are also made operational under on-line reporting system during the current FY.

During the FY 2009-10, Risk Based Internal Audit was conducted in 420 branches. Management Audit was conducted in 12 Regional Offices and 21 HO Departments. In addition to the above, Concurrent Audit in 199 branches, Credit Audit in 165 branches, Forex Audit in 68 branches, Revenue Audit in 238 branches, Gold Loan Audit in 236 branches were conducted during the year.

IS Audit and ATM audits have been carried out in accordance with the plan. 501 branches were covered under IS Audit and audit in respect of 545 ATMs attached to 401 branches have also been done during the financial year. Audit of Issue and Management of digital signatures under the Registration Authority was also conducted during the FY.

HUMAN RESOURCES

The year 2009-10 has seen addition of a new Division to Human Resources Department to better address the challenges and requirements looming in the area of Human Resource Management. Activities like Human Resource Planning, Succession Planning, Recruitment, Performance Management and Internal Communication etc are the major responsibilities of this Division.

The Bank has been practicing an objective assessment of the human resource position of the Bank. Succession Planning is being evolved to a core function with long term objectives to cater to. Like never before, this year has witnessed the recruitment of multitudes of new talents to the Bank into various positions.

The pan-India recruitment of Probationary Officers and Clerks through advertisement route has been a thumping success in terms of number of applications received and the quantum of induction. This has brought down the average age of the staff of the Bank

In a significant departure from conservative performance appraisal exercise, the newly introduced FedPMS is expected to be a development tool which will mutually benefit the Bank and the employee. Realizing fully well that an unqualified exchange of aspirations between the management and employees could bring in more transparency in the setup, new initiatives in the area of internal communication are underway.

Total HR strength of the Bank as on March 31,2010 is 7896. Business per employee reached an all time high of Rs.8.13 crore and profit per employee is registered at Rs.6.01 lakh. The cost to income ratio stood at 34.86%.

KYC/AML MEASURES

For safe guarding the financial system from the abuse of money laundering, terrorist financing and other economic offences various measures have been initiated by the regulatory authorities. We have taken sufficient steps in strictly adhering to the "Know Your Customer" (KYC) guidelines and in its effective compliance by maintaining a comprehensive policy framework for KYC and AML measures and updating it in tune with the guidelines issued by Reserve Bank of India from time to time. Systems and procedures for the ongoing monitoring of transactions and for submission of reports to regulators are put in place at corporate level with the help of Anti Money Laundering software. The alerts generated in the software on the basis of pre-defined benchmarks and scenarios help us to monitor the daily transactions enabling to keep a track on the suspicious transactions undertaken by money launderers and financiers of terrorism.

CORPORATE GOVERNANCE

The Bank has adopted a Code of Corporate Governance which while takes 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 instrument 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 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. P.R. Kalyanaraman and Shri. P.C. John, Executive Directors, are whole time Directors of the Bank, and all other members of the Board are Non-Executive and Independent directors. Shri. P.C. John was appointed as Executive Director (whole time Director) from 1st May 2010 and necessary approval from RBI in this regard has been obtained.

Prof. A.M. Salim retired from the Board after completing 8 years of valuable service on 22nd August 2009. Shri. M. Venugopalan, MD & CEO retired on July 31, 2010 after his tenure. 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.C. Cyriac, Shri. P. Surendra Pai & Shri. Abraham Koshy retire by rotation at the 79th Annual General Meeting. Sri. P.C.Cyriac and Sri.Abraham Koshy, being eligible have offered themselves for re-appointment. Shri. Surendra Pai has completed his term of appointment. A proposal moved by a member to appoint Dr. T.C. Nair as director in this vacancy is placed before this AGM.

Shri Cyriac, is a former member of the Indian Administrative Service. In a distinguished career, he has held several senior positions in the Tamil Nadu and Central Governments, including as Principal Commissioner of Commercial Taxes and Principal Secretary, Industries, Transport & Local Administration Departments, Chairman and Managing Director of Tamil Nadu Newsprint & Paper Ltd., Chairman of the Tamil Nadu Electricity Board and the Rubber Board. Three years after getting promoted to the rank of Chief Secretary to Government, he chose to quit to IAS, with two years of service remaining. He is the President of the largest Independent Farmers Association in Kerala, Infarm. The Bank will benefit from his rich and varied experience.

Currently he is on the Board of following Companies:

1. Fedbank Financial Services Ltd.	-	Independent Director
2. Kochivaartha Private Ltd.	-	Promoter & main share holder
3. South Indian Green Cardamom Company Ltd.	-	Independent Director
4. Sea Cliff Resorts Pvt Ltd	-	Independent Director
5. Indigo Capital India Private Ltd.	-	Independent Director
6. Cochin Stock Exchange Ltd.	-	Independent Director & Chairman

Prof. Abraham Koshy, working as Professor of Marketing at the prestigious Indian Institute of Management, Ahmedabad since 1989, is a distinguished teacher, researcher, consultant and a corporate trainer. He has MBA degree from Cochin University and took his doctoral degree with specialization in Marketing from the Indian Institute of Management, Ahmedabad. He started his career in 1976 in Union Bank of India as a probationary officer. After a short stint there, he opted the field of academics and joined the School of Management Studies, Cochin University of Science and Technology and thereafter the Center for Management Development, Trivandrum as a faculty. He serves as a visiting professor of various European business schools/universities. His expertise in marketing and management is being utilized by companies engaged in varied lines of activities, in India and abroad, by way of training programs for senior executives, advisory services etc. He is consultant to several companies in India and abroad. He has served/is serving as member of a number of expert committees of various national and international organizations. Apart from publishing several research papers in reputed journals, Prof. Koshy has co-authored a book on Marketing Management along with the legendary marketing guru, Prof. Philip Kotler and others. In addition, he is a co-author of the book Growth and Transformations of Small Firms in India (Oxford University Press) and a co-editor of two books, namely, Managing Alternatives (Macmillan India Limited) and Marketing of Information Products and Services (IIM Ahmedabad).

Currently he is on the Board of following Companies:

1. Malayala Manorama Company Ltd.	–	Independent Director
2. Autoline Industries Ltd.	–	Independent Director
3. S B Press Private Limited	–	Independent Director

Dr .T C Nair holds a doctorate for his thesis on the subject of "Off Shore Banking" and a Post Graduate Degree in Monetary Economics from the University of Mumbai. For the last 35 years, he is closely associated with financial market developments in Asian and African continents which include money, debt, and equity, foreign exchange, and commodity markets in the region. In his distinguished career, he has served as a Senior Executive of RBI and also as a whole time Board member of SEBI. He was involved in activities including Foreign Exchange Reserve Management, Exchange Rate Management, Institution building, Regulation & Supervision, Policy making on raising of resources by Corporate entities etc .Apart from publishing several Articles/Reports in reputed Journals, Dr. Nair has also authored Books on Financial Innovations & Capital Markets. At present, he is an Independent Consultant to Stock, Commodity and Currency Derivative Exchanges in Africa and Middle East and also adviser to capital market authorities and central banks in the region. The Bank will benefit from his rich and varied experience in the financial sector, and the Board recommends his appointment to the shareholders.

Currently he is on the Board of the following Companies / Institutions.

1.	Axis Mutual Fund Trustee Company Ltd.	-	Independent Director and Chairman
2	IDFC Pension Fund Management Company Ltd.	-	Independent Director
3.	Universal Business School, Mumbai.	-	Governor

The Board has appointed Shri. Shyam Srinivasan, as the new MD & CEO of the Bank and RBI has accorded their approval for the same.

No Director is a member on more than ten committees, or chairs more than five committees, across all the companies of which he is a director. All the Directors have disclosed their committee positions in other companies.

The Bank has not entered into any transaction, materially significant or otherwise, with any of the Directors or their relatives.

The Board met 12 times during FY10, and no two successive meetings were more than four months apart.

Shri. P.H. Ravikumar, Shri. Suresh Kumar and Shri.M.Y.Khan were re-elected/appointed as Directors of the Bank at its last Annual General Meeting held on 17 August 2009.

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. M.Venugopalan, the MD & CEO was paid Rs 54,04,899@ (gross), Shri. K.S.Harshan, Executive Director was paid Rs.36,95,128* (gross) and Shri. P.R.Kalyanaraman, Executive Director was paid Rs.28,25,839 (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 Rs.20,000/- each as sitting fees for attending Board meeting & Audit, Finance, Nomination, Ethics and Remuneration Committee & Risk Management Committee meetings and Rs.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 Rs. 3.10 Lakh towards ex-gratia payments for the year 2005-06 and 2006-07 were paid to Shri. M. Venugopalan in July 2009.

*Over and above this, an amount of Rs. 1,05,967.40 was paid as HRA arrears to Shri. K.S. Harshan pertaining to FY 2008-09.

DIRECTORS' SHAREHOLDING

Name of the Director	No. of Shares held as on 31-03-2010
Shri. M. Venugopalan	2,683
Shri .P. H Ravikumar	4,000
Shri. P. Surendra Pai	41,576
Shri. P.R. Kalyanaraman	500

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 Shri. P. Surendra Pai, who are Non-Executive

Independent Directors. 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 11 (Eleven) 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: Dr. M.Y. Khan, Shri. Suresh Kumar & Shri. P.H. Ravikumar. All of them are Non Executive and Independent Directors. Prof. A.M. Salim was a member of the committee till August 22, 2009.

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 6(Six) times during the year.

SHAREHOLDERS'/INVESTORS' GRIEVANCES AND SHARE TRANSFER COMMITTEE

The Committee is chaired by Shri. P.C. Cyriac and consists of Shri. Surendra Pai, Shri M. Venugopalan, MD & CEO of the Bank & Shri. P.R.Kalyanaraman (Executive Director) as members. Shri Girish Kumar. G, Company Secretary, functions as the compliance officer. Prof. A.M. Salim was a member of the committee till August 22, 2009. The terms of reference of the Committee are:

a. 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;

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

The Committee met 11 (Eleven) times during the year and reviewed and redressed 129 complaints out of 130 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 2010 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 Dr. M.Y. Khan and consists of Shri P.H. Ravikumar, Shri M. Venugopalan, MD & CEO of the Bank & Shri. P.R.Kalyanaraman, (Executive Director) as members. Prof.A.M.Salim was a member of the committee till August 22, 2009. The terms of reference of the Committee are:

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 Rs.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 13 (Thirteen) times during the year.

RISK MANAGEMENT COMMITTEE

The Committee is chaired by Shri. P.H. Ravikumar and consists of Prof. Abraham Koshy, Shri. M. Venugopalan, MD & CEO of the Bank, and Shri. K.S.Harshan, (Executive Director) as members. The terms of reference of the Committee are:

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

b. Effectively coordinate between the credit risk management committee (CRMC), Asset liability management committee (ALMC) 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 7 (Seven) times during the year.

* Shri. K.S. Harshan retired on 30.04.2010 from the Board of the Bank.

IT COMMITTEE

The Committee is chaired by Shri. P.H. Ravikumar and consists of Prof. Abraham Koshy, Shri. M. Venugopalan, MD & CEO of the Bank, Shri. K.S.Harshan and Shri. P.R.Kalyanaraman, (Executive Director) as members. 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.

* Shri. K.S. Harshan retired on 30.04.2010 from the Board of the Bank.

CUSTOMER SERVICE COMMITTEE

The Committee is chaired by Prof. Abraham Koshy and consists of Shri. P.C. Cyriac, Shri.P. Surendra Pai, Shri. M. Venugopalan, MD & CEO of the Bank and Shri. P.R.Kalyanaraman, (Executive Director) as members. 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 4(Four) times during the year.

COMMITTEE FOR REVIEW OF FRAUD CASES OF Rs.1 CRORE & ABOVE

The Committee is chaired by Shri. M.Venugopalan, MD & CEO of the Bank, and consists of Shri. P. Surendra Pai, Dr. M.Y. Khan, Shri. P.C. Cyriac and Shri. P.R. Kalyanaraman (Executive Director) as members.

The Committee met 3 (Three) 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. M Venugopalan, MD & CEO 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.

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

COMMITTEE FOR HUMAN RESOURCES POLICY

The Committee is chaired by Shri. P.C. Cyriac and consists of Prof. Abraham Koshy and Shri. P. Surendra Pai, Shri. M.Venugopalan, MD & CEO, and Shri. P.R.Kalyanaraman, (Executive Director) as members. 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 3 (three) times during the year.

COMMITTEE FOR MARKETING STRATEGIES

The Committee is chaired by Prof. Abraham Koshy and consists of Shri P.C.Cyriac, Shri. P.Surendra Pai, Shri. M. Venugopalan, MD &CEO and Shri. P. R. Kalyanaraman (Executive Director) as members to evolve and formulate the strategies for marketing of its various products. The Committee draws plan & programme to achieve the target in the competitive scenario.

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

DETAILS OF BOARD, AUDIT COMMITTEE AND FINANCE COMMITTEE MEETINGS ATTENDED BY DIRECTORS DURING 01 APRIL 2009 TO 31 MARCH 2010.

SL. No.	Board Meeting	Audit Committee	Finance Committee
1.	25.04.09	07.04.09	25.04.09
2.	22.05.09	11.05.09	21.05.09
3.	06.06.09	21.05.09	05.06.09
4.	31.07.09	24.06.09	30.07.09
5.	17.08.09	30.07.09	17.08.09
6.	19.09.09	18.09.09	31.08.09
7.	30.10.09	29.10.09	26.09.09
8.	13.11.09	08.12.09	14.10.09
9.	18.12.09	18.01.10	30.10.09
10.	28.01.10	27.01.10	17.12.09
11.	25.02.10	25.02.10	28.01.10
12.	20.03.10		24.02.10
13.			20.03.10

DETAILS OF RISK MANAGEMENT COMMITTEE MEETING/SHARE TRANSFER COMMITTEE MEETINGS AND INFORMATION TECHNOLOGY COMMITTEE MEETINGS ATTENDED BY DIRECTORS DURING 01 APRIL 2009 TO 31 MARCH 2010

SL. No.	Risk Management Committee (RMC)	Share transfer Committee	Information Technology Committee (IT)
1.	21.05.09	25.04.09	21.05.09
2.	31.07.09	21.05.09	
3.	18.09.09	24.06.09	
4.	29.10.09	31.07.09	
5.	17.12.09	17.08.09	
6.	27.01.10	19.09.09	
7.	24.02.10	30.10.09	
8.		08.12.09	
9.		18.01.10	
10.		25.02.10	
11.		20.03.10	

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 2009-10											
		Board	Audit	Finance	RMC	Share transfer	IT	Nomination	Human Resource	Marketing Strategies	Customer Service	Review of large value Frauds	Committee for Raising capital
	Total number of meetings	12	11	13	7	11	1	6	3	2	4	3	1
1	Shri. M. Venugopalan (MD and CEO)	12	-	12	7	10	1	-	3	-	4	3	1
2	Prof A.M. Salim	5	-	5	-	4	-	2	-	-	-	-	-
3	Shri. P.C. Cyriac	12	11	-	-	11	-	1	3	2	-	3	-
4	Shri. P.H. Ravikumar	10	9	13	1	-	1	6	-	-	-	2	1
5	Shri. Suresh Kumar	12	1	-	6	-	-	6	-	-	-	-	1
6	Shri. Surendra Pai	11	9	-	-	3	-	-	3	2	4	-	-
7	Shri. Abraham Koshy	8	-	-	5	-	-	-	2	2	3	-	-
8	Shri. K S Harshan	12	-	-	7	-	1	-	-	-	-	-	-
9	Shri. P R Kalyanaraman	12	-	13	-	11	1	-	3	2	4	3	-
10	Shri. M Y Khan	7	-	1	-	-	-	3	-	-	-	-	1

*During the course of the year the Board Committees were re-constituted by the Board on 18-12-2009.

INFORMATION RELATING TO LAST THREE GENERAL BODY MEETINGS IS FURNISHED BELOW:

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
76th Annual General Meeting	Monday, 24th September, 2007 at 10 a.m.	Mahatma Gandhi Municipal Town Hall, Aluva	No Special Resolution
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

Except Prof. Abraham Koshy all other 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 3732941 GDRs (equivalent to 3732941 equity shares) outstanding, which constituted 2.18 % of the Bank's total equity capital as at 31 March 2010. Currently, 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	:	13 September 2010
Time	:	10 am
Venue	:	Mahatma Gandhi Town Hall, Aluva
Financial year	:	01 April 2009 to 31 March 2010
Period of book closure	:	September 4, 2010 to September 13, 2010
Dividend payment date	:	Will be within the prescribed time limit

FINANCIAL CALENDER

Approval of quarterly results for the period ending:

❖ 30 June 2009	31 July 2009
❖ 30 September 2009	30 October 2009
❖ 31 December 2009	28 January 2010
❖ 31 March 2010	14 May 2010

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 2009-10 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 2009	188.45	142.75
May 2009	250.05	171.00
Jun 2009	254.75	241.65
Jul 2009	249.40	215.05
Aug 2009	241.95	214.40
Sep 2009	254.00	219.45
Oct 2009	265.95	222.90
Nov 2009	245.50	220.40
Dec 2009	249.70	235.60
Jan 2010	270.35	235.90
Feb 2010	260.55	247.15
Mar2010	266.85	251.65

REGISTRARS AND SHARE TRANSFER AGENT

Integrated Enterprises (India) Ltd.
"41/427, "Seema", Near Abad Metro Hotel,
Rajaji Road, Ernakulam – 682 035
Phone: (0484) 2371494, 2366099
Fax : 2384735
Email: stdcochin@iepindia.com

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, 96.36% are held in dematerialized form and 3.64 % in physical form.

SHARE HOLDING PATTERN AS ON MARCH 31, 2010		
Share holder Category	**Shares**	**% Holding**
Shares held by Custodians and others against which Depository Receipts have been issued	4749763	2.78
Mutual Funds/UTI	29115474	17.03
Financial Institutions /Bank/Insurance Companies	13621447	7.96
Foreign Institutional Investors	59921055	35.05
Bodies Corporate	20086516	11.75
NRI, Trust, Overseas Corporate Bodies, Foreign National, Foreign Body Corporate , Clearing Member	10411169	6.09
Individual	33038970	19.34
Total	170944394	100

DISTRIBUTION OF HOLDINGS AS ON MARCH 31, 2010

No. of shares held	Holders		Amount	
	No.	%	Rs.	%
Up to 5000	57439	98.44	219382840	12.83
5001 - 10000	446	0.76	31376610	1.84
10001 - 20000	168	0.29	24216960	1.42
20001 - 30000	64	0.11	15821530	0.93
30001 - 40000	24	0.04	8314150	0.49
40001 - 50000	19	0.03	8691870	0.51
50001 - 100000	47	0.08	33444910	1.96
ABOVE 100001	143	0.25	1368195070	80.04
	58350	100.00	1709443940	100.00

*Out of the issued capital and paid up capital of the Bank, 89,036 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 31-03-2010)

Sl. No.	Financial Year	Amount of unclaimed Dividend (in Rs.)
1	2006-07	53,58,140/-
2	2007-08	62,98,772/-
3	2008-09	93,65,820/-
	Total	210,22,732/-

LOCATIONS

With its Head Office at Aluva, the Bank has a network of (708) 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.

Balance Sheet as at 31 March 2010

हजार रूपयों में
(In thousands of Rs.)

31 मार्च 2010 का तुलनपत्र		अनुसूची Schedule No.	As at 31 March 2010	As at 31 March 2009
पुँजी और देयताएँ	**CAPITAL AND LIABILITIES**			
पुँजी	Capital	1	171,03,30	171,03,30
आरक्षितियाँ और अधिशेष	Reserves & Surplus	2	4519,41,55	4154,84,28
निक्षेप	Deposits	3	36057,95,08	32198,19,15
उधार	Borrowings	4	1546,75,64	1218,93,51
अन्य दायिताएँ तथा प्रावधान	Other Liabilities & Provisions	5	1380,44,94	1107,86,22
जोड़	**Total**		**43675,60,51**	**38850,86,46**
आस्तियाँ	**ASSETS**			
भारतीय रिज़र्व बैंक में नकदी अधिशेष	Cash & Balances with Reserve Bank of India	6	2318,87,71	2214,39,52
बैंकों में अतिशेष और मांग पर तथा अल्प सूचना पर प्रप्यधन	Balances with banks & money at call and short notice	7	404,51,19	1222,69,92
विनिधान	Investments	8	13054,64,76	12118,96,62
अग्रिम	Advances	9	26950,11,13	22391,87,52
स्थिर आस्तियाँ	Fixed assets	10	289,76,97	280,77,97
अन्य आस्तियाँ	Other assets	11	657,68,75	622,14,91
जोड़	**Total**		**43675,60,51**	**38850,86,46**
आकस्मिक दायिताएँ	Contingent liabilities	12	9736,37,64	7588,28,23
संग्राहण के लिए बिल	Bills for collection		849,34,43	788,81,66
प्रमुख लेखा नीतियाँ	Principal Accounting Policies	18		
लेखा संबन्धी टिप्पणियाँ	Notes on Accounts	19		

K. Krishnakumar	P.C. John	P.R. Kalyanaraman	M. Venugopalan
Asst. General Manager	Executive Director & CFO	Executive Director	Managing Director & CEO

DIRECTORS

P.H. Ravikumar · P.C. Cyriac · Suresh Kumar · P. Surendra Pai · Abraham Koshy · M.Y. Khan

As per our report of even date

	For Varma & Varma FRN: 004532S Chartered Accountants	For Price Patt & Co., FRN: 02783S Chartered Accountants
Kochi 14 May, 2010	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 2010

हजार रूपयों में
(In thousands of Rs.)

31 मार्च 2010 को समात्प वर्ष केलिए लाभ-हानि लेख		अनुसूची Schedule No.	For the year ended 31 March 2010	For the year ended 31 March 2009
आय	**I. INCOME**			
आर्जित ब्याज	Interest earned	13	3673,23,63	3315,37,62
अन्य आय	Other income	14	530,90,76	515,77,53
जोड़	**Total**		**4204,14,39**	**3831,15,15**
व्यय	**II. EXPENDITURE**			
व्यय किया गया ब्याज	Interest expended	15	2262,40,30	1999,92,38
परिचालन व्यय	Operating expenses	16	676,89,37	571,45,57
उपबंध और आकस्मिक व्यय	Provisions & contingencies		800,30,21	759,27,84
जोड़	**Total**		**3739,59,88**	**3330,65,79**
लाभ/हानि	**III. PROFIT/LOSS**			
वर्ष के शुद्ध लाभ	Net profit for the year		464,54,51	500,49,36
जोडे: पिछले वर्ष के अग्रनीत लाभ	Add Profit b/f from Previous Year		21,93,42	14,62,06
			486,47,93	515,11,42
विनियोजन	**IV. APPROPRIATIONS**			
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue Reserve		208,26,99	197,25,00
कानूनी आरक्षितियों को अंतरण	Transfer to Statutory Reserve		116,14,00	125,12,00
पुंजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		8,20,01	29,75,00
समाश्रित आरक्षितियों को अंतरण	Transfer to Contingency Reserve		0	30,00,00
विशेष आरक्षितियों को अंतरण इआयकर एक्ट सेक्षन 36 (1) (viii)]	Transfer to Special Reserve (sec 36(1)(viii) of IT Act)		31,00,00	11,00,00
प्रस्तावित लाभांशों को प्रावधान	Provision for proposed dividend		85,52,00	85,52,00
लाभांश करे को प्रावधान	Provision for Dividend Tax		14,21,00	14,54,00
अतिशेष जो आगे तुलन पत्र में ले जाया गया है।	Balance carried over to Balance Sheet		23,13,93	21,93,42
जोड़	**Total**		**486,47,93**	**515,11,42**
प्रति षेयर अर्जन (रु)	Earnings per Share (Basic) (Rs.)	17	27.16	29.26
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

P.R. Kalyanaraman
Executive Director

M. Venugopalan
Managing Director & CEO

DIRECTORS

P.H. Ravikumar | P.C. Cyriac | Suresh Kumar | P. Surendra Pai | Abraham Koshy | M.Y. Khan

As per our report of even date

For Varma & Varma
FRN: 004532S
Chartered Accountants

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

Kochi
14 May, 2010

R. Rajasekharan
Partner, Membership No. 22703

S. Ramaswamy
Partner, Membership No. 025918

(In thousands of Rs.)

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 1. CAPITAL		
Authorised Capital [20,00,00,000 (Previous year 20,00,00,000) equity shares of Rs 10 each]	200,00,00	200,00,00
Issued Capital [17,13,17,910 (Previous year 17,13,17,910) equity shares of Rs 10/- each]	171,31,79	171,31,79
Subscribed & Called up Capital [17,10,33,430 (Previous year 17,10,33,430) equity shares of Rs.10/- each, which includes 3318 shares (Previous year 3318) of Rs 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 Rs.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 Rs.10/- each allotted on Rights basis during the financial year 2007-08] (Allotment of 1306 Shares (Previous year 1306) of Rs.10/- each pertaining to the Rights Issue of 1993 issued at a premium of Rs.25/- per share and 53,982 shares (previous year 53,982) of Rs.10/- each pertaining to the Rights Issue of 1996 issued at a premium of Rs.140/- per Share and 229192 equity shares (Previous year 229192) of Rs.10/- each at a premium of Rs.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 89,036 shares (previous year 91036) of Rs.10/- each out of the Bonus issue of 2004 are kept in abeyance consequent to injunction orders from various courts)	171,03,34	171,03,34
Less: Calls in arrears	4	4
Total	**171,03,30**	**171,03,30**
SCHEDULE 2. RESERVES & SURPLUS		
I. Statutory Reserves		
Opening balance	612,32,76	487,20,76
Additions during the year	116,14,00	125,12,00
	728,46,76	612,32,76
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	6,10,54	6,36,04
Deductions during the year	24,24	25,50
	5,86,30	6,10,54

(In thousands of Rs.)

	As at 31 March 2010	As at 31 March 2009
(b) Others		
Opening balance	152,01,75	122,26,75
Additions during the year	8,20,01	29,75,00
	160,21,76	152,01,75
	166,08,06	158,12,29
III. Share premium		
Opening balance	2475,26,36	2475,26,36
Additions during the year	0	0
	2475,26,36	2475,26,36
IV. Revenue & Other Reserves		
a) Revenue Reserve		
Opening Balance	581,37,42	384,12,42
Additions during the year	208,26,99	197,25,00
	789,64,41	581,37,42
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	86,00,00	75,00,00
Addition during the year	31,00,00	11,00,00
	117,00,00	86,00,00
V. Contingency Reserve		
Opening balance	30,10,03	10,03
Addition during the year	0	30,00,00
	30,10,03	30,10,03
VI. Balance in Profit & Loss a/c	23,13,93	21,93,42
Total	**4519,41,55**	**4154,84,28**

(In thousands of Rs.)

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 3. DEPOSITS		
A. I. Demand Deposits		
i. From Banks	120,90,68	85,78,82
ii. From Others	1710,36,34	1356,80,76
	1831,27,02	1442,59,58
II. Savings Bank Deposits	7611,12,91	6445,84,29
III. Term Deposits		
i. From Banks	4,40,06	99,21,49
ii. From Others	26611,15,09	24210,53,79
	26615,55,15	24309,75,28
Total	**36057,95,08**	**32198,19,15**
B. i. Deposits of branches in India	36057,95,08	32198,19,15
ii. Deposits of branches outside India	Nil	Nil
Total	**36057,95,08**	**32198,19,15**
SCHEDULE 4. BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	0	Nil
ii. Other Banks	500,00,00	0
iii. Other institutions and agencies	688,09,60	648,77,46
iv. Subordinated debt	320,00,00	470,00,00
	1508,09,60	1118,77,46
II. Borrowings outside India	38,66,04	100,16,05
Total	**1546,75,64**	**1218,93,51**
Secured borrowings in the above	0	0
SCHEDULE 5. OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	36,22,03	32,00,95
II. Interoffice adjustments (Net)	192,62,07	180,48,07
III. Interest accrued	145,15,73	74,73,06
IV. Deferred Tax Liability (Net)	83,99,00	50,49,00
V. Others (including provisions)*	922,46,11	770,15,14
Total	**1380,44,94**	**1107,86,22**
*Includes Contingent provisions against standard assets	145,23,81	145,03,81

(In thousands of Rs.)

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 6. CASH & BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	276,91,75	220,48,79
II. Balance with R B I in Current Account	2041,95,96	1993,90,73
Total	**2318,87,71**	**2214,39,52**
SCHEDULE 7. BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	30,55,98	46,17,58
b. in Other Deposit Accounts	101,53,00	549,92,40
ii. Money at call & short notice		
a. With Banks	50,00,00	75,00,00
b. With other institutions	199,86,81	45,00,00
Total	**381,95,79**	**716,09,98**
II. Outside India		
i. in Current Accounts	4,59,40	45,04,74
ii. in Other Deposit Accounts	17,96,00	461,55,20
iii. Money at call & short notice	Nil	Nil
Total	**22,55,40**	**506,59,94**
Grand Total	**404,51,19**	**1222,69,92**
SCHEDULE 8. INVESTMENTS		
I. Investments in India (Gross)	13071,64,37	12247,29,89
Less Provision for Depreciation	16,99,61	128,33,27
Net Investments	13054,64,76	12118,96,62
Break up of Investments in India		
i. Govt. Securities	9277,50,65	8294,76,85
ii. Other approved Securities	82,53	2,99,85
iii. Shares	179,61,82	153,75,66
iv. Debentures & Bonds	649,76,25	620,21,58
v. Subsidiaries & Joint Ventures	127,00,00	127,30,00
vi. Others (Mutual Funds, Commercial Paper etc.)	2819,93,51	2919,92,68
Total	**13054,64,76**	**12118,96,62**
II. Investments outside India	Nil	Nil

(In thousands of Rs.)

	As at 31 March 2010	As at 31 March 2009
SCHEDULE 9. ADVANCES		
A. i. Bills purchased & discounted	1216,65,16	1273,48,30
ii. Cash credits, overdrafts and loans repayable on demand	13903,23,17	10012,64,76
iii. Term loans	11830,22,80	11105,74,46
Total	**26950,11,13**	**22391,87,52**
B. i. Secured by tangible assets (includes advances against Book Debts)	19333,69,47	17641,87,54
ii. Covered by Bank/Government guarantees	1898,32,11	916,08,69
iii. Unsecured	5718,09,55	3833,91,29
Total	**26950,11,13**	**22391,87,52**
C. I. Advances in India		
i. Priority Sector	9851,06,89	8463,90,69
ii. Public Sector	1858,00,49	133,62,05
iii. Banks	2,12,89	0
iv. Others	15238,90,86	13794,34,78
Total	**26950,11,13**	**22391,87,52**
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	214,55,59	161,57,06
Additions during the year	4,00,05	52,99,08
	218,55,64	214,56,14
Deductions during the year	1,50	55
	218,54,14	214,55,59
Depreciation to date	44,43,39	37,88,33
	174,10,75	176,67,26
b. Other fixed assets (including furniture & fixtures)		
At cost as on 31st March of the preceding year	298,74,14	268,98,59
Additions during the year	57,45,74	40,06,32
	356,19,88	309,04,91
Deductions during the year	18,58,13	10,30,77
	337,61,75	298,74,14
Depreciation to date	222,34,04	195,02,06
	115,27,71	103,72,08

(In thousands of Rs.)

	As at 31 March 2010	As at 31 March 2009
II ASSETS GIVEN ON LEASE		
At cost as on 31st March of the preceding year	3,10,13	4,19,41
Additions during the year	Nil	Nil
	3,10,13	4,19,41
Deductions during the year	0	1,09,28
	3,10,13	3,10,13
Depreciation to date	2,71,62	2,71,50
	38,51	38,63
Total (I & II)	**289,76,97**	**280,77,97**
SCHEDULE 11. OTHER ASSETS		
I. Inter office adjustments (net)	0	0
II. Interest accrued	248,94,64	261,03,24
III. Tax paid in advance/tax deducted at source (Net of provision)	300,40,91	242,99,61
IV. Stationery & Stamps	2,80,47	2,81,90
V. Non-banking assets acquired in satisfaction of claims	1,12,68	1,18,04
VI. Others	104,40,05	114,12,12
Total	**657,68,75**	**622,14,91**
SCHEDULE 12. CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	399,85,56	103,32,80
II. Liability on account of outstanding forward exchange contracts	5837,09,25	4550,68,02
III. Guarantees given on behalf of constituents - in India	2168,26,99	1561,20,09
IV. Acceptances, endorsements and other obligations	1311,48,49	1348,79,98
V. Other items for which the Bank is contingently liable	19,67,35	24,27,34
Total	**9736,37,64**	**7588,28,23**
SCHEDULE 13. INTEREST EARNED		
I. Interest/discount on advances/bills	2849,73,18	2564,24,71
II. Income on investments	783,40,90	700,27,36
III. Interest on balances with RBI & other inter-bank funds	29,85,45	36,65,62
IV. Others	10,24,10	14,19,93
Total	**3673,23,63**	**3315,37,62**
SCHEDULE 14. OTHER INCOME		
I. Commission, exchange and brokerage	105,26,14	101,28,23
II. Net profit/loss on sale of investments	107,70,79	82,99,17
III. Net profit/loss on revaluation of investments	0	0

(In thousands of Rs.)

		As at 31 March 2010		As at 31 March 2009
IV. Net profit on sale of land, buildings & other assets		39,40		57,24
V. Net profit on foreign exchange transactions		44,61,61		51,01,84
VI. Income earned by way of dividends etc. from companies in India		4,68,60		4,79,33
VII. Miscellaneous income [Includes Processing fee etc on loans Rs.5541.96 lakh (previous period Rs.5185.71 lakh) and Recoveries in assets written off Rs.12770.47 lakh (previous year Rs.13276.65lakh) and Service Charges Rs.3228.74 lakh (PY Rs.5015.33 lakh)]		268,24,22		275,11,72
Total		**530,90,76**		**515,77,53**
SCHEDULE 15. INTEREST EXPENDED				
I. Interest on deposits		2168,25,55		1873,24,34
II. Interest on Reserve Bank of India/Inter bank borrowings		5,62		25,16,76
III. Others		94,09,13		101,51,28
Total		**2262,40,30**		**1999,92,38**
SCHEDULE 16. OPERATING EXPENSES				
I. Payments to & provisions for employees		366,05,41		317,45,28
II. Rent, taxes & lighting		71,13,65		63,19,67
III. Printing & stationery		8,94,12		6,45,26
IV. Advertisement & publicity		10,46,32		8,41,44
V. Depreciation on Bank`s property	50,43,04		4,309,55	
Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	24,24		25,50	
		50,18,80		42,84,05
VI. Directors' fees, allowances and expenses		96,91		99,01
VII. Auditors' fees & expenses (including branch auditors)		6,87,84		6,94,27
VIII. Law charges		4,82,18		3,37,49
IX. Postage, Telegrams, Telephones etc		14,99,58		9,08,61
X. Repairs & maintenance		19,32,46		16,66,63
XI. Insurance		32,04,45		26,29,76
XII. Other expenditure		91,07,65		69,74,10
Total		**676,89,37**		**571,45,57**
SCHEDULE 17. EARNINGS PER SHARE				
Net Profit for the year		464,54,51		500,49,36
Number of Shares		17,10,33		17,10,33
Earnings Per Share		27.16		29.26

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 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 is not provided for on assets sold/disposed off during the year except for vehicles. Depreciation on assets costing less than Rs.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 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. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

(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 Rs.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 2010 has been substantially completed and the effect, if any, of pending entries will not be material.

2.1 Capital

(Rs crore)

Particulars	31 March 2010		31 March 2009	
	Basel II	Basel I	Basel II	Basel I
i) CRAR (%)	18.36%	17.27%	20.22%	20.14%
ii) CRAR - Tier I capital (%)	16.92%	15.27%	18.42%	17.52%
iii) CRAR - Tier II Capital (%)	1.44%	2.00%	1.80%	2.62%
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 (Rs. Crore)	320.00		470.00	

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.

2.2 Investments

2.2.1 a) Investments under HTM (excluding specified investments as per RBI norms) account for 22.76% of demand and time liabilities as at the end of March 2010 as against permitted ceiling of 25% stipulated by RBI.

b) In respect of securities held under HTM category premium of Rs.23.93 crore (previous year Rs. 17.35 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 Rs.16.58 crore (previous year Rs.60.08 crore) has been taken to Profit and Loss Account and a sum of Rs.8.20 crore (previous year Rs.29.75 crore) being net of taxes and transfer to statutory reserve of such profit, appropriated to Capital Reserve.

d) In respect of investment of Rs. 117.00 crore in associate/joint venture IDBI Fortis Life Insurance Company Limited, there is no diminution in value as per the expert valuation report as on 31.03.2009. Any diminution if at all is considered temporary.

2.2.2 Investments (Rs. crore)

Particulars	31 March 2010	31March 2009
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	13071.64	12247.30
(b) Outside India	Nil	Nil
Provisions for Depreciation		
(a) In India	16.99	128.33
(b) Outside India	Nil	Nil
(ii) Net Value of Investments		
(a) In India	13054.65	12118.97
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	128.33	99.86
(ii) Add: Provisions made during the year	0.00	28.47
(iii) Less: Write-off/ write-back of excess provisions during the year	111.34	0.00
(iv) Closing balance	16.99	128.33

2.2.3 REPO Transactions (Rs. crore)

	Outstanding during the year			Outstanding as on 31 March 2010
	Minimum	Maximum	Daily average	
Securities sold under market REPOs	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Securities sold under REPOs (LAF)	0.00 (0.00)	0.00 (800.00)	0.00 (22.27)	0.00 (0.00)
Securities purchased under market REPOs	0.00 (0.00)	12.50 (0.00)	0.03 (0.00)	0.00 (0.00)
Securities purchased under reverse REPOs (LAF)	0.00 (0.00)	1800.00 (1450.00)	393.11 (173.97)	0.00 (0.00)

(Previous year figures are given in brackets)

2.2.4 Non-SLR Investment Portfolio

i) Issuer Composition of Non-SLR Investments as on 31 March 2010 (Rs. 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	125.81 (114.27)	105.76 (17.46)	0.00 (0.00)	0.76 (1.46)	0.76 (1.46)
2	FIs	56.82 (100.63)	0.50 (40.53)	0.00 (32.53)	24.33 (1.00)	24.83 (40.53)
3	Banks	1536.23 (2151.31)	60.00 (22.00)	0.00 (2.00)	0.00 (0.00)	0.00 (0.00)
4	Private corporates	957.00 (1048.41)	324.47 (31.96)	0.00 (15.48)	0.00 (1.49)	60.33 (16.97)
5	Subsidiaries/ Joint ventures	127.00 (127.30)	127.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
6	Others +	974.96 (540.80)	4.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
7	Less: Provisions held towards depreciation	(1.79) (118.89)	xxx	xxx	xxx	xxx
	Total	3776.03 (3963.83)	621.73 (111.95)	0.00 (50.01)	25.09 (3.95)	85.92 (58.96)

(Previous year figures are given in brackets)
** excluding investments in shares – Rs.171.90 crore (previous year Rs.254.03 crore)
*** excluding investments in pass through certificates Rs.4.13 crore (previous year Rs.5.95 crore)
+ includes Rs.Nil (previous year Rs. 142.92 crore) being investments in Central Government Special Bonds classified as Government Securities in Schedule but treated as Non SLR Securities)

ii) Non-SLR investments category-wise: (Rs. crore)

Particulars	31 March 2010	31 March 2009
Shares	178.53	153.76
Debentures & Bonds	649.76	620.22
Subsidiaries/Joint Ventures	127.00	127.30
Others	2820.74	3062.55
Total	3776.03	3963.83

iii) Non-performing Non-SLR investments (Rs. crore)

As at 31 March 2009	2.77
Additions during the year since 01 April 2009	0.00
Reductions during the above period	1.96
As at 31 March 2010	0.81
Total Provisions held	0.81

2.3 Derivatives

2.3.1 Forward Rate Agreement/ Interest Rate Swap

(Rs. crore)

Particulars	31 March 2010	31 March 2009
i) The notional principal of swap agreements	2575.00	5225.00
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	28.02	73.13
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	-2.19	-3.50

2.3.2 Exchange Traded Interest Rate Derivatives:

(Rs. crore)

Sl.No.	Particulars	31 March 2010
(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 2010	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

2.3.3 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. he 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 (Rs. crore)

Sl.No	Particulars	Currency Derivatives	Interest rate Derivatives
1	Derivatives (Notional Principal Amount)		
	a)For hedging	--	--
	b) For trading	--	2575
2	Marked to Market positions (1)		
	a) Asset (+)	--	--
	b) Liabilities (-)	--	-2.19
3	Credit Exposure (2)	--	40.92
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	--	--
	b) on trading derivatives	--	0.22
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	--	--
	b) on trading	--	Max. 0.83 Min. 0.22

2.4 Asset Quality

2.4.1 Non-Performing Asset

(Rs. crore)

Particulars	31 March 2010	31 March 2009
(i) Net NPAs to Net Advances (%)	0.48%	0.30%
(ii) Movement of NPAs (Gross)		
Opening balance	589.54	468.59
Additions (Fresh NPAs) during the year	747.39	574.95
Subtotal (A)	1336.93	1043.54
Less:-		
(i) Upgradations	112.08	55.28
(ii) recoveries (excluding recoveries made from upgraded accounts)	149.80	143.93
(iii) Write offs	254.08	254.79
Sub total (B)	515.96	454.00
Closing balance (A-B)	820.97	589.54
(iii) Movement of Net NPAs		
(a) Opening balance	68.12	43.20
(b) Additions during the year	327.56	210.53
(c) Reductions during the year	266.89	185.61
(d) Closing balance	128.79	68.12
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	514.93	422.57
(b) Provisions made during the year (net)	413.11	347.34
(c) Write-off/ write-back of excess provisions (net)	243.61	254.98
(d) Closing balance	684.43	514.93

2.4.2 Sector wise NPAs

Sl. No	Sector	Percentage of NPAs to Total advances in that sector
1	Agriculture and allied Activities	2.30
2	Industry (Micro &Small, Medium and Large)	5.67
3	Services	4.09
4	Personal loans	4.15

2.4.3 Details of Loan Assets subjected to Restructuring (Rs. Crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	10	26	201
	Amount outstanding	57.89	33.05	334.16
	Sacrifice (diminution in the fair value)	9.88	0.62	12.36
Sub standard advances restructured	No. of Borrowers	1	3	34
	Amount outstanding	15.50	3.38	21.10
	Sacrifice (diminution in the fair value)	4.16	0.58	1.40
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	11	29	235
	Amount outstanding	73.39	36.43	355.26
	Sacrifice (diminution in the fair value)	14.04	1.20	13.76

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

(Rs. crore)

Particulars	2009-10	2008-09
(a) No of accounts	2	Nil
(b) Aggregate value (net of provisions) of accounts sold to SC/RC	0.00	Nil
(c) Aggregate consideration	2.56	Nil
(d) Additional consideration realised in respect of accounts transferred in earlier years	0.00	Nil
(e) Aggregate gain/loss over net book value	2.56	Nil

2.4.5 Details of non-performing financial assets purchased/sold

Nil

2.4.6 Movement of Provision for Standard Assets

(Rs. crore)

Particulars	2009-10	2008-09
(a) Opening Balance	145.04	137.34
(b) Addition/Adjustments during the year	0.20	7.70
(c) Deduction during the year	Nil	Nil
(d) Closing Balance	145.24	145.04

2.5 Business Ratios

Particulars	31 March 2010	31 March 2009
(i) Interest Income as a percentage to Working Funds	9.09	9.79
(ii) Non-interest income as a percentage to Working Funds	1.31	1.52
(iii) Operating Profit as a percentage to Working Funds	3.13	3.72
(iv) Return on Assets	1.15	1.48
(v) Business (Deposits plus advances) per employee (Rs. crore)	8.13	7.50
(vi) Profit per employee (Rs. lakh)	6.01	6.90

2.6 Maturity Pattern of assets and liabilities (As compiled by the Management) (Rs. crore)

Maturity Pattern	Advances	Investments	Deposits	Borrowings (including Subordinated Debt)	Foreign Currency Assets	Foreign Currency Liabilities
Next day	1481.69	2.90	117.27	18.91	293.62	106.08
2 -7 days	156.18	146.04	331.39	0.00	1.84	11.19
8-14 days	192.13	84.82	322.40	0.00	4.48	5.30
15-28 days	1015.71	293.61	1455.14	0.00	6.36	17.21
29 days to 3 months	2022.25	622.83	4153.69	37.37	73.43	87.78
Over 3 to 6 months	2109.34	401.09	5893.35	106.53	92.04	154.66
Over 6 months to 1 Yr	2607.49	778.30	7140.98	110.10	119.38	328.68
Over 1 Yr to 3Yrs	12310.18	590.50	15239.10	883.65	28.28	252.27
Over 3 Yrs to 5 Yrs	2666.16	966.72	1030.16	190.20	5.00	51.99
Over 5 Yrs	2388.98	9167.84	374.47	200.00	0.00	0.00
Total	**26950.11**	**13054.65**	**36057.95**	**1546.76**	**624.43**	**1015.16**

2.7 Exposures

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

(Rs. crore)

Category	2009-10	2008-09
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;	4980.70	4232.44
(of which Individual housing loans up to Rs. 20 lakh)	(3490.46)	(3068.34)
(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;	608.06	886.49
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	4.13	4.85
b. Commercial Real Estate.	25.32	Nil
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	690.23	633.91
Total Exposure to Real Estate sector	**6308.44**	**5757.69**

2.7.2 Exposure to Capital Market (As compiled by the Management) (Rs. crore)

Particulars	2009-10	2008-09
(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;	175.65	271.28
(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;	11.23	11.51
(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;	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;	--	19.37
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	193.98	113.43
(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)	4.00	4.00
Total Exposure to Capital Market	**386.00**	**419.59**

2.7.3 Concentration of Deposits, Advances, Exposures and NPAs

Concentration of deposits (Rs crore)

Total Deposits of Twenty Large depositors	3080.12
Percentage of Deposits of twenty large depositors to total deposits of the bank	8.54

Concentration of advances (Rs crore)

Total advances of Twenty Largest Borrowers	4934.91
Percentage of advances of twenty largest Borrowers to total advances of the Bank	17.82

Concentration of exposures (Rs crore)

Total exposures of Twenty Largest borrowers/customers	6039.32
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	16.36

Concentration of NPAs (Rs. crore)

Total exposures to top Four NPA accounts	108.76

2.7.4 Details of Overseas Assets, NPAs and Revenue

Nil

2.7.5 Off balance Sheet SPV sponsored

Nil

2.7.6 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 (Rs. crore)

Risk Category*	Exposure (net) as at 31 March 2010	Provision held as at 31 March 2010	Exposure (net) as at 31 March 2009	Provision held as at 31 March 2009
Insignificant	630.88	0.00	615.23	0.00
Low	218.59	0.00	308.28	0.00
Moderate	53.92	0.00	53.38	0.00
High	6.07	0.00	18.84	0.00
Very High	2.91	0.00	1.34	0.00
Restricted	0.02	0.00	0.00	0.00
Off-credit	0.00	0.00	0.00	0.00
Total	**912.39**	**0.00**	**997.07**	**0.00**

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

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

Nil

2.8 Miscellaneous

2.8.1 Amount of Provisions made for Income-tax during the year (Rs. crore)

	2009-10	2008-09
Provision for Income Tax	395.00	292.52

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

Nil

3. Fixed Assets

i. During the year 1995-96, the appreciation of Rs 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 Rs 0.24 crore (previous year Rs 0.26 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 Rs.0.37 crore (previous year Rs.0.37 crore), written down value Rs. 0.21 crore (previous year Rs.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 Rs.15.26 crore (Previous year Rs.15.26 crore) with written down value of Rs1. 68 crore (previous year Rs.6.04 crore)

4. Pending finalisation of wage agreement a provision of Rs.60.00 crore (previous year Rs 61 crore) has been made towards the revision in employee costs and other benefits on the basis of the estimate of the management. Impact of exercisable pension option is not ascertainable as at the close of the financial year.

5. The Bank has implemented Agricultural Debt waiver and Debt Relief Scheme 2008 notified by the Government of India. In accordance with the scheme a final claim of Rs.105.70 crores has been preferred with RBI, against which the Bank has received the 3 installments amounting to Rs.68.44 crores and the balance amount due is included under advances. Further an amount of Rs.18.80 crore has been subjected to debt relief receivable from Government included under other assets.

6. Disclosure in terms of Accounting Standard

6.1 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.

6.2 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 Rs.6.44 Crore (Previous year Rs.6.99Crore) for provident fund contribution in the Profit and Loss account.

(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 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.

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, 2010.

i) Change in benefit obligations: (Rs. crore)

Particulars	**Gratuity Plan**		**Pension Plan**	
	2009-10	**2008-09**	**2009-10**	**2008-09**
Projected benefit obligation, beginning of the year	153.03	108.13	161.02	151.15
Service Cost	8.57	6.68	36.57	33.78
Interest cost	12.07	8.27	12.29	11.33
Actuarial gain/ (loss)	12.40	33.99	0.19	(23.47)
Benefits paid	(4.34)	(4.04)	(14.69)	(11.77)
Projected benefit obligation, end of the year	**181.73**	**153.03**	**195.38**	**161.02**

ii) Change in plan assets:

Particulars	Gratuity Plan		Pension Plan	
	2009-10	2008-09	2009-10	2008-09
Plan assets at beginning of the year at fair value	153.03	108.13	161.02	151.15
Expected return on plan assets	12.24	8.65	12.88	12.09
Actuarial gain/(loss)	(0.25)	(0.09)	(0.17)	(0.59)
Employer's Contributions	0.14	1.46	5.42	4.75
Benefits paid	(4.34)	(4.04)	(14.69)	(11.77)
Plan assets at end of the year, at fair value	160.82	114.11	164.46	155.63

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

Particulars	Gratuity Plan		Pension Plan	
	2009-10	2008-09	2009-10	2008-09
Fair value of plan assets at the end of the year	160.82	114.11	164.46	155.63
Present value of the defined benefit obligations at the end of the period	181.73	153.03	195.38	161.02
Liability recognized in the Balance Sheet	20.91	38.92	30.92	5.39

iv) Gratuity/pension cost for the year ended March 31 2010

Particulars	Gratuity Plan		Pension Plan	
	2009-10	2008-09	2009-10	2008-09
Service cost	8.57	6.68	36.57	33.78
Interest cost	12.07	8.27	12.29	11.33
Expected return on plan assets	12.24	8.65	12.88	12.09
Actuarial gain/(loss)	12.65	34.08	0.37	(22.88)
Net cost Debit to Profit and Loss account	21.05	40.38	36.35	10.14
Actual return on plan assets	11.99	8.56	12.70	11.50

v) Investment details of plan assets

Particulars	Gratuity Plan		Pension Plan	
	2009-10	2008-09	2009-10	2008-09
Central and state Government bonds	50.76	51.30	64.91	66.22
Other debt securities	40.90	50.61	50.84	51.61
Balance in Saving bank account with the Bank	2.25	7.58	2.11	14.72
Net current assets	2.95	43.54	4.49	9.61
Balance with LIC	63.96	--	42.11	18.86
Total	**160.82**	**153.03**	**164.46**	**161.02**

vi) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	2009-10	2008-09	2009-10	2008-09
Discount rate	8.00%	7.80%	8.00%	7.80%
Annuity rate per Rupee	-	-	125.65445	125.65445
Salary escalation rate	5.00% Additional 17.50% as one time measure in order to provide for the pending Wage revision	5.00% Additional 15.00% as one time measure in order to provide for the pending Wage revision	5.00% Additional 17.50% as one time measure in order to provide for the pending Wage revision	5.00% Additional 15.00% 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 unutilized 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 Rs.20.91 crore (Previous year Rs.19.33 crore) has been provided towards the above liabilities in accordance with AS 15 (Revised) based on actuarial valuation.

6.3 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.

(Rs. crore)

Business Segments	Treasury		Corporate/Whole sale Banking		Retail Banking		Other Banking Operations		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Revenue	908.70	803.87	1285.02	943.39	1975.06	2040.38	35.35	43.51	4204.13	3831.15
Result (net of provisions)	151.47	41.87	229.86	112.36	449.91	655.68	28.29	-16.90	859.53	793.01
Unallocated expenses									--	--
Operating profit (PBT)									859.53	793.01
Income taxes									395.00	292.52
Extraordinary profit/loss									--	--
Net Profit									464.53	500.49
OTHER INFORMATION										
Segment Assets	14004.25	13197.10	12857.96	9595.75	16784.72	16011.70	28.77	46.32	43675.70	38850.87
Unallocated assets									--	--
Total assets									43675.70	38850.87
Segment liabilities	12500.40	11727.66	11476.90	8527.31	14982.28	14228.86	25.68	41.16	38985.26	34524.99
Unallocated liabilities									--	--
Total liabilities									38985.26	34524.99

The Bank has only the Domestic geographic segment.

6.4 Related Party Disclosures

The following are the significant transactions with related parties during the year ended 31 March 2010

Name of the Party	Nature of Relationship
IDBI Fortis Life Insurance Company Limited	Associate/Joint Venture
Fed Bank Financial Services Limited	Subsidiary
Shri. M Venugopalan	Key Management Personnel
Shri. K S Harshan	Key Management Personnel
Shri. P R Kalyanaraman	Key Management Personnel

(Rs. crore)

Particulars	Key Management Personnel*	
	Current Year	Previous Year
Remuneration	1.23	0.81

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

Note: In accordance with the 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.

6.5 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 2010	31 March 2009
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	171033	171033
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	171033	171033
Nominal Value of share (in Rs)	10	10
Basic earnings per share (in Rs)*	27.16	29.26
Diluted earnings per share (in Rs)*	27.16	29.26
Earnings used in the computation of basic and diluted earnings per share (Rs. in Lakhs)	46454.51	50049.36

* Weighted average

6.6 Taxation (AS 22)

i. Other Assets include Rs. 95.11 crore (previous Year Rs 0.34 crore) paid/adjusted towards disputed income tax demand aggregating to Rs. 298.77 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 2010 are shown below:

(Rs crore)

	Current Year	Previous Year
Deferred Tax Liability		
Tax effect of timing difference in the assessment of:		
(i) Interest income	64.33	66.54
(ii) Depreciation on Fixed Asset	6.23	7.22
(iii) Depreciation on Investments	160.13	102.46
(A)	230.69	176.22
Deferred tax asset		
Tax effect on timing difference in allowance of:		
(i) Interest/premium paid on purchase of securities	33.72	26.37
(ii) Provision for Standard Assets	48.12	49.23
(iii) Others	64.86	50.13
(B)	146.70	125.73
Net Deferred tax liability (A-B)	**83.99**	**50.49**

7. Additional Disclosures:

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

(Rs. crore)

	For the year ended / As at	31 March 2010	31 March 2009
i)	Provision towards NPAs (net)	413.11	346.50
ii)	Provision for Investments	-97.74	23.52
iii)	Provision for Standard Assets	0.20	7.70
iv)	Provision for Taxation : Current Tax Deferred tax Fringe benefit tax	 361.50 33.50 ---	 322.56 (36.14) 6.10
v)	Provision towards liabilities for wage revision to employees, P/V sacrifice on restructuring etc	89.73	89.04
	Total	**800.30**	**759.28**

7.2 Floating Provision (Rs. crore)

Particulars	Standard Assets Provision		NPA Provision	
	2009-10	2008-09	2009-10	2008-09
(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

7.3 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	49
(b)	No. of complaints received during the year	1225
(c)	No. of complaints redressed during the year	1199
(d)	No. of complaints pending at the end of the year	75

B. Awards passed by the Banking Ombudsman

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

*A suit is pending on this award

7.4.1 There are no dues to micro and small enterprises as at 31 March 2010. This disclosure is based on the records available with the Bank.

7.4.2 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).

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

7.4.4 Income from bancassurance business Rs lakh

Sl. No	Nature of Income	As on 31 March 2010
1	For selling life insurance policies	872.41
2	For selling non-life insurance policies	125.56
3	For selling mutual fund products	27.52
4	Others (reimbursement of expenses)	71.03

7.4.5 Provision coverage ratio

Provision coverage ratio as on 31 March 2010 stood at 91.82%

7.4.6 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

Nil

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

Cash Flow Statement

(In thousands of Rs.)

	For the year ended 31 March 2010	For the year ended 31 March 2009
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extra Ordinary Items/Provisions	1264,84,72	1259,77,20
Adjustments for:-		
Depreciation on Fixed assets	50,43,04	43,09,55
Others	(63,64)	(82,74)
Operating Profit before Working Capital Changes	**1314,64,12**	**1302,04,01**
Adjustments for working capital changes:-		
Investments	(838,24,46)	(2050,59,15)
Funds Advanced to Customers	(4971,34,80)	(3833,71,51)
Other Operating Assets	21,87,46	(38,13,94)
Deposits from Customers	3859,75,93	6284,83,57
Borrowings from Banks & Financial Institutions	327,82,13	(43,01,68)
Other Operating Liabilities	149,16,02	(387,50,95)
Cash Generated from Operations	**(136,33,60)**	**1233,90,35**
Taxes Paid	(418,91,30)	(315,79,54)
Cash Flow before Extraordinary items	**(555,24,90)**	**918,10,81**
Extraordinary items	0	0
Net Cash From Operating Activities	**(555,24,90)**	**918,10,81**
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(61,45,79)	(93,05,40)
Sale of Fixed Assets	2,43,15	2,59,09
Investment in Subsidiary/Joint Venture	30,00	(65,30,00)
Net Cash from Investing Activities	**(58,72,64)**	**(155,76,31)**
C. Cash Flow from Financing Activities		
Equity Capital including Premium	0	0
Dividend Paid	(99,73,00)	(70,73,69)
Net Cash used in Financing Activities	**(99,73,00)**	**(70,73,69)**
Increase/(Decrease) in Cash & Cash Equivalents	**(713,70,54)**	**691,60,81**
Cash & Cash Equivalents at the beginning of year	**3437,09,44**	**2745,48,63**
Cash & Cash Equivalents at the end of year	**2723,38,90**	**3437,09,44**

K. Krishnakumar	P.C. John	P.R. Kalyanaraman	M. Venugopalan
Asst. General Manager	Executive Director & CFO	Executive Director	Managing Director & CEO

DIRECTORS

P.H. Ravikumar   P.C. Cyriac   Suresh Kumar   P. Surendra Pai   Abraham Koshy   M.Y. Khan

Kochi
14th May, 2010

The Federal Bank Limited

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 2010 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 21 branches /offices audited by us and 665 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;
    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 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

5. 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 2010;
   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: 14th May, 2010

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 Fortis 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, combined on line by line basis adding together like items of assets, liabilities, income and expenses, after eliminating intra group transactions.		
1.3	That are fully consolidated: (AS 21)		
	Name	Activity	Holding %
a)	Fed Bank Financial Services Ltd	Marketing of Bank's products	100 %
1.4	That are pro-rata consolidated: (AS 27)		
	Name	Activity	Holding %
a)	NIL	NA	NA
1.5	That are given a deduction treatment:		
	Name	Activity	Holding %
a)	NIL	NA	NA
1.6	That are neither consolidated nor deducted		
	Name	Activity	Holding %
	IDBI Fortis Life Insurance Company Ltd.	Insurance	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 Rs. 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 Fortis 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 18.04%, as against 18.36% 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 Rs.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 Rs.Cr	Tenure in Months	Coupon (% p.a.)	Rating
		30/08/2003	14	80	6.90	Rating by Care as **'CARE AA'** and by Fitch as **'AA- (ind)'**
		30/08/2003	61	104	7.10	
		26/07/2004	15	93	6.75	
		26/04/2004	30	117	6.85	
		16/12/2006	200	120	9.25	
2.2	Capital funds					Amount in Rs. Crore
A	TIER I CAPITAL					
	Paid up share capital					171.03
	Reserves and Surplus					4513.54
	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					5.00

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	320.00
	Total amount outstanding	320.00
	Of which, amount raised during the current year	0.00
	Amount eligible to be reckoned as capital funds	254.40
	Other Tier II capital	147.88
	Revaluation Reserve	2.64
	General Provisions	145.24
	Deductions from Tier II capital	5.00
C	Other deductions from capital, if any.	0.00
D	Total eligible capital	5076.85

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 Rs. Crore.
A	Capital requirements for credit risk (@ 9% CRAR)		2202.44
	Portfolios subject to Standardized approach		2202.44
	Securitisation exposures		0.00
B	Capital requirements for market risk (Standardized duration approach) (@ 9% CRAR)		99.91
	Interest rate risk		63.13
	Foreign exchange risk (including gold)		4.50
	Equity risk		32.28
C	Capital requirements for operational risk (Basic Indicator Approach) (@ 9% CRAR)		185.66
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)	18.23 %	16.77 %
	The Federal Bank Ltd. (solo basis)	18.36 %	16.92 %
	Significant bank subsidiaries *(wherever applicable, entity wise data)*		

I. 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) All credit proposals of Rs.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 Rs. 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 Rs. 2 lakh to Rs. 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 Rs. 5 Crore and above and is also conducting migration and default rate analysis of all loans above Rs. 50 lakhs. 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 Rs.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. Advance 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) Organizational structure

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 Board level Risk Management Committee. CRMC meets at least once in a month and ORMC meets at least once in a quarter. Depending on requirement, ALCO meets very often. 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. 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 Chief Risk Officer reports to the Managing Director & CEO through the Executive Director & Chief Financial Officer.

(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 Rs. 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)	43675.61	3479.75	47155.36
2.2	Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
	Overseas			
	Domestic	43675.61	3479.75	47155.36
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)			820.97
	Substandard			479.23
	Doubtful 1			158.24
	Doubtful 2			74.31
	Doubtful 3			18.66
	Loss			90.53

2.6	Net NPAs	128.79
2.7	NPA ratios	
	Gross NPAs to gross advances	2.97
	Net NPAs to net advances	0.48
2.8	Movement of NPAs (Gross)	
	Opening balance (balance as at the end of previous Fiscal)	589.54
	Additions during the period	747.39
	Reductions	515.96
	Closing balance	820.97
2.9	Movement of provisions for NPAs	
	Opening balance (balance as at the end of previous Fiscal)	514.93
	Provisions made during the period (net)	413.11
	Write off / Write-back of excess provisions (net)	243.61
	Closing balance	684.43
2.10	Amount of Non Performing Investments	0.81
2.11	Amount of provisions held for Non Performing Investments	0.81
2.12	Movement of provisions for depreciation on investments	
	Opening balance (balance as at the end of previous Fiscal)	128.33
	Provisions made during the period	0.00
	Write-off	0.00
	Write-back of excess provisions	111.34
	Closing balance	16.99

TABLE 4 (A): INDUSTRY TYPE DISTRIBUTION OF EXPOSURES (Amount in Rs. 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	139.16	2.20	141.36	0.30%
2	Food Processing	409.98	5.73	415.71	0.88%
3	Beverages & Tobacco	7.77	0.01	7.78	0.02%
4	Textiles	769.27	8.57	777.84	1.65%
5	Leather & Leather products	64.89	2.78	67.67	0.14%
6	Paper & Paper products	181.72	1.97	183.69	0.39%
7	Petroleum, Coal products & Nuclear Fuels	471.72	65.53	537.25	1.14%
8	Chemicals & Chem prod.	456.16	10.96	467.12	0.99%
9	Rubber, Plastic & their products.	171.33	0.55	171.88	0.36%
10	Cement & Cem. Products	24.68	1.43	26.11	0.06%

11	Basic Metal & Metal products	1107.75	53.92	1161.67	2.46%
12	All Engineering	359.87	246.83	606.70	1.29%
13	Vehicles, parts and Transport equipments	97.64	5.18	102.82	0.22%
14	Gems& Jewellery	61.14	0.00	61.14	0.13%
15	Construction	116.44	3.77	120.21	0.25%
16	Infrastructure	3083.93	169.75	3253.68	6.90%
17	Other industries	850.83	3.33	854.16	1.81%
	TOTAL	8374.28	582.51	8956.79	

As on 31st March 2010, only exposure to infrastructure exceeds 5% of the gross credit exposure of the Bank.

TABLE 4 (B): RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS (Amount in Rs. Crore)

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	276.92	4.04	53.31	2.90	1481.69		1.07	1819.93
2 – 7 days		8.52	264.82	146.04	156.18		0.00	575.56
8-14 days		9.14	7.65	84.82	192.13		0.00	293.74
15-28 days		63.55	30.00	293.61	1015.71		0.00	1402.87
29 days & up to 3 months		173.84	42.43	622.83	2022.25		1.38	2862.73
Over 3 months & up to 6 months		228.02	6.30	401.09	2109.34		1.39	2746.14
Over 6 months & up to 1 year		205.02	0	778.30	2607.49		1.45	3592.26
Over 1 year & up to 3 years		680.76	0	590.50	12310.18		349.39	13930.83
Over 3 years & up to 5 years		31.79	0	966.72	2666.16		1.55	3666.22
Over 5 years		637.28	0	9167.84	2388.98	289.77	301.46	12785.33
Total	**276.92**	**2041.96**	**404.51**	**13054.65**	**26950.11**	**289.77**	**657.69**	**43675.61**

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

1.	**Qualitative disclosures**
	For portfolios under the Standardized Approach;
1.1	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.
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 / monthly bulletin 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 Rs. Crore
		Below 100 %	27572.77
		100 %	11961.43
		More than 100 %	2925.70
		Deducted	0.00
		Total	42459.90

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 Rs. 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	2717.45	2266.51	450.94
B	Non-market related off balance sheet items	1981.54	405.30	1576.24
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	4698.99	2671.81	2027.18

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	1342.18	1210.09
B	Non-market related off balance sheet items	431.49	290.79
C	Securitisation exposures – on balance sheet	0.00	0.00
D	Securitisation exposures – off balance sheet	0.00	0.00
	TOTAL	1773.67	1500.88

TABLE DF – 7: SECURITISATION EXPOSURES: DISCLOSURE 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.

2.	**Quantitative disclosures**	(Amount in Rs. Crore)
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 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

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 Rs. Cr.
	Investment in Pass Through Certificates		4.12
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 (Rs. Cr.)
	Investment in Pass Through Certificates	1.14%	4.12
G	Aggregate amount of capital requirements for securitisation exposures (risk weight band wise distribution)		
	Type of exposure	Capital charge as % to exposure	Capital charge (Rs. Cr.)
	Investment in Pass Through Certificates	1.14%	0.05
H	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 Rs. Crore)

2.	Quantitative disclosures	
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach under Basel II	99.91
	Interest rate risk	63.13
	Foreign exchange risk (including gold)	4.50
	Equity position risk	32.28

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 have 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 31.03.2010). 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 Rs. Cr.)	Nil
	Uniform 1% decrease in interest rate (Amt in Rs. Cr.)	64.73
2.2	Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	5.15% Rs.261.40 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 Rs. Cr.
	Credit risk –over and above Pillar I capital charge	0.00
	Sectoral credit concentration risk	0.00
	Geographical credit concentration risk	46.85
	Interest rate risk	0.00
	Liquidity risk	0.00

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	2010

II. Capital raised during the year
(Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds
(Amount in Rs. Thousands)

Total Liabilities	43675,60,51	Total Assets	43675,60,51
Source of Funds:			
Paid up Capital	171,03,30	Reserves and Surplus	4519,41,55
Secured Loans	NIL	Unsecured Loans	1546,75,64
Deposits	36057,95,08		
Application of funds			
Net fixed assets	2,89,76,97	Investments	13054,64,76
Advances	26950,11,13	Miscellaneous Expenditure	NIL
Net Current Assets	2000,62,71	Accumulated Losses	NIL

IV. Performance of Bank (Amount in Rs. Thousands)

Turnover	4204,14,39	Total Expenditure	2939,29,67
Profit before Tax	859,54,51	Profit after Tax	464,54,51
Earning per Share	Rs.27.16 (Annualised)	Dividend @ 50 % - (Proposed)	85,52,00

V. Generic Names of Three Services of Bank
(as per monetary terms)

Item Code No. (ITC Code)	NA
Product Description	BANKING, LEASING, MERCHANT BANKING

M. Venugopalan
Managing Director & CEO

P.C. John
Executive Director & CFO

DIRECTORS

P.H. Ravikumar   P.C. Cyriac   Suresh Kumar   P. Surendra Pai   Abraham Koshy   M.Y. Khan

EXECUTIVE DIRECTOR
P.R. Kalyanaraman

KOCHI
14 May, 2010

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 2010
2. Share of the subsidiary held by the Company on the above date:	
a) Number and face value	1,00,00,000 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 within the Holding Company's accounts	
a) for the current financial year (Amount in thousands)	Rs. 24,289
b) for the previous financial year (Amount in thousands)	Rs. 363
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

M. Venugopalan
Managing Director & CEO

P.C. John
Executive Director & CFO

DIRECTORS

P.H. Ravikumar   P.C. Cyriac   Suresh Kumar   P. Surendra Pai   Abraham Koshy   M.Y. Khan

EXECUTIVE DIRECTOR
P.R. Kalyanaraman

KOCHI
14 May, 2010