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.