

There aren't many words that can sum up our growth.
Leap, however, is one.



FEDERAL BANK
YOUR PERFECT BANKING PARTNER

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Message from the Chairman

I am happy to address you all on the occasion of this 81st Annual General Meeting of your Bank. 2011-12 has been another excellent year in the history of Federal Bank. I would like to congratulate the MD & CEO and his able team. As you are aware, this performance has been achieved in a very tough business environment. So far, we were under the impression that India's GDP growth would continue at a higher rate of 8 plus %, in spite of the Euro zone crisis and the very slow recovery in the US, since our domestic market is huge. But the continuous raising of the bank rate on 13 consecutive occasions over a period of 24 months, obviously with a view to curb inflation, has had an impact on industrial production. This combined with the delays in key policy initiatives that focus on the supply side has had its toll on the overall business environment.

The macro economic environment of the country exhibits moderation in private consumption and deceleration in investment growth. Moderation in the core level inflation has not transmitted to the retail level. Depreciation in rupee on account of the global factors like Euro zone uncertainty and the domestic factors like higher current account deficit and the slow down in capital inflows are part of the concerns facing the economy. Growing fiscal and current account deficits are lead indicators of stresses and strains building up in the system. The Indian economy is performing below its potential growth level and is encountering a decline in growth of gross fixed capital formation, adverse external environment, dampening domestic sentiment, large fiscal deficit, growing supply side constraints and persistent inflation, all of which would call for some swift and decisive action by the policy makers.

However, let me assure you that we need not despair. The Indian financial markets are more mature, diverse and deep. They have resilience to absorb shocks. Our regulatory systems and crisis response mechanisms are very robust and sophisticated.

You would agree that customer focus is the key to the success of any organization and in banking, a service industry, it is of paramount importance. It must be recognized that only the customer can bring business to the banks and contribute to their bottom lines. All other constituents such as technology, employees and infrastructure are only to act as enablers in the process.

So, any financial innovation, to result in benefits, needs to focus more on the customer. When innovations have focused on better alignment of interests between the bank and its customers, they have always resulted in win-win situations. In fact your Bank could perform well in this financial year because of the paramount importance it gave to the customer.

In my Address at the last year's AGM, I had stressed that inclusive growth alone will be sustainable. We have to harness technology for the benefit of the masses. The large sections of our population that are still excluded from the formal financial mainstreams should be provided access to faster, safer, and cheaper financial services. This alone can ensure financial and economic stability across the country.

Your Bank has always looked at Financial Inclusion as a business opportunity and is in the forefront for capturing untapped business in rural areas covering approximately 2/3rd population of the country. It is effectively utilizing the

RBI policy of simplification of branch licensing where in Domestic Scheduled Commercial Banks have been permitted to freely open branches in Tier 2 to Tier 6 centers. The Bank has also set up 14 Financial Literacy Centers especially in the rural areas to undertake Financial Literacy activities.

The financials of the Bank for the year 2012 clearly indicates that we could perform well in many of the key performance parameters such as profit, capital adequacy and asset quality. Your Bank's customer-centric strategies, with a vibrant team, would definitely take the Bank to greater heights in the days to come.

I have to admit and acknowledge that it is the support and the goodwill of the shareholders of the Bank that made our journey in the financial year 2012 and all the years past, successful. With your sincere support and cooperation, we will steer the Bank to greater glory in the years to come, adhering to the best principles enunciated and followed by the founder of the Bank, Shri.K.P.Hormis.

On this occasion when I am bidding farewell after spending 7½ years on the Board, I have to thank the top management, officers and employees, the share holders, the customers and my distinguished colleagues on the Board of the Bank for their cooperation during all these years.

With best wishes,



P.C.Cyriac
Chairman



Letter from the Managing Director & CEO

I am pleased to inform you, our esteemed shareholders, that the performance of your bank for the financial year 2012 was very encouraging, this against the backdrop of challenging global and domestic macro economic scenario. We have invested in strengthening our core platform and I can confidently say that we are making steady progress in our journey of building one of the best performing private sector banks in India.

In my inaugural letter last year, I had highlighted that our objective would be to ensure that we focus on both quality and inclusive growth in the coming years and shape our Bank as one that delivers quality, consistently while setting our sight on exceeding all stakeholder expectations.

I am happy to report to you that our Bank in FY '12 made good progress on those objectives and notably our key success has been in the area of national expansion in our footprint while we very much kept our eyes on key financial metrics of ROE and cost to income, suggesting that our teams were determined to ensure their productivity and efficiency in every sphere of work.

On two occasions last year, we set and achieved new records. On October 18th 2011 (on our founder's day) we opened 66 branches across India, only to be bested by ourselves in March of 2012, when we had a record opening of 100 branches. We had the pleasure and privilege of the then **Hon'ble Finance Minister of India, Shri. Pranab Kumar Mukherjee** inaugurating the branches in a very elegant launch function held in Delhi which was graced by champion cricketer Shri. Kapil Dev as also the entire Board of Federal Bank.

This financial year (FY '13), we are determined to leverage the benefits of this expansion as we look to grow much in our chosen markets in the coming years too, subject to business metrics meeting our agreed milestones.

A few weeks ago, a notable international bank, had come up with an analysis of the companies and stocks that have turned out to be 'Dependable' over a longish period of time (5 years or more). The analysis suggested that only 22 companies met their stringent criteria to earn the name of being a 'Dependable' Stock and I am pleased to report that your Bank is one of those stable and robust performers which have successfully navigated all market challenges. We of course, will seek to do even more in the coming years by steadfastly

focusing on the basics of banking with zeal and passion.

This year, in keeping with the focus on extending personalized and customized service we expanded our 'Fed Select' facilities to 70 branches in the country as we target to cross 100 branches by the end of FY '13. Further our product teams launched an array of value added offerings including the prepaid cards for travel and gifting. Our prepaid foreign currency denominated travel card comes in three currencies (USD, GBP and Euro).

The Bank has long cherished a strong bond and relationship with the Indian diaspora, particularly those residing in the Middle East and gulf countries. This year saw us strengthen our presence and service for our esteemed customers. Our customers rewarded us handsomely for our efforts as we were able to grow our share in the NRI business and this along with the focus on the growing SME markets will remain our key thrust areas in the coming years. We are seeking regulatory approval to open representative offices in Dubai as also an overseas branch in the DIFC, Dubai.

Let me turn to our increased focus on technology for both servicing our customers and also to increase our internal fundamentals. I am happy to inform you that we won the International ACI Excellence Award 2012 in the Payments Transformation category for two prestigious projects Visa Money Transfer (Visa Fast Funds) & Federal Bank's Aadhar (UID) Based Authentication of Payments.

These awards inspire us to retain our focus in using technology as a key differentiator in the coming years. We had identified fresh asset quality improvement and strengthening of risk management as key areas for the bank. The value of strong risk management practices can never be stated enough and that too in stressed market conditions. Our teams in risk have made good progress this year by ensuring all elements of risk management (origination, underwriting, monitoring and recovery) have been addressed and the improvement in numbers are a good testimony to the effort. We will seek to keep this focus and improve on the good start we have made. I believe we will benefit from these efforts, particularly in trying market conditions.

You may recall that I had mentioned about inclusive growth as a focus for the Bank. Through our business initiatives, aided by the exclusive focus laid by a newly established Corporate Social

Responsibility team, we were able to make good progress last year. Some of the noteworthy initiatives were:

- As part of our green initiative, 66 saplings were planted in Mookkannoor on the 66th Founders Day, with the initiatives of the employees and the public.
- A Call centre managed by the differently-abled was inaugurated on 8th November, 2011 by Dr. C. Rangarajan, Chairman of Prime Minister's Economic Advisory Council. The bank extended financial support for projects taking care of children having cerebral palsy.
- We contributed to build an old age home for the financially down-trodden group of women.
- Fedbank Hormis Memorial Foundation, a trust under the Bank is granting scholarship to Economically Backward students.
- The 12th Commemorative Lecture of our Founder Shri. K.P. Hormis was conducted on 8th November, 2011 by Dr. C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council.

The Bank was recognized for its CSR initiatives and was awarded the Global CSR Award for the Best Corporate social responsibility Practice Overall and the Golden Peacock Award for Corporate Social Responsibility for the year.

Your bank believes that recognizing and rewarding the employees is a key factor in its success. We have re modeled our HR system and have introduced a host of HR initiatives which includes Elixir a mentoring programme to groom and develop the new recruits, SANGAM - a family get-together to foster relationships and to develop and exhibit their cultural talents and Federal Ambassador - an initiative to recognize the employees for excellent customer service. The Bank also rewards the employees for their contribution towards business growth through ESOS and other incentives. We seek to harness the collective power of our employees by stoking their passion for the institution through all these efforts and tasks and thereby be 'Proud to be a Federal'.

Now let me share with you the Bank's financial performance in a few key areas.

Total business of the Bank (deposits plus advances) increased from ₹ 74968.01 Crore to ₹ 86693.11 Crore as on 31st March 2012. The Bank's deposits increased to ₹ 48937.12 Crore registering a YoY growth of 13.77% and advances touched ₹ 37755.99 Crore, registering a YoY increase of 18.16%.

As on 31st March 2012, total NRE Deposits constitute 16.27% of total deposits. The Bank could reach a figure of ₹ 7963.61

Crore compared to ₹ 5871.19 Crore in FY 2011 registering a growth of 35.64%

The Bank could achieve a net profit figure of ₹ 776.79 Crore despite the challenges in the year caused by inflationary tendencies, moderation in GDP growth and rising cost of the resources

With increased profits, return on average equity and return on average total assets followed suit, growing from 11.98% to 14.37% and 1.34% to 1.41% respectively.

Gross NPAs as percentage to Gross Advances stand as 3.35% as against 3.49% in FY 2011 and Net NPAs at 0.53% of Net Advances as against 0.60% in the previous financial year. Fresh accretion to NPAs during the period could be brought down to ₹ 695.31 crore from ₹ 875.84 crore in FY 2011 and the recovery for the year reached ₹ 358.78 crore as against ₹ 241.51 in FY 2011.

As on 31.03.2012, the Bank held a total provision of ₹ 1055.33 crore. The total provision coverage for NPAs as on March 31st, 2012 is 81.13%. As per the extant RBI directive, Banks need to hold minimum provision coverage of 70% including technically written off accounts.

We are as a management team, astutely aware that we live in challenging times and to continue to repeat the strong performance of FY '12 requires a very disciplined and robust effort. We are driven as a team, by our Vision 2015, which is our guiding post to ensure we never go off the rails and are staying the course charted out by our Board and Shareholders. Our journey is to build a Bank that is deep-rooted in its values, in its care for employees and customers, in its endeavor to deliver customers and quality shareholder value.

We remain determined and optimistic of coming back to you with more sustained and quality outcomes in the coming years and we seek your esteemed patronage and of course your custom and feedback.

I remain, 'Proud to be a Federal'.

Best Wishes,



Shyam Srinivasan

Board of Directors



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

Management Team



Shri. Abraham Chacko
Executive Director



Shri. T.S. Jagadeesan
Chief General Manager



Shri. Ashutosh Khajuria
President - Treasury



Shri. Mohan K.S.
General Manager



Shri. C.P. Mohandas
General Manager



Shri. T. Oommen Benjamin
General Manager



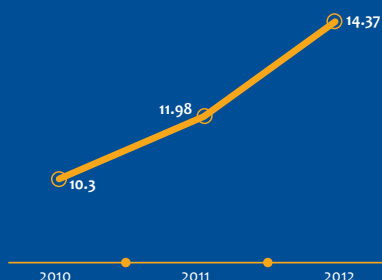
Shri. Jolly Antony
General Manager

The Federal Bank Limited

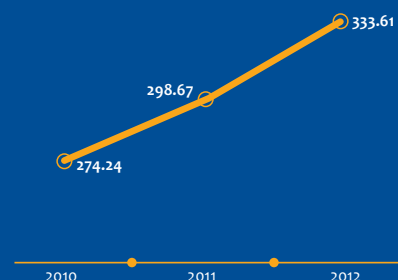
Performance Dashboard

Enhancing Shareholders Value

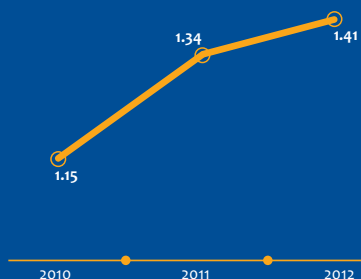
ROE



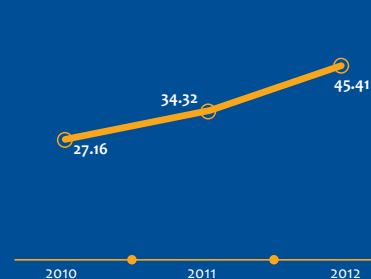
Book Value per Share



ROA

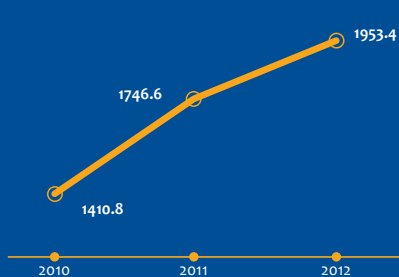


EPS

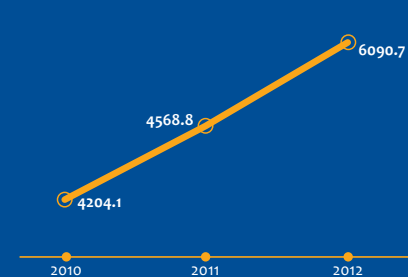


Growing Income

Net Interest Income

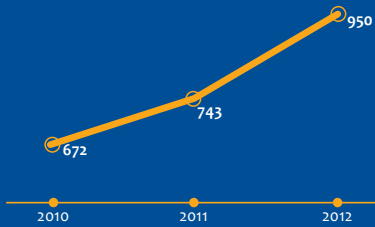


Total Income

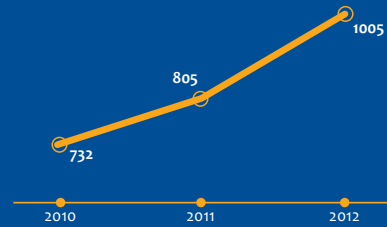


Expanding Footprint

Number of Branches

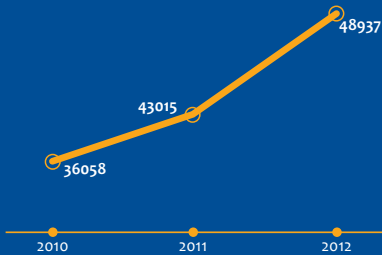


Number of ATMs

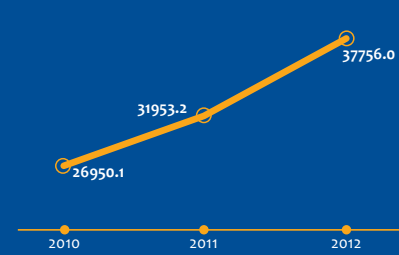


Strengthening Business

Total Deposits

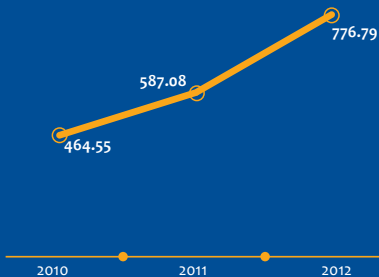


Total Advances



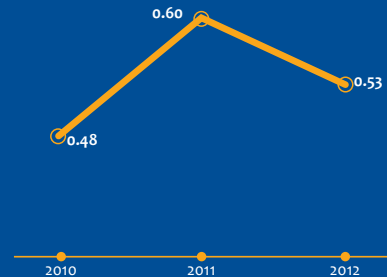
Growing Profits

Net Profit



Improving asset quality

Net NPA



The Federal Bank Limited

Report of the Board of Directors

Dear Shareholders,

Your Board of Directors has great pleasure in presenting the 81st Annual Report of The Federal Bank Limited on its business and operations front along with the audited accounts for the year ended March 31, 2012

In Financial Year 2011 - 2012 we delivered balanced and strong results attributing to year on year growth in all major parameters in the business front

Financial Parameters	For the year ended (₹ In Crores)	
	31-03-2012	31-03-2011
Net Interest Income	1,953.40	1,746.58
Fee and Other Income	532.34	516.81
Net Revenue	2,485.74	2,263.39
Operating Expense	979.27	836.14
Operating Profit	1,506.47	1,427.25
Net Profit	776.79	587.08
Profit brought forward	25.78	23.14
Total Profit Available for appropriation	802.57	610.22
Appropriations:		
Transfer to statutory Reserves	194.20	146.80
Transfer to Revenue Reserves	98.88	232.11
Transfer to Capital Reserves	5.40	0.00
Transfer to Special Reserves	28.50	36.56
Proposed Dividend	153.94	145.39
Provision for Dividend Tax	24.97	23.58
Balance Carried over to Balance Sheet	296.68	25.78
Financial Position		
Deposits	48,937.12	43,014.78
Advances	37,755.99	31,953.23
Total Business (Deposits + Advances)	86,693.11	74,968.01
Other Borrowings	4,241.03	1,888.36
Investments	17,402.49	14,537.68
Total Assets (Balance Sheet Size)	60,626.77	51,456.36
Capital	171.05	171.05
Ratios		
Return on Total Assets (%)	1.41	1.34
Return on Equity (%)	14.37	11.98
Earnings Per Share (₹)	45.41	34.32
Book value per share (₹)	333.61	298.67
Operating cost to Income (%)	39.40	36.94
Capital Adequacy Ratio (%) Basel (I)	13.83	15.39
Capital Adequacy Ratio (%) Basel (II)	16.64	16.79

Your Bank could achieve this growth by addressing the challenges in macro-economic conditions, inflationary trends and stringent regulatory norms along with tight monetary measures. A focussed and defined approach in this fiscal year resulted in better performance on various strategic fronts which the Bank had identified.