FEDERAL BANK Q4 NET up 47% at Rs.171.72 Cr

Delivers a record Net Profit of Rs. 587 Cr for FY 2011 Recommends a dividend of 85%

Federal Bank has announced its audited financial results for the fourth quarter of FY 2010-11 and for the twelve months ended March 2011, following adoption of the results by the Board of Directors in its meeting held at Kochi on 6th May, 2011.

WORKING RESULTS AT A GLANCE

(Rs. in Crores)

	Q 4	Q 4	0/ grounth	12 months	12 months	0/ grouth	
	2010 – 11	2009 – 10	% growth	2010 – 11	2009 – 10	% growth	
Interest Income	1100.02	953.14	↑ 15.41 %	4052.03	3673.23	1 0.31 %	
Other Income	141.19	130.59	↑ 8.12 %	516.81	530.91	↓ 2.66 %	
Total Income	1241.21	1083.73	1 4.53 %	4568.84	4204.14	↑ 8.67 %	
Net Interest Income	447.64	409.69	↑ 9.26 %	1746.68	1410.83	↑ 23.80 %	
Operating Profit	350.22	351.79	↓ 0.45 %	1427.25	1264.85	↑ 12.84 %	
Provisions (incl.Tax)	178.50	234.94	4 24.02 %	840.17	800.30	↑ 4.98 %	
Net Profit	171.72	116.85	1 46.96 %	587.08	464.55	1 26.38 %	

The total income for Q4 increased by 14.53 % to Rs. 1241.21 Crores, while for the entire fiscal, it increased by 8.67 % to Rs. 4568.84 Crores. The net interest income for Q4 grew by 9.26 % to Rs. 447.64 Crores, while for the full year, the NII grew by 23.80 % to Rs. 1746.68 Crores. The interest income for the fourth quarter increased by 15.41 % on a y-o-y basis to Rs. 1100.02 Crores, while that for the entire fiscal increased by 10.31 % to Rs. 4052.03 Crores. The other income for the fourth quarter increased by 8.12 % to Rs. 141.19 Crores compared to the corresponding period of the previous fiscal, while the other income for the 12 month period decreased marginally from Rs. 530.91 Crore to Rs. 516.81 Crore. However, Other Income excluding Trading gain on securities, increased by 47.73 Cr (11.3%) over the previous fiscal.

The net profit for the fourth quarter zoomed by 46.96 % to reach Rs. 171.72 Cr as against Rs. 116.85 Cr reported in Q4 of the previous fiscal. The Net Profit of the Bank for the 12 months ended March 2011 is Rs. 587.08 Crore, which is 26.38 % higher than the figure of Rs. 464.55 Crore clocked as on 31.03.2010. The Operating Profit of the Bank for the fourth quarter at Rs. 350.22 Cr is a shade lower by 0.45 % over the corresponding figure for the previous fiscal, mainly on account of increase in costs due to wage revision and absorption of pension costs. However, the Operating Profit for the fiscal ended 31.03.2011 at Rs.1427.25 Cr was higher by 12.84 % over the previous fiscal.

The Net Interest Margin of the Bank for the fiscal ended March 2011 is at 4.22. The Net Interest Margin witnessed a marginal decline in comparison with Q3 of this fiscal as well as Q4 of previous fiscal. The general increase in interest rates, the Banks's conscious movement towards higher rated borrowers and risk adjusted pricing of loans lead to this marginal decline in NIM.

The Bank revamped its credit delivery, loan monitoring mechanism and NPA management. As a result of this, the Gross NPA of the Bank fell lower than the previous quarter. The ratio of gross NPA as on 31.03.2011 is 3.49% as against 3.95% of the previous quarter. The Net NPA decreased from 0.81% to 0.60% of the previous quarter.

Return on Average Assets and Capital Adequacy Ratio are at 1.34% and 16.79 % respectively as on 31.03.2011, compared to 1.15 % and 18.36 % as on 31.03.2010.

Performance Highlights for the twelve months ended 31.03.2011

- Current and Savings Accounts (CASA) increased by 21.27 %
- Net Interest Margin (NIM) at 4.22 %
- Net NPA at 0.60 %
- Total Deposits increased by 19.29 % from Rs. 36057.95 Cr to Rs. 43014.78 Cr
- Net Advances increased by 18.56 % from Rs. 26950.12 Cr to Rs. 31953.23 Cr
- Investments increased by 11.36 % from Rs. 13054.65 Cr to Rs. 14537.67 Cr
- Return on Average Assets at 1.34 %
- Earnings Per Share increased to Rs. 34.32
- Book Value per share increased to Rs. 298.67
- Capital Adequacy Ratio at 16.79 %
- Return on Equity is at 11.98%
- Cost to Income ratio at 36.94%

GROWTH IN BUSINESS

Total deposits increased by 19.29% to 43014.78 Crores by the end of March 2011. While Savings Bank deposits increased by 20 % y-o-y, Current Deposits increased by 31 %. CASA constitutes 26.28 % of the total deposits as on 31.03.2011. The average cost of deposits of the Bank has come down by 56 bps from 6.55 % as on 31.03.2010 to 5.99 % as on 31.03.2011.

Net Advances went up by 18.56 % to Rs. 31953.23 Cr as on 31st March 2011 from Rs. 26950.12 Cr as on 31st March 2010. The growth was mainly driven by the Corporate and SME sectors. The Corporate Advances grew by 45 % to reach Rs.13895 Crores as on 31.03.2011, while the SME advances grew by 27.6 % to reach Rs. 9564 Crores. The retail advances of the Bank grew by a modest 10.9 % on y-o-y basis and reached Rs. 9436 Cr forming 28.7 % of the total advances. Corporate advances constituted 42 % of the total advances of the Bank. While the advances to priority sector reached Rs. 11101 Cr as on 31st March 2011 (41.2 % of Net Bank Credit), lending to Agriculture sector was at Rs. 3749 Cr. Yield on advances dropped 21 bps to 11.09 % as on 31.3.2011 from 11.30 % as on 31.03.2010.

NET WORTH & CAPITAL ADEQUACY

The Net Worth of the Bank increased to Rs. 5108.66 Crores as on 31.03.2011 from Rs. 4690.45 Crores as on 31.03.2010. The Capital Adequacy (CRAR) of the Bank, computed as per Basel 2 guidelines, stands at 16.79 %, against the regulatory minimum of 9 %. The CRAR computed as per Basel 1 norms is 15.39 %. The Tier-1 (core CRAR) capital works out to 15.64 % under Basel 2.

ASSET QUALITY

The Bank had a Gross NPA of 3.49 % and Net NPA of 0.60 % as on March 31, 2011, as against 2.97 % and 0.48 % respectively as at the end of March 2010. The total provisions held against non-performing advances, expressed as a percentage of gross NPAs amounted to 82.06 % at the end of fiscal 2010-11.

MAJOR FINANCIAL INDICATORS

(Rupees in Crore)

Particulars	Q 4	Q 4	%	12 M	12 M	%		
	FY 2010-11	FY 2009-10	growth	FY 2010-11	FY 2009-10	growth		
Income & Expenditure								
Interest Income	1100.02	953.14	15.41 %	4052.03	3673.23	10.31 %		

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Total Income	1241.21	1083.73	14.53 %	4568.84	4204.14	8.67 %
Interest Expenses	652.38	543.45	20.04 %	2305.45	2262.40	1.9 %
Operating Expenses	238.61	188.49	26.59 %	836.14	676.89	23.53 %
Total Expenditure	890.99	731.94	21.73 %	3141.59	2939.29	6.88 %
Operating Profit	350.22	351.79	-0.45 %	1427.25	1264.85	12.84 %
Net Profit	171.72	116.85	46.96 %	587.08	464.55	26.38 %
Business Figures	As on 31	.03.2011	As on 3	1.03.2010	% Growth	
Deposits	43015		36058		19.29 %	
SB & Demand Deposits	11554		9442		22.37%	
Retail Term Deposits				24051		
Net Advances	31953		26950		18.56 %	
Agricultural Credit	3749		2926		28.12 %	
Priority Sector Advances	11101		10253		8.27 %	
Retail Advances	9436		8509		10.9 %	
Investments	14538		13055		11.36 %	
Gross NPA (%)	3.49		2.97			
Net NPA (%)	0.60		0.48			
Capital						
Equity Capital	171.05		171.03			
Net Worth	5108.66		4690.45		8.92%	
Capital Adequacy Ratio	16.79		18.36			

141.19 130.59 8.12 % 516.81

The total number of branches and ATMs had increased to 743 and 804 respectively, by the end of fiscal 2010-11. The Bank opened 71 branches and 73 ATMs during the last fiscal.

The business per employee and profit per employee as on March 31, 2011 were at Rs.923 Lacs and Rs.7.26 Lacs respectively as compared to Rs.813 Lacs and Rs.6.01 Lacs respectively as on March 31, 2010. The Cost to Income ratio slightly increased to 36.94 % as on March 2011 from 34.86 % in March 2010.

The Earning Per Share (annualised), Book Value per share and Return on average Equity (RoE) for the fiscal ended March 31, 2010 stood at Rs.34.32, Rs.298.67 and 11.98 % respectively as against Rs. 27.16, Rs. 274.24 and 10.3 % respectively as at March 31, 2010.

The Board of Directors have recommended a dividend of 85% i.e Rs.8.50/- per share on face of Rs.10/-each for the year 2010-11.

OTHER DEVELOPMENTS

Other Income

- → Retail and SME Credit Hubs formed across all metros have aided in faster processing and disbursal of loans. The creation of these hubs has strengthened the appraisal and quality of assessment at the point of approval of loans as also monitoring post approval. The Bank will continue to focus on lending to SME and retail loans (home loans / auto loans) through these hubs.
- → The Bank won the WebAwards "Bank Standard of Excellence (2010)" declared by the Web Marketing Association in Sept 2010 for its content rich, innovative and ease of use corporate website. WebAwards is the premier annual website award competition that names the best Web sites in 96 industries while

setting the standard of excellence for all website development.

- → In order to increase its share of CASA, the Bank undertook various initiatives like introduction of IMPS (Interbank Mobile Payment System which facilitates funds transfer through mobile from Federal Bank to any other Bank), waiver of charges on transactions at other Bank ATMs for our customers, introduction of facilities such as ASBA (on-line application for IPOs), FedeTrade (Bank's on-line trading account), Launch of priority banking services (christened FedSelect) at select branches of the Bank etc.
- → As a part of financial inclusion, the bank opened its first Gram Jeevan Branch at Thuruthy.
- → Bank introduced a Stock Option Scheme for the employees of the Bank.
- → Bank is the market leader with respect to remittance tie-ups and handles around 7% of the total remittance to India from abroad. Instant money transfer facilities from abroad etc were introduced by the Bank to assist its NRIs.
- → Introduced products (such as Federal Rupee Plus) in order that the customer gets higher returns for his foreign currency deposits.

LOOKING AHEAD

- → As part of the organic growth efforts, the bank will pursue an aggressive Branch expansion policy. The bank proposes to open 200 new branches and ATM's in the current fiscal in select geographies across India.
- → The Bank will soon put in place a robust Collection arrangement for Retail and Small SMEs.
- → The Bank will continue its focus on low cost deposits, mainly CASA, with customized products and priority banking channels. Bank will further build upon the strong NRI franchise that is presently available across the country.
- → The Bank has entered into arrangements for raising foreign currency funds from abroad for on-lending to domestic customers, so that they get cheaper funds.
- → Bank has identified Fee Income as one of its core contributors to total income. Towards this the bank is designing dedicated fee income products for SME and large corporate borrowers. Bank has its own life insurance company IDBI Federal Life Insurance Co Ltd for life insurance products and acts as corporate agents for Bajaj Allianz General Insurance Company and also distributes many Mutual Fund products. The bank has also set up an analytics division to support cross selling and up selling opportunities to its large clientele.

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A presentation for investors is being placed separately on our Bank's website: www.federalbank.co.in

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