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**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
THE FEDERAL BANK LIMITED**

1. We have reviewed the accompanying statement of Unaudited Financial Results of **THE FEDERAL BANK LIMITED** ("the Bank") for the quarter and half year ended 30th September, 2013 ("the Statement") being submitted by the Bank pursuant to Clause 41 of the Listing Agreements with the Stock Exchanges, except for the disclosures referred to in paragraph 6 below. This Statement is the responsibility of the Bank's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditors of the Entity', issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of the Bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. In the conduct of our review, 48 branches have been reviewed by one of us and we have relied on the review reports in respect of returns including non-performing assets received from the branch auditors of 34 branches, specifically appointed for this purpose by the bank. These review reports cover 56 percent of the advances portfolio of the bank. Apart from these review reports, in the conduct of our review, we have also relied upon various returns received from the branches of the bank.



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4. Based on our review conducted as stated above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards notified under the Companies Act, 1956 (which continued to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and other recognised accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the stock exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters.
5. Attention is drawn to Note No. 6 of the Statement regarding proportionate charge of pension liability of the bank amounting to ₹ 8.42 Crore and ₹ 16.84 Crore for the quarter and half year ended 30th September, 2013 respectively and the balance unamortised liability of ₹ 50.52 Crore as at 30th September, 2013, pursuant to the exemption granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018 / 2010-11 dated April 8, 2011, from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits.

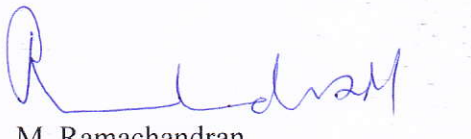
Our conclusion is not qualified in respect of this matter.



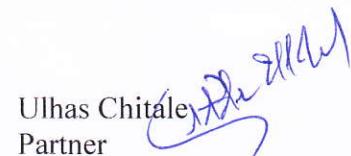
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6. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding, and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements and the particulars relating to investor complaints disclosed in the Statement, from the details furnished by the Registrars. The "Pillar 3 disclosures under Basel III Capital Regulations" disclosed on the Bank's website and in respect of which a link has been provided in the Statement have also not been subjected to our review.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No.008072S)


M. Ramachandran
Partner
(Membership No.16399)

For **M P CHITALE & CO.**
Chartered Accountants
(Firm Registration No. 101851W)


Ulhas Chitale
Partner
(Membership No. 32292)

KOCHI, 19 October, 2013.

THE FEDERAL BANK LIMITED
REGD.OFFICE: P.B.NO. 103, FEDERAL TOWERS, ALUVA-683101.

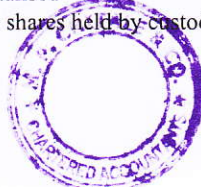
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2013

(₹ in Lakhs)

Particulars		Quarter ended			Half Year ended		Year ended
		30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012	31.03.2013
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Interest earned (a)+(b)+(c)+(d)	171444	165326	152563	336770	306234	616757
	(a) Interest/discount on advances/bills	126486	124206	115300	250692	231633	463566
	(b) Income on Investments	43778	39705	35418	83483	70934	146460
	(c) Interest on balances with Reserve Bank of India and other inter bank funds	1112	1324	1278	2436	2949	5636
	(d) Others	68	91	567	159	718	1095
2	Other Income	14340	21579	13941	35919	26374	66444
3	TOTAL INCOME (1+2)	185784	186905	166504	372689	332608	683201
4	Interest expended	116609	114365	101972	230974	206479	419291
5	Operating Expenses (i)+(ii)	33784	32486	29568	66270	56514	117954
	(i) Employees Cost	17043	17351	15944	34394	31182	62646
	(ii) Other operating expenses	16741	15135	13624	31876	25332	55308
6	TOTAL EXPENDITURE (4)+(5) (excluding Provisions and Contingencies)	150393	146851	131540	297244	262993	537245
7	OPERATING PROFIT (3-6) (Profit before Provisions and Contingencies)	35391	40054	34964	75445	69615	145956
8	Provisions (other than Tax) and Contingencies	1098	24510	3045	25608	9323	26580
9	Exceptional Items	-	-	-	-	-	-
10	Profit from Ordinary Activities before tax (7-8-9)	34293	15544	31919	49837	60292	119376
11	Tax expense	11712	4978	10409	16690	19747	35559
12	Net Profit from Ordinary Activities after tax (10-11)	22581	10566	21510	33147	40545	83817
13	Extraordinary items (net of tax expense)	-	-	-	-	-	-
14	Net Profit for the period (12-13)	22581	10566	21510	33147	40545	83817
15	Paid-up Equity Share Capital (Face value ₹ 2/- each) (Refer Note 4)	17106	17106	17105	17106	17105	17106
16	Reserves excluding Revaluation Reserve	-	-	-	-	-	618839
17	Analytical Ratios						
	(i) Percentage of shares held by Government of India	NIL	NIL	NIL	NIL	NIL	NIL
	(ii) Capital Adequacy ratio (%)						
	(a) Under Basel II	NA	15.00	15.79	NA	15.79	14.73
	(b) Under Basel III (Refer Note 7)	15.35	14.27	-	15.35	-	-
	(iii) Earnings per Share (EPS) (in ₹) (Refer Note 4)						
	(a) Basic and diluted EPS before Extra ordinary Items	2.64*	1.24*	2.52*	3.88*	4.74*	9.80
	(b) Basic and diluted EPS after Extra ordinary items	2.64*	1.24*	2.52*	3.88*	4.74*	9.80
	(iv) NPA Ratios						
	a) Gross NPA	146600	148325	143533	146600	143533	155401
	b) Net NPA	41141	37362	24503	41141	24503	43194
	c) % of Gross NPA	3.39	3.51	3.83	3.39	3.83	3.44
	d) % of Net NPA	0.98	0.91	0.68	0.98	0.68	0.98
	(v) Return on Assets (%)	0.34*	0.15*	0.36*	0.49*	0.68*	1.35
18	Public Shareholding:						
	Number of Shares (in Lakhs) (Refer Note 4)	8342.35	8383.90	8357.70	8342.35	8357.70	8384.40
	Percentage of shareholding #	97.54	98.02	97.72	97.54	97.72	98.03
19	Promoters and Promoter group share holding						
	(a) Pledged/Encumbered						
	- Number of Shares	NIL	NIL	NIL	NIL	NIL	NIL
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	NIL	NIL	NIL	NIL	NIL	NIL
	- Percentage of Shares (as a % of the total share capital of the company)	NIL	NIL	NIL	NIL	NIL	NIL
	(b) Non-encumbered						
	- Number of Shares	NIL	NIL	NIL	NIL	NIL	NIL
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	NIL	NIL	NIL	NIL	NIL	NIL
	- Percentage of Shares (as a % of the total share capital of the company)	NIL	NIL	NIL	NIL	NIL	NIL

* Not annualised

excludes shares held by custodian against which Global Depository Receipts have been issued.



Segment Information @

(₹ in Lakhs)

Particulars	Quarter ended			Half year ended		Year ended
	30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012	31.03.2013
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Segment Revenue:						
Treasury	49106	53376	41879	102482	84211	181360
Corporate/Wholesale Banking	59132	57985	54025	117117	117524	216973
Retail Banking	76699	74580	69331	151279	128679	280788
Other Banking operations	847	964	1269	1811	2194	4080
Unallocated	-	-	-	-	-	-
Total Revenue	185784	186905	166504	372689	332608	683201
Less: Inter Segment Revenue	-	-	-	-	-	-
Income from Operations	185784	186905	166504	372689	332608	683201
Segment Results (net of provisions):						
Treasury	1729	10721	3953	12450	10268	29047
Corporate/Wholesale Banking	12909	(4957)	11225	7952	17889	26114
Retail Banking	20090	9151	16042	29241	31095	62566
Other Banking operations	20	860	1018	880	1613	3315
Unallocated	(455)	(231)	(319)	(686)	(573)	(1666)
Profit before tax	34293	15544	31919	49837	60292	119376
Capital employed:						
Treasury	295328	297596	249979	295328	249979	246148
Corporate/Wholesale Banking	117326	121384	121854	117326	121854	163289
Retail Banking	137544	141874	134019	137544	134019	168548
Other Banking operations	1580	1860	47976	1580	47976	6928
Unallocated	117848	84319	57351	117848	57351	51553
Total	669626	647033	611179	669626	611179	636466

@ For the above segment reporting, the reportable segments are identified into Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations in compliance with the revised RBI guidelines. The Bank has only the Domestic geographic segment.

Notes:

1 Statement of Assets and Liabilities as on 30th September, 2013 is given below:

(₹ in Lakhs)

Particulars	As at 30.09.2013 Unaudited	As at 30.09.2012 Unaudited
CAPITAL AND LIABILITIES		
Capital	17106	17105
Reserves and Surplus	652520	594074
Deposits	5679374	4951807
Borrowings	503289	275425
Other Liabilities and Provisions	271326	220958
Total	7123615	6059369
ASSETS		
Cash and Balances with Reserve Bank of India	327202	299203
Balance with Banks and Money at Call and Short Notice	87964	97642
Investments	2279358	1855022
Advances	4222006	3629918
Fixed Assets	39540	37374
Other Assets	167545	140210
Total	7123615	6059369



- 2 The above financial results, subjected to Limited Review by Statutory Central auditors, have been taken on record by the Audit Committee and approved by the Board of Directors at its meeting held on 19th October, 2013.
- 3 As a prudent policy, the Bank holds provisions for Non Performing Assets over and above the minimum required under the Reserve Bank of India (RBI) norms. Further, provision for restructured advances has been made as per RBI guidelines.
- 4 Pursuant to the approval of the Shareholders at the 82nd Annual General Meeting held on 20th July 2013, the face value of each equity share of ₹ 10/- was sub-divided into 5 (Five) Equity Shares of ₹ 2/- each with effect from 19th October 2013. Accordingly, the number of shares and the Earnings Per Share of the previous periods have been restated to make the same comparable.
- 5 The Bank has changed its policy on valuation of swap contracts against the overseas borrowings, by amortising the cost over the period of swap tenure, with effect from 01.04.2013, as against the earlier practice of writing back/writing off the mark-to-market gain or loss at the end of each reporting period. This change in policy does not have any financial impact over the full period of swap.
- However, the impact of change in the policy on valuation and amortization as described above, is decrease in the profit by ₹1539.26 Lakhs for the quarter ended 30 September 2013 (decrease in the profit by ₹ 1314.07 Lakhs for the half year ended 30 September, 2013). Had this policy been adopted in the previous year, the effect would have been increase in profit by ₹ 112.45 Lakhs for the quarter ended 30 September 2012 (decrease in profit by ₹177.70 Lakhs for the half year ended 30 September 2012) and decrease in profit by ₹148.68 Lakhs for the year ended 31 March, 2013.
- 6 The Pension liability arising on exercise of second option by employees (other than separated/retired employees) is being amortized equally over a period of 5 years commencing from the year ended on 31.03.2011, and accordingly an amount of ₹16.84 Crore, being the proportionate liability in respect thereof, for the half year ended 30.09.2013 (₹ 8.42 Crore for the quarter ended 30.09.2013) have been charged to Profit and Loss Account and the balance amount of ₹ 50.52 Crore yet to be written off is carried forward to be amortised in future periods as permitted by the Reserve Bank of India vide letter no. DBOD.BP.BC.15896/21.04.018/2010-11 dated 08.04.2011.
- 7 In terms of RBI circular DBOD.No.BP.BC.88/21.06.201/2012-13 dated 28.03.2013, Banks have been advised to disclose capital under Basel III Capital Regulations from the quarter ended 30th June 2013. Accordingly, corresponding details for previous period/year are not applicable.
- 8 In accordance with RBI circular DBOD.No.BP.BC.2/21.06.201/2013-14 dated 1st July, 2013, banks are required to make half yearly Pillar 3 disclosures under Basel III Capital Regulations with effect from 30th September, 2013. The Bank has made these disclosures which are available on its website at the following link: <http://www.federalbank.co.in/regulatory-disclosures>. These disclosures have not been subjected to limited review by the statutory auditors of the bank.
- 9 In terms of RBI circular DBOD.BP.BC.No.41/21.04.141/2013-14 dated August 23, 2013 on "Investment portfolio of banks-Classification, Valuation and Provisioning", the Bank has opted to amortise the depreciation on the Available for Sale (AFS) and Held For Trading (HFT) portfolios on each of the valuation dates in the current financial year in equal installments during the financial year 2013-14. Accordingly, of the total depreciation of ₹122.22 Crore as at September 30, 2013, the Bank has recognized ₹17.46 Crore in the profit and loss account of the current quarter.



10 During the quarter ended 30th September 2013, the bank has allotted 3225 equity shares pursuant to the exercise of options under its Employee Stock Option Scheme 2010.


11 Number of Investor complaints received and disposed off during the quarter ended 30th September 2013:

- | | |
|--|-------|
| a) Pending at the beginning of the quarter | : NIL |
| b) Received during the quarter | : 42 |
| c) Disposed off during the quarter | : 42 |
| d) Pending at the end of the quarter | : NIL |

12 Figures for the previous periods have been recast/regrouped wherever necessary.

Kochi
19th October 2013




SHYAM SRINIVASAN
MANAGING DIRECTOR & CEO