

TERMS OF THE PRESENT ISSUE

Federal Bank is seeking offer for subscription of Unsecured Redeemable Non-Convertible Subordinated Bonds in the nature of Promissory Notes (Series-IV) of Rs. 10,00,000/- each for cash at par aggregating Rs. 45.00 crores.

The Bonds offered are subject to provisions of the Companies Act, 1956, Securities Contract Regulation Act, 1956, Memorandum and Articles of Association of the Bank, Terms of this Information Memorandum, Instructions contained in the Application Form and other terms and conditions as may be incorporated in the Trustee Agreement and Bond Trust Deed. Over and above such terms and conditions, the Bonds shall also be subject to the applicable provisions of the Depositories Act 1996 and the laws as applicable, guidelines, notifications and regulations relating to the allotment & issue of capital and listing of securities issued from time to time by the Government of India (GoI), Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI), concerned Stock Exchange(s) or any other authorities and other documents that may be executed in respect of the Bonds.

NATURE & STATUS OF THE BONDS

The Bonds are to be issued in the form of Unsecured Redeemable Non-Convertible Subordinated Bonds in the nature of Promissory Notes (Series-IV). The Bonds will constitute direct, unsecured and subordinated obligations of the Bank, ranking *pari passu* with the existing/ future subordinated debt of the Bank and subordinated to the claims of all other creditors and depositors of the Bank as regards repayment of principal and interest by the Bank. The Bonds shall be free of any restrictive clauses and shall not be redeemable at the initiative of the holder or without the consent of the Reserve Bank of India (RBI).

INSTRUMENT & ISSUE DETAILS AT A GLANCE

Issue Size	Rs. 45.00 crores	
Issue Objects	Augmenting the Tier-II Capital for strengthening the Capital Adequacy and enhancing long term resources of the Bank	
Instrument	Unsecured Redeemable Non-Convertible Subordinated Bonds in the nature of Promissory Notes (Series-IV)	
Instrument Form	In Dematerialised Form	
Credit Rating	'CARE AA' by CARE	
Face Value	Rs. 10,00,000/- per Bond	
Issue Price	At par (Rs. 10,00,000/- per Bond)	
Minimum Application	5 Bonds and in multiples of 1 Bond thereafter	
Option	Option-I	Option-II
Tenure	93 Months (7 Year 9 Months)	117 Months (9 Year 9 Months)
Put & Call Option	None	None
Redemption/ Maturity	At par at the end of 93 Months from the Deemed Date of Allotment	At par at the end of 117 Months from the Deemed Date of Allotment
Coupon Rate *	6.75% p.a.	6.85% p.a.
Interest Payment	Annually	Annually
Listing	Proposed on the National Stock Exchange of India Limited (NSE)	
Trustee	IDBI Trusteeship Services Limited (ITSL) has been appointed by the Bank to act as Trustees for and on behalf of the holder(s) of the Bonds	
Interest on Application Money	At the respective coupon rate (subject to deduction of tax at source, as applicable) from the date of realisation of cheque(s)/ demand draft(s) upto one day prior to the Deemed Date of Allotment	

* subject to deduction of tax at source, as applicable.

KEY TERMS

Face Value & Issue Price

Each Bond has a face value of Rs. 10,00,000/- and is issued at par i.e. for Rs. 10,00,000/- per Bond.

Minimum Application

The application should be for a minimum of 5 Bonds (Rs. 50,00,000/-) and in multiples of 1 Bond (Rs. 10,00,000/-) thereafter.

Interest on Application Money

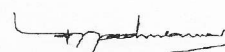
Interest at the respective coupon rate (i.e. @ 6.75% p.a. under Option-I and @ 6.85% p.a. under Option-II) (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) will be paid to all the applicants on the application money for the Bonds. Such interest shall be paid from the date of realisation of cheque(s)/ demand draft(s) upto one day prior to the Deemed Date of Allotment. The interest on application money will be computed on an Actual/ 365 day basis. Such interest would be paid on all the valid applications, including the refunds. Where the entire subscription amount has been refunded, the interest on application money will be paid alongwith the Refund Orders. Where an applicant is allotted lesser number of bonds than applied for, the excess amount paid on application will be refunded to the applicant alongwith the interest on refunded money.

The interest cheque(s)/ demand draft(s) for interest on application money (alongwith Refund Orders, in case of refund of application money, if any) shall be dispatched by the Bank within 15 days from the Deemed Date of Allotment and the relative interest warrant(s) alongwith the Refund Order(s), as the case may be, will be dispatched by registered post to the sole/ first applicant, at the sole risk of the applicant.

Interest on the Bonds

The Bonds shall carry interest at the respective coupon rate (i.e. @ 6.75% p.a. under Option-I and @ 6.85% p.a. under Option-II) (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Bank) on the outstanding amount of the principal till redemption. Interest will be paid annually in July, each year throughout the tenure of the Bonds till final redemption. The first interest payment shall be made on July 31, 2005 and the last interest payment for the broken period will be made at the time of final redemption of the Bonds on pro-rata basis. Interest on Bonds will cease on the date of final redemption in all events.

(In case the Deemed Date of Allotment is revised (pre-poned/ postponed) then the above interest payment date may also be revised (pre-poned/ postponed) accordingly by the Bank at its sole & absolute discretion).


(K. P. Padmakumar)
Chairman

Interest payment date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for Business in the city of Aluva, Kerala, then payment of interest will be made on the next day that is a business day but without liability for making payment of interest for the intervening period.

Computation of Interest

Interest for each of the interest periods shall be calculated, on 'actual/ 365 (366 in case of a leap year) days' basis, on the face value of principal outstanding on the Bonds at the respective coupon rate rounded off to the nearest Rupee.

Deemed Date of Allotment

Interest on the Bonds shall accrue to the Bondholder(s) from July 31, 2004, which shall be the Deemed Date of Allotment. All benefits relating to the Bonds will be available to the investors from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment. The Bank reserves the right to keep multiple allotment date(s)/ deemed date(s) of allotment at its sole and absolute discretion without any notice. In case if the issue closing date is changed (pre-poned/ postponed), the Deemed Date of Allotment may also be changed (pre-poned/ postponed) by the Bank at its sole and absolute discretion.

Depository Arrangements

The Bank has appointed "Integrated Enterprises (India) Limited" (hereinafter referred to as the 'Registrars/ 'RTA') [Address: 41/427, 'Seema', Near Abad Metro Hotel, Rajaji Road, Ernakulam - 682 035; Tel: (0484) 2371494, 2366099; Fax: 91-484-2384735; E-mail stdcochin@iepindia.com] as Registrars & Transfer Agent for the present bond issue. The Bank has made necessary depository arrangements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for issue and holding of Bonds in dematerialised form. In this context the Bank has signed two tripartite agreements as under:

- Tripartite Agreement dated 12.01.1998 between Federal Bank, Integrated Enterprises (India) Limited and National Securities Depository Limited (NSDL) for offering depository option to the investors.
- Tripartite Agreement dated 21.09.1999 between Federal Bank, Integrated Enterprises (India) Limited and Central Depository Services (India) Limited (CDSL) for offering depository option to the investors.

Investors can hold the bonds only in dematerialised form and deal with the same as per the provisions of Depositories Act, 1996 as amended from time to time.

Procedure for applying for Demat Facility

1. The applicant must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or CDSL prior to making the application.
2. The applicant must necessarily fill in the details (including the beneficiary account number and Depository Participant's ID) appearing in the Application Form under the heading 'Details for Issue of Bonds in Electronic/ Dematerialised Form'.
3. Bonds allotted to an applicant will be credited directly to the applicant's respective Beneficiary Account(s) with the DP.
4. For subscribing the bonds, names in the application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
5. Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrars to the Issue.
6. If incomplete/incorrect details are given under the heading 'Details for Issue of Bonds in Electronic/ Dematerialised Form' in the application form, it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Bank.
7. For allotment of Bonds, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The Applicant is therefore responsible for the correctness of his/her demographic details given in the application form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient, the Issuer would not be liable for losses, if any.
8. It may be noted that Bonds being issued in electronic form, the same can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. The National Stock Exchange of India Limited where the Bonds of the Bank are proposed to be listed has connectivity with NSDL and CDSL.
9. Interest or other benefits would be paid to those Bondholders whose names appear on the list of beneficial owners given by the Depositories to the Bank as on Record Date/ Book Closure Date. In case of those Bonds for which the beneficial owner is not identified by the Depository as on the Record Date/ Book Closure Date, the Bank would keep in abeyance the payment of interest or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to the Bank, whereupon the interest or benefits will be paid to the beneficiaries, as identified, within a period of 30 days.

Investors may note that pursuant to circular no. SEBI/MRD/SE/AT/36/2003/30/09 dated September 30, 2003 issued by SEBI, the Bonds of the Bank would be issued and traded only in dematerialised form.

Market Lot

The market lot will be one Bond ("Market Lot"). Since the bonds are being issued only in dematerialised form, the odd lots will not arise either at the time of issuance or at the time of transfer of bonds.

Letter(s) of Allotment/ Bond Certificate(s)/ Refund Order(s)

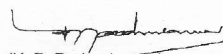
Issue of Letter(s) of Allotment

The beneficiary account of the investor(s) with National Securities Depository Limited (NSDL)/ Central Depository Services (India) Limited (CDSL)/ Depository Participant will be given initial credit within 15 days from the Deemed Date of Allotment. The initial credit in the account will be akin to the Letter of Allotment. On completion of the all statutory formalities, such credit in the account will be akin to a Bond Certificate.

Issue of Bond Certificate(s)

Subject to the completion of all legal formalities within 3 months from the Deemed Date of Allotment, or such extended period as may be approved by the Appropriate Authorities, the initial credit akin to a Letter of Allotment in the Beneficiary Account of the investor would be replaced with the number of Bonds allotted.

The Bonds since issued in electronic (dematerialized) form, will be governed as per the provisions of The Depository Act, 1996, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, rules notified by NSDL/ CDSL/ Depository Participant from time to time and other applicable laws and rules notified in respect thereof.


(K. P. Padmakumar)
Chairman

Dispatch of Refund Orders

The Bank shall ensure dispatch of Refund Order(s) of value upto Rs. 1,500/- under certificate of posting and Refund Order(s) of value of over Rs. 1,500/- by Registered Post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by the Bank.

Terms of Payment

The full face value of the Bonds applied for is to be paid alongwith the Application Form. Investor(s) need to send in the Application Form and the cheque(s)/ demand draft(s) for the full face value of the Bonds applied for.

Option of Bonds	Face Value per Bond	Minimum Application for	Amount Payable on Application per Bond
Option-I	Rs. 10,00,000/-	5 Bonds	Rs. 10,00,000/-
Option-II	Rs. 10,00,000/-	5 Bonds	Rs. 10,00,000/-

Payment of Interest

The interest will be payable annually to the Bondholder(s) whose names appear in the List of Beneficial Owners given by the Depository to the Bank on the Record Date. Payment of interest will be made by way of cheque(s)/ interest warrant(s)/ demand draft(s), which will be dispatched to the sole/ first applicant, 7 days before the due date(s) by registered post at the sole risk of the applicant.

Tax Deduction at Source (TDS)

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. For seeking TDS exemption/ lower rate of TDS, relevant certificate(s)/ document(s) must be lodged at least 15 days before the payment of interest becoming due with the Company Secretary, Secretarial Department, The Federal Bank Limited, Registered Office, Federal Towers, Bank Junction, Aluva – 683 101, Kerala, or to such other person(s) at such other address(es) as the Bank may specify from time to time through suitable communication.

Tax exemption certificate/ declaration of non-deduction of tax at source on interest on application money, should be submitted along with the Application Form. Where any deduction of Income Tax is made at source, the Bank shall send to the Bondholder(s) a Certificate of Tax Deduction at Source.

Tax Benefits

Under the existing provisions of the Income Tax Act, 1961 for the time being in force, the following tax benefits and deductions will be available to the Bondholders of the Bank subject to the fulfillment of the requirements of the relevant provisions. The tax benefits are given as per the prevailing tax laws and may vary from time to time in accordance with the amendments or enactment thereto. As alternate views are also possible, the Bondholder(s) are advised to consult their own tax advisers on the tax implications of the acquisition, ownership and sale of Bonds, and income arising thereon.

I. To Resident Bondholders

No Income Tax will be deducted at source from interest payable on Bonds in the following cases:

- a. In case of payment of interest to a Bondholder, who is an individual and resident in India, where the interest payment in the aggregate during the financial year does not exceeds Rs. 2,500/-;
- b. Tax will be deducted at a lower rate where the Assessing Officer, on an application of any Bondholder, issues a certificate for deduction of tax at such lower rate as per provisions of the Section 197(1) of the Income Tax Act.

In all other situations, tax would be deducted at source on each payment as per prevailing provisions of the Income Tax Act. Details on deduction of tax at source are given under para 'Tax Deduction at Source (TDS)' mentioned elsewhere in this Information Memorandum. No Wealth Tax is payable in respect of investments in Bonds of the Bank.

II. To the other Eligible Institutions

- a. Mutual Funds registered under the SEBI Act or regulations made thereunder or such other mutual fund sets up by public sector bank or public financial institution or authorised by Reserve Bank of India and notified by the Central Government will, subject to the provisions of Chapter XII-E, be exempted from income tax on all their income, including from investment in Bonds under the provisions of Section 10(23D) of Income Tax Act.
- b. Section 10(25) of the Income Tax Act, inter alia, exempts from tax, any income received by the Recognized Provident Funds, approved Superannuation Funds or approved Gratuity Funds.
- c. No Wealth Tax is payable in respect of investments in Bonds of the Bank.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2003.
2. The stated benefits will be available only to the sole/ first named holder in case the bonds are held by joint holders.

Put & Call Option

Neither Put Option shall be available to the Bondholder(s), nor Call Option would be available to the Bank to redeem the Bonds prior to maturity. The Bonds are free from restrictive clauses and are not redeemable before maturity at the instance of the holder or without the consent of the Reserve Bank of India (RBI).


Redemption

The face value of the Bonds will be redeemed at par, at the end of 93 Months (7 Year 9 Months) from the Deemed Date of Allotment in case of Option-I and at the end of 117 Months (9 Year 9 Months) from the Deemed Date of Allotment in case of Option-II. However, the bonds shall not be redeemable before maturity at the initiative of the holder or without the consent of the RBI in terms of the Capital Adequacy Guidelines DBOD No. BP.BC.5/ 21.01.002/ 98-99 dated February 8th, 1999 issued by RBI, as amended.

In case if the principal redemption date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for Business in the city of Aluva, Kerala, then the payment due shall be made on the next Business Day together with additional interest for the intervening period.

Payment on Redemption

Payment on redemption will be made by cheque(s)/ warrants(s) in the name of the Bondholder whose name appears on the List of Beneficial owners given by Depository to the Bank as on the Record Date. On the Bank dispatching the redemption warrants to such Beneficiary(ies) by registered post/ courier, the liability of the Bank shall stand extinguished.


 (K. P. Padmakumar)
 Chairman

Bonds shall be taken as discharged on payment of the redemption amount by the Bank on maturity to the list of Beneficial Owners as provided by NSDL/ CDSL/ Depository Participant. Such payment will be a legal discharge of the liability of the Bank towards the Bondholders. On such payment being made, the Bank will inform NSDL/ CDSL/ Depository Participant and accordingly the account of the Bondholders with NSDL/ CDSL/ Depository Participant will be adjusted.

The Bank's liability to the Bondholders towards all their rights including for payment or otherwise shall cease and stand extinguished from the due date of redemption in all events. Further the Bank will not be liable to pay any interest or compensation from the date of redemption. On the Bank dispatching the amount as specified above in respect of the Bonds, the liability of the Bank shall stand extinguished.

Record Date

The 'Record Date' for the Bonds shall be 15 days prior to each interest payment and/ or principal repayment date.

Effect of Holidays

Should any of dates defined above or elsewhere in the Information Memorandum, excepting the Deemed Date of Allotment, fall on a Saturday, Sunday or a Public Holiday, the next working day shall be considered as the effective date(s).

Mode of Transfer of Bonds

Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/ CDSL/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

List of Beneficial Owners

The Bank shall request the Depository to provide a list of Beneficial Owners as at the end of the Record Date. This shall be the list, which shall be considered for payment of interest or repayment of principal amount, as the case may be.

Trustees for the Bondholders

The Bank has appointed IDBI Trusteeship Services Limited (ITSL) to act as Trustees for and on behalf of the holders of the Bonds ("Trustees"). The text of consent letter from ITSL to act as Trustee for and on behalf of the holder(s) of bonds is reproduced elsewhere in this Information Memorandum.

The Bank and the Trustees will enter into a Trustee Agreement, inter alia, specifying the powers, authorities and obligations of the Trustees and the Bank. The Bondholder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the Bondholder(s). Any payment made by the Bank to the Trustees on behalf of the Bondholder(s) shall discharge the Bank pro tanto to the Bondholder(s). The Trustees will protect the interest of the Bondholders in the event of default by the Bank in regard to timely payment of interest and repayment of principal and they will take necessary action at the cost of the Bank. No Bondholder shall be entitled to proceed directly against the Bank unless the Trustees, having become so bound to proceed, fail to do so.

Right to Accept or Reject Applications

The Board of Directors/ Committee of Directors reserves its full, unqualified and absolute right to accept or reject any application, in part or in full, without assigning any reason thereof. The rejected applicants will be intimated along with the refund warrant, if applicable, to be sent. Interest on application money will be paid from the date of realisation of the cheque(s)/ demand drafts(s) till one day prior to the date of refund. The Application Forms that are not complete in all respects are liable to be rejected and would not be paid any interest on the application money. Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

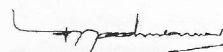
- a. Number of bonds applied for is less than the minimum application size;
- b. Applications exceeding the issue size;
- c. Bank account details not given;
- d. Details for issue of bonds in electronic/ dematerialised form not given;
- e. PAN/GIR and IT Circle/Ward/District not given;
- f. In case of applications under Power of Attorney by limited companies, corporate bodies, trusts, etc. relevant documents not submitted;
- g. In the event, if any Bond(s) applied for is/ are not allotted in full, the excess application monies of such Bonds will be refunded, as may be permitted.

How to Apply

This Information Memorandum is neither a prospectus nor a statement in lieu of prospectus and does not constitute an offer to the public generally to subscribe for or otherwise acquire the Bonds issued by the Bank. The document is for the exclusive use of the Institution(s) to whom it is delivered and it should not be circulated or distributed to third parties. The document would be sent specifically addressed to the institution(s) by the Issuer Bank and/ or by its Sole Arranger.

Only eligible investors as given hereunder may apply for bonds by completing the Application Form in the prescribed format in BLOCK LETTERS in English as per the instructions contained therein. Applications should be for a minimum of 5 Bonds and in multiples of 1 Bond thereafter. Applications not completed in the said manner are liable to be rejected. Application Form duly completed in all respects must be submitted with any of the designated branches of the Bankers to the Issue. The name of the applicant's bank, type of account and account number must be filled in the Application Form. This is required for the applicant's own safety and these details will be printed on the refund orders and interest/ redemption warrants.

The applicant or in the case of an application in joint names, each of the applicant, should mention his/her Permanent Account Number (PAN) allotted under the Income-tax Act, 1961 or where the same has not been allotted, the GIR No. and the Income tax Circle/Ward/District. As per the provision of Section 139A(5A) of the Income Tax Act, PAN/GIR No. needs to be mentioned on the TDS certificates. Hence, the investor should mention his PAN/GIR No. if the investor does not submit Form 15G/15AA/other evidence, as the case may be for non-deduction of tax at source.


(K. P. Padmakumar)
Chairman

Whether the PAN nor the GIR Number has been allotted, the applicant shall mention "Applied for" and in case the applicant is not assessed to income tax, the applicant shall mention 'Not Applicable' (stating reasons for non applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected.

Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application Form at the address mentioned therein.

Unless the Issuer Company specifically agrees in writing with or without such terms or conditions it deems fit, a separate single cheque/ demand draft must accompany each Application Form. Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are made.

All applicants are requested to tick the relevant column "Category of Investor" in the Application Form. Investors are advised to exercise due caution in selecting the appropriate option for which they wish to apply.

Application Form must be accompanied by either demand draft(s) or cheque(s) drawn or made payable in favour of 'The Federal Bank Limited – A/c Bond Issue' and crossed 'Account Payee Only'. Cheque(s)/ demand draft(s) may be drawn on any bank including a co-operative bank, which is a member or a sub-member of the Bankers Clearing House located at Chennai, Bangalore, Hyderabad, Ahmedabad, Kolkata, New Delhi or Mumbai.

Investors in centres which do not have any bank, including a co-operative bank, which is a member or sub-member of the Banker's Clearing House located at any of the centres mentioned above, will be required to make payments only through demand drafts payable at any one of the above centres. Cash, outstation cheques, money orders, postal orders and stockinvest shall not be accepted. The Bank assumes no responsibility for any applications/ cheques/ demand drafts lost in mail. Detailed instructions for filling up the application form and list of collection centres are provided elsewhere in this Information Memorandum.

No separate receipts shall be issued for the application money. However, Bankers to the Issue at their Designated Branch(es) receiving the duly completed Application Forms will acknowledge the receipt of the applications by stamping and returning the acknowledgment slip to the applicant. Applications shall be deemed to have been received by the Issuer Company only when submitted to Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

For further instructions, please read Application Form carefully.

Who Can Apply

The following categories of investors may apply for the bonds, subject to fulfilling their respective investment norms/ rules by submitting all the relevant documents alongwith the application form.

1. Scheduled Commercial Banks;
2. Financial Institutions;
3. Insurance Companies;
4. Primary/ State/ District/ Central Co-operative Banks (subject to permission from RBI);
5. Regional Rural Banks;
6. Mutual Funds;
7. Companies, Bodies Corporate authorised to invest in bonds;
8. Trusts, Individuals, Association of Persons, Societies registered under the applicable laws in India which are duly authorised to invest in bonds.

Applicants not to be made by

1. Individuals (Resident/ Non-Residents of India, Adult/ Minor);
2. Hindu Undivided Family (neither by the name of the Karta);
3. Partnership Firms or their nominees;
4. Overseas Corporate Bodies (OCBs);
5. Foreign Institutional Investors (FIIs);
6. Provident, Gratuity and Superannuation Funds.

Applications under Power of Attorney

A certified true copy of the power of attorney or the relevant authority as the case may be alongwith the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/ document, if any, must be lodged alongwith the submission of the completed Application Form. Further modifications/ additions in the power of attorney or authority should be notified to the Bank or to its Registrars or to such other person(s) at such other address(es) as may be specified by the Bank from time to time through a suitable communication.

Application by Mutual Funds


In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

Future Borrowings

The Bank shall be entitled to borrow/ raise loans or avail of financial assistance in whatever form as also issue Bonds/ Debentures/ Notes/ other securities in any manner with ranking as pari-passu basis or otherwise and to change its capital structure, including issue of shares of any class or redemption or reduction of any class of paid up capital, on such terms and conditions as the Bank may think appropriate, without the consent of, or intimation to, the Bondholder(s) or the Trustees in this connection.

Bondholder not a Shareholder

The Bondholders will not be entitled to any of the rights and privileges available to the Shareholders.


(K. P. Padmakumar)
Chairman

Bondholders

- The Bonds shall not, except as provided in the Companies Act, 1956 confer upon the holders thereof any rights or privileges available to the members of the Bank including the right to receive Notices or Annual Reports of, or to attend and/or vote, at the General Meeting of the Bank. However, if any resolution affecting the rights attached to the Bonds is to be placed before the shareholders, the said resolution will first be placed before the concerned registered Bondholders for their consideration. In terms of Section 219(2) of the Act, holders of Bonds shall be entitled to a copy of the Balance Sheet on a specific request made to the Bank.
2. The rights, privileges and conditions attached to the Bonds may be varied, modified and/or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the Bonds or with the sanction of Special Resolution passed at a meeting of the concerned Bondholders, provided that nothing in such consent or resolution shall be operative against the Bank, where such consent or resolution modifies or varies the terms and conditions governing the Bonds, if the same are not acceptable to the Bank.
 3. The registered Bondholder or in case of joint-holders, the one whose name stands first in the Register of Bondholders shall be entitled to vote in respect of such Bonds, either in person or by proxy, at any meeting of the concerned Bondholders and every such holder shall be entitled to one vote on a show of hands and on a poll, his/her voting rights shall be in proportion to the outstanding nominal value of Bonds held by him/her on every resolution placed before such meeting of the Bondholders.
 4. The quorum for such meetings shall be at least five Bondholders present in person.
 5. The Bonds are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles, the terms of this Information Memorandum and Application Form. Over and above such terms and conditions, the Bonds shall also be subject to other terms and conditions as may be incorporated in the Trustee Agreement/ Letters of Allotment/ Bond Certificates, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by the Government of India and/or other authorities and other documents that may be executed in respect of the Bonds.
 6. Save as otherwise provided in this Information Memorandum, the provisions contained in Annexure C and/ or Annexure D to the Companies (Central Government's) General Rules and Forms, 1956 as prevailing and to the extent applicable, will apply to any meeting of the Bondholders, in relation to matters not otherwise provided for in terms of the Issue of the Bonds.
 7. A register of Bondholders will be maintained in accordance with Section 152 of the Act and all interest and principal sums becoming due and payable in respect of the Bonds will be paid to the registered holder thereof for the time being or in the case of joint-holders, to the person whose name stands first in the Register of Bondholders.
 8. The Bondholders will be entitled to their Bonds free from equities and/or cross claims by the Bank against the original or any intermediate holders thereof.

Succession

In the event of winding-up of the holder of the Bond(s), the Bank will recognize the executor or administrator of the concerned Bondholder(s), or the other legal representative as having title to the Bond(s). The Bank shall not be bound to recognize such executor or administrator or other legal representative as having title to the Bond(s), unless such executor or administrator obtains probate or letter of administration or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter.

The Bank may, in their absolute discretion, where they think fit, dispense with production of probate or letter of administration or other legal representation, in order to recognize such holder as being entitled to the Bond(s) standing in the name of the concerned Bondholder on production of sufficient documentary proof or indemnity.

Notices

All notices to the Bondholder(s) required to be given by the Bank or the Trustees shall be published in one English and one regional language daily newspaper in Mumbai, New Delhi and Kochi and/ or will be sent by post/ courier to the sole/ first allottee or sole/ first Beneficial Owner of the Bonds, as the case may be from time to time.

All notice(s) to be given by the Bondholder(s) shall be sent by registered post or by hand delivery to the Bank or to such persons at such address as may be notified by the Bank from time to time through suitable communication.

Joint-Holders

Where two or more persons are holders of any Bond(s), they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to other provisions contained in the Articles.

Sharing of Information

The Bank may, at its option, use on its own, as well as exchange, share or part with any financial or other information about the Bondholders available with the Bank, with its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Bank or its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

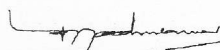
Debenture/ Bond Redemption Reserve

The Government of India, Ministry of Company Affairs has vide General Circular No. 9/2002 No.6/3/2001-CL.V dated April 18, 2002 clarified that banks need not create Debenture Redemption Reserve as specified under section 117C of the Companies Act, 1956.

Undertaking by the Issuer

The Issuer company undertakes that:

- a) the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily;
- b) it shall take all steps for completion of formalities for listing and commencement of trading at all the concerned stock exchange(s) where securities are to be listed and taken within reasonable time limits.
- c) the funds required for despatch of refund orders by registered post shall be made available to the Registrar to the Issue by the Issuer Company;
- d) no further issue of securities shall be made till the securities offered through this Information Memorandum are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc;
- e) necessary co-operation to the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding.


(K. P. Padmakumar)
Chairman

PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

The present issue of bonds is being made for augmenting the Tier-II Capital of the Bank for strengthening its Capital Adequacy and for enhancing the long-term resources of the Bank. The expenses of the present issue would be borne by the Bank. The Main Object Clause of the Memorandum of Association of the Bank enables it to undertake the activities for which the funds are being raised through the present issue and also the activities which the Bank has been carrying on till date. The proceeds of this Issue will be used by the Bank for its regular business activities.

Capital Adequacy Position of the Bank

The Capital Adequacy Ratio ("CAR") of the Bank as on March 31, 2004 was 11.48% as against the RBI stipulation of 9.00%. Details of capital vis-à-vis risk weighted assets for last five financial years are given as under:

As on	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004
(Rs. in crores)					
Capital Funds					
Tier I Capital					
Paid up Equity Capital	21.71	21.71	21.72	21.72	21.76
Less Investment in Subsidiary	15.00	0.50	0.50	0.50	0.50
Reserves & Surplus	309.88	363.76	347.46	407.67	462.70
Total Tier I Capital	316.59	384.97	368.68	428.89	483.96
Tier II Capital					
Revaluation Reserve	4.13	3.95	3.78	3.62	3.47
General Provisions	2.63	13.13	59.29	20.13	18.75
Subordinated Debt	120.00	90.00	60.00	180.00	225.00
Investment Fluctuation Reserve	21.21	21.21	71.21	92.03	156.67
Total Tier II Capital	147.97	128.29	194.28	295.78	403.89
Total Capital Fund	464.56	513.26	562.96	724.67	887.85
Risk Weighted Assets	4098.79	4987.53	5294.34	6450.93	7731.65
Capital Adequacy Ratio (%)	11.33	10.29	10.63	11.23	11.48

Requirement of Enhancement of Capital

The Bank expects to post a growth in business in the years to come. As a result, Risk weighted assets of the Bank are also expected to increase over the years. Increase in Tier I capital through retained earnings alone may not be sufficient to enable the Bank to maintain an adequate capital adequacy ratio. In view of the likely expansion of loan assets, the Bank proposes to augment its capital base in order to sustain a healthy CAR.

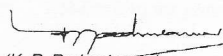
The Bank came out with a public issue of equity shares in the year 1994 details of which are given elsewhere in the Information Memorandum. The Bank also made a rights issue in 1996 details of which are given elsewhere in this Information Memorandum.

The Bank has also raised Tier II Capital by way of Private Placement of unsecured redeemable subordinated bonds in the nature of promissory notes to augment capital adequacy as under:

Issue Series	Year of Placement	Deemed Date of Allotment	Issue Amount (Rs. in Crores)	Tenure (in months)	Credit Rating	Coupon Rate (% p.a., annually)	Redemption Date
Series-I *	1998-99	15-01-1999	150.00	63	Unrated	14.40	15-04-2004
Series-II	2002-03	20-03-2003	150.00	75	'A+(ind)' by FITCH	8.00	19-06-2009
Series-III (a)	2003-04	30-08-2003	14.00	80	'CARE AA-' by CARE**	6.90	29-04-2010
Series-III (b)	2003-04	30-08-2003	61.00	104	'CARE AA-' by CARE**	7.10	29-04-2012

* Series-I Bonds were redeemed on the due date.

** "CARE AA-" has been upgraded to "CARE AA" w.e.f. June 25, 2004.


(K. P. Padmakumar)
Chairman