

III TERMS OF THE PRESENT ISSUE

The Bank intends to raise an amount of Rs. 75 Crores with a green-shoe option of Rs. 55 Crores by Private Placement of Unsecured, Redeemable, Non-Convertible Subordinated Bonds in the nature of Promissory Notes.

The Bonds being offered are subject, interalia to the terms of this Offer Document, the application form, the Memorandum and Articles of Association of the Bank, and the provisions of the Act. In addition, the bonds shall be subject to such other terms and conditions to be incorporated in the Bond Trust Deed / Letter of allotment and to the extent applicable, the provisions of the Depositories Act 1996, the relevant Statutory Guidelines and Regulations for allotment and listing of securities issued from time to time by the Government of India (GoI), SEBI and the Stock Exchanges concerned. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to bonds offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction.

ISSUE AT A GLANCE

Issue Size	Rs. 75 Crores with a green-shoe option of Rs. 55 Crores
Face Value	Rs. 10,00,000
Rating	'LAA - 'ICRA
Tenor	124 Months
Put/Call Option	None
Coupon Rate*	6.50% p.a.
Redemption	At the end of 124 Months from Deemed Date of Allotment
Payment of Interest	Annually
Issue Open	17 th March, 2004
Issue Closes	18 th March, 2004
Deemed Date of Allotment	19 th March, 2004

**Subject to TDS as applicable. Investors are advised to read the offer document for more details.*

NATURE OF INSTRUMENTS

The bonds are Unsecured Redeemable Non-Convertible Subordinated Bonds in the nature of Promissory Note.

FACE VALUE

Each bond has a face value of Rs.10,00,000/- and are issued at par i.e. Rs.10,00,000/-.

MINIMUM INVESTMENT

The minimum investment shall be one bond i.e. Rs. 10,00,000/- and in multiple of one bond i.e. Rs.10,00,000/- thereafter.

MATURITY

The bonds will mature on the expiry of 124 months from the Deemed Date of Allotment.

DEEMED DATE OF ALLOTMENT

19th March, 2004 shall be the deemed date of allotment of the Bonds. All the benefits under the bonds will accrue to the investor from this date .

ISSUE OF ALLOTMENT LETTER AND BOND CERTIFICATE IN DEMAT FORM

The Bank shall issue Bonds in dematerialised form and has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the same. Investors shall hold the Bonds in demat form and deal with the same as per the provisions of Depositories Act, 1996 /rules as notified by NSDL/CDSL from time to time. Investors should, therefore mention their Depository Participants name, DP-ID and Beneficiary

Account Number in the appropriate place in the Application Form. The Bank shall take necessary steps to credit the Depository Account of the Investor with the amount of Bonds issued.

MODE OF TRANSFER/TRANSMISSION OF BONDS

The Bond(s) shall be transferred and / or transmitted in accordance with the applicable provisions of the Companies Act, 1956 ("Act"). The provisions relating to transfer and transmission and other related matters in respect of shares of the Bank contained in the Articles and the Act shall apply, mutatis mutandis (to the extent applicable to Bonds) to the Bonds as well. In respect of the Bonds held in certificate form, a suitable instrument of transfer as may be prescribed by the Bank may be used for the same. The Bonds held in dematerialised form shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL/Depository Participant of the transferor/transferee and any other applicable laws and rules notified in respect thereof.

Transfer of Bonds to and from NRIs/OCBs in case they seek to hold the Bonds and are eligible to do so, will be governed by then prevailing guidelines of RBI. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/redemption will be made to the person, whose name appears in the Register of Bondholders/Record of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Bank.

INTEREST ON APPLICATION MONEY

Interest on Application Money at the applicable rate (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. 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 along with 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 shall be dispatched by the Bank within 15 days from the Deemed Date of Allotment and the relative Interest Warrant(s) along with the Letter(s) of Allotment/ 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.

COMPUTATION OF INTEREST

Interest for each of the interest periods, including Interest on Application Money shall be computed on a 365 days-a-year basis on the principal outstanding on the Bonds at the applicable rate. However, where the interest period (start date to end date) includes 29th February interest shall be computed on 366 days-a-year basis, on the principal outstanding on the Bonds at the applicable Interest rate.

PAYMENT OF INTEREST TO REGISTERED BONDHOLDERS

The Bonds shall carry interest at the rate of 6.50% p.a. , payable annually from the Deemed Date of Allotment

General: The above interest would be paid on the outstanding principal (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 statutory modification or re-enactment thereof, for which a certificate shall be issued by the Bank) and would be payable on 19th March every year. The first interest payment will commence from the Deemed Date of Allotment and fall due on 19th March, 2005.

Payment of interest at the applicable rate will be made to the registered bondholder whose name appears in the Register of Bondholders on the Record Date fixed by the Bank for this purpose

and /or as per the list provided by NSDL/CDSL to the Bank. Payment will be made by way of cheque(s), which will be dispatched to the Bond holder(s) by registered post/ speed post/ courier or hand delivery on or before the Interest Payment Dates.

RECORD DATE

The Record Date will be 30 days prior to each Interest Payment Date or the Date of Redemption as the case may be.

DEDUCTION OF TAX AT SOURCE

Tax applicable under the Income-Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. Tax exemption certificate/ document, under Income Tax Act, 1961, if any, must be lodged in duplicate at the office of the Issuer, at least 15 days prior to the Coupon Payment Date. Tax exemption certificate in respect of non- deduction of tax on interest on application money, must be submitted along with the application form to the satisfaction of the Issuer.

Regarding deduction of tax at source and the requisite declaration forms to be submitted prospective investor is advised to consult his tax advisor before investing in the Present Issue of Bonds of IDBI Bank Limited.

PUT/CALL OPTION

No put/call option is available for the Bonds.

REDEMPTION

The Bonds shall be redeemed, at par, at the end of 124 months from Deemed Date of Allotment. The Bonds cannot be redeemed without the consent of the Reserve Bank of India.

In case the Deemed Date of Allotment is revised then the Redemption dates will also stand revised accordingly.

PROCEDURE FOR REDEMPTION

In case of the Bonds held in demat form, no action is required on the part of the Bondholder(s) at the time of Redemption of the Bonds and on the Redemption date, the redemption proceeds would be paid by cheque to those Bondholder(s) whose name(s) appear on the list of beneficial owners given by the Depositories to the Bank. The name(s) would be as per the Depositories' records on the Record Date fixed for the purpose of Redemption. All such Bonds will be simultaneously redeemed through appropriate debit corporate action.

The cheque for redemption proceeds, will be dispatched by courier or hand delivery or registered post at the address provided in the Application / at the address as notified by Bondholder(s) or at the address with Depositories' record. Once the cheque for redemption proceeds is dispatched to the Bondholder(s) at the addresses provided or available from the Depositories record, the Bank's liability to redeem the Bonds on the date of Redemption shall stand extinguished and the Bank will not be liable to pay any interest, income or compensation of any kind from the date of redemption of the Bond(s).

DEPOSITORY ARRANGEMENT

The Bank has appointed Intime Spectrum Registry Limited as Registrars and Transfer Agents for Bond Issuance. IDBI Bank has entered into depository arrangements with National Securities Depository Limited (NSDL) and will be entering into depository agreement with Central Depository Services Ltd. (CDSL). IDBI Bank has signed one tripartite agreement in this connection viz.

- a. Tripartite Agreement dated February 26, 2004 between IDBI Bank, National Securities Depository Limited (NSDL) and the Registrar.

EFFECT OF HOLIDAYS

Should any of the dates defined above or elsewhere in the Offer Document, 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).

In case any Interest Payment Date(s) and/or the Date of Redemption falls on a holiday, interest/ redemption will be paid on the next working day (i.e. a day on which scheduled commercial banks are open for business). No additional interest will be paid as a result of the interest payment and/or Redemption being made on a day falling after the Interest Payment Date/ Date of Redemption under this condition.

SUCCESSION

Where Bonds are held in joint names and one of the joint holders dies, the survivor(s) will be recognised as the holder(s) of the said Bonds. It would be sufficient for the Bank to delete the name of the deceased Bondholder after obtaining satisfactory evidence of his death. Provided, a third person may call on the Bank to register his name as successor of the deceased holder after obtaining evidence such as probate of a will for the purpose of proving his title to the Bonds.

In the event of demise of the sole/first holder of the Bond, the Bank will recognise the executors or administrator of the deceased Bondholder, or the holder of the Succession Certificate or other legal representative as having title to the Bonds only if such executor or administrator obtains and produces probate or letter of Administration or is the holder of the Succession Certificate or other legal representation, as the case may be from an appropriate Court in India. The Directors of the Bank in their absolute discretion may, in any case, dispense with production of Probate or Letter of Administration or Succession Certificate or other legal representation.

Where a Non-Resident Indian becomes entitled to the Bond by way of succession, the following steps have to be complied with:

- a. Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the Bond was acquired by the NRI as part of the legacy left by the deceased holder.
- b. Proof that the NRI is an Indian national or is of Indian origin.

Such holding by the NRI will be on a non-repatriation basis.

REGISTER OF BONDHOLDERS

The Register of bondholders containing necessary particulars will be maintained by IDBI Bank at such place(s) as it may decide.

MODIFICATION OF RIGHTS

The rights, privileges, terms and conditions attached to the Bond(s) under a Series may be varied, modified or abrogated with the consent in writing of the holder(s) who hold(s) at least three-fourth of the outstanding amount of the Bond(s) or with the sanction accorded pursuant to a Special Resolution, passed at a meeting of the Bondholder(s), (by not less than 3/4th of the Bondholder(s) present and voting at the meeting). 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 of the Bond(s), if the same are not acceptable to the Bank.

FUTURE BORROWINGS / ISSUES

IDBI Bank will be entitled from time to time to borrow/ raise loans or avail of financial assistance in whatever form as also further issue debentures / bonds / other securities in any manner having such ranking in priority, pari passu or otherwise and change the capital structure including the issue of shares of any class, and/or avail further financial and/or guarantee facilities from financial institutions, banks and/or any other person(s) on security or otherwise of the said properties as may be decided by the Bank from time to time on such terms and

conditions as may be agreed by the Bank and the Trustees , if required, but without any further sanction from the Bondholders.

RIGHT TO PURCHASE/ REISSUE BOND(S)

The Bank may, at any time and from time to time purchase Bond(s) at a discount, at par, or at a premium, in the open market or otherwise. Such Bond(s) may, at the option of the Bank, be cancelled, held or resold at such a price and such terms and conditions as the Bank may deem fit and as permitted by law.

TRUSTEES TO THE BONDHOLDERS

IDBI Bank Limited has appointed IDBI Trusteeship Services Ltd. to act as Trustees for the Bondholders (hereinafter referred to as 'The Trustees'). IDBI Bank and the Trustees will enter into a Trustee Agreement specifying inter alia, the powers, authorities and obligations of the Trustees and IDBI Bank.

By applying for the Bonds, the Bondholders shall without further action or deed, be deemed to have irrevocably given their consent to and authorised the Trustees or any of their agents or authorised officials to do inter alia all acts, deeds, matters and things in respect of or relating to the Bonds. All the rights and remedies of the Bondholders shall vest in and shall be exercised by the Trustees without reference to the Bondholders. No Bondholder shall be entitled to proceed directly against IDBI Bank unless the Trustees, having become so bound to proceed, failed to do so. The Trustees will endeavour to protect the interest of the Bondholders in the event of default in regard to timely payment of principal by IDBI Bank.

DEBENTURE REDEMPTION RESERVE

IDBI Bank is a Banking Company within the meaning of the Banking Regulation Act, 1949. The resources through the current issue of the Bank are being raised by the Bank for augmenting the Tier-II Capital for strengthening the Capital Adequacy and enhancing its long term resources. Department of Company Affairs, Ministry of Law Justice and Company Affairs, Government of India has vide general clarification no.6/3/2001-CL.V dated 18/04/2002 clarified that Banks need not create Debenture Redemption Reserve as specified under section 117C of the Companies Act, 1956.

BONDHOLDER NOT A SHAREHOLDER

The Bondholder will not be entitled to any of the rights and privileges available to the Shareholders. If, however, any resolution affecting the rights attached to the bonds is placed before the members of the Bank, such resolution will first be placed before the Bondholders for their consideration.

WHO CAN APPLY

The issue of Private Placement of Unsecured, Redeemable, Non- Convertible Subordinated Bonds in the nature of Promissory Notes is being offered to various categories of investors as mentioned below:

- a. Banks (Nationalised, Private & Foreign Banks), Insurance Companies and Financial Institutions
- b. Body Corporates, Companies, and Societies authorised to invest in Bonds
- c. Regional Rural Banks (RRBS)
- d. Mutual Funds
- e. Any other, if eligible.

Although above investors are eligible to apply, only those persons, who are individually addressed through direct communication by the Bank, are eligible to apply for the Bonds. No other person may apply. Posting of Offer Document on the Designated Stock Exchange should not be constituted as an offer to subscribe and has been posted only as it is stipulated by SEBI.

Investors should check about their eligibility before making any investment.

The Applications must be accompanied by certified true copies of (1) Memorandum and Articles of Association/constitution/Bye-laws (2) Resolution authorising investment and containing operating instructions (3) Specimen signatures of authorised signatories and (4) Necessary forms for claiming exemption from deduction of tax at source on the interest income / interest on application money, wherever applicable.

APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES

In case of applications made under a Power of Attorney or by a Limited Company or a Body Corporate or Registered Society or Mutual Fund, and scientific and/or industrial research organisations or Trusts etc, the relevant Power of Attorney or the relevant resolution or authority to make the application, as the case may be, together with the certified true copy thereof along with the certified copy of the Memorandum and Articles of Association and/or Bye-Laws as the case may be must be attached to the Application Form or lodged for scrutiny separately with the photocopy of the Application Form, quoting the serial number of the Application Form and the Bank's branch where the application has been submitted, at the office of the Registrars to the Issue after submission of the Application Form to the bankers to the issue or any of the designated branches as mentioned on the reverse of the Application Form, failing which the applications are liable to be rejected. Such authority received by the Registrars to the Issue more than 10 days after closure of the subscription list may not be considered.

PAYMENT INSTRUCTIONS

- All Application Forms, duly completed, together with Cheque/Bank Drafts for the amount payable on application must be delivered before the closing of the subscription list to the Bankers to the issue named herein or to any of their branches as mentioned along with the application form or to the Company or to the Lead Managers to the Issue.
- Payment should be made in by Cheque / Bank Draft. Cheques/Bank Drafts should be drawn on any Bank (including Co-operative Bank) which is situated at and is a member or sub-member of the Banker's Clearing House located at the place where the application is submitted. Outstation Cheque or Bank Drafts will not be accepted. Applications accompanied by such Cheques, or Bank Drafts are liable to be rejected.
- All Cheques or Bank Drafts must be made payable to the Bankers to the Issue and marked "IDBI Bank A/C IDBI Bank – Tier II " payable at Mumbai, Delhi, Chennai and Kolkata crossed "A/c Payee Only". In case of payment by Cheque or Bank Draft, a separate instrument must accompany each Application form.
- No receipt will be issued for the application money. However, the Bankers to the Issue and/or their branches receiving the application will acknowledge receipt by stamping and returning to the applicant the acknowledgement slip at the bottom of each Application Form. For further instructions, please read the Application Form carefully.
- It is mandatory for the applicant to fill in the relevant columns in the Application Forms giving the particulars of their savings/current bank account number, the name and address of the Bank with which such account is held to enable the Registrar to print the said details in the Refund Orders in the name of the Payee. In case of Joint Applications, the first applicant must mention these details. Applications not containing these details are liable to be rejected.

REJECTION OF APPLICATIONS

The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason therefore. In the event, if any, Bond(s) applied for is/are not allotted in full, the excess application monies on such Bond(s) will be refunded, as may be permitted under the provisions of the Act.

NOTICES

All notices to the Bondholder(s) required to be given by the Bank or the Trustees shall have and shall be deemed to have been given if published in one English and one regional language daily newspaper in Mumbai and may, at the sole discretion of the Bank or the Trustees, but without

any obligation, be sent by ordinary post to the original sole/first allottees of the Bonds or if notification and mandate has been received by the Bank, pursuant to the provisions contained herein above, to the sole/first transferees.

All notices to be given by the Bondholder(s), including notices referred to under "Payment of Interest" and "Redemption" shall be sent by Post or by hand delivery to the Registrars to the Issue or to such persons at such address as may be notified by the Bank from time to time.

DISPOSAL OF APPLICATION MONEY

The application money would be placed in separate bank account(s) and the Bank will not appropriate the funds until the security are listed with the designated stock exchange. In the event, if any, Bond(s) applied for is/are not allotted in full, the excess application monies on such Bond(s) will be refunded to the concerned applicants, as may be permitted under the provisions of the Act.

UTILISATION OF FUNDS

The Board of Directors of the Bank undertakes that:

All monies received out of this issue of private placement of bonds shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956;

- Details of all monies utilised out of this Issue shall be disclosed under an appropriate separate head in the Annual Report of the Bank indicating the purpose for which such monies had been utilised; and
- Details of all unutilised monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the Annual Report of the Bank indicating the form in which such unutilised monies have been invested.

TAX BENEFITS

Tax Benefits To The Bank

The Bank would be eligible for deduction in respect of the interest paid on the Unsecured Redeemable Non Convertible Subordinated Bonds under section 36(1)(iii) of the Income-tax Act, 1961.

Tax Benefits To The Bondholders

The following information is provided for general information purposes. Bondholders should not treat the contents of the "Tax benefits to the Bondholders" clause of the Offer Document as advice relating to legal, taxation, investments or any other matter and it is recommended to consult its own professional advisors concerning the acquisitions, holding or disposal of the Bonds.

Based on the prevalent law and practice as on the date of this Offer Document, the following tax provisions will apply on interest income to Bondholders. In the event of amendments to the legislation pertaining to taxation from time to time, the nature and/or quantum of such benefits is subject to change.

Under the Income-tax Act, 1961 ('Act')

(1) Tax deduction at source

In respect of interest payments on these Bonds, tax would be required to be deducted at source under section 193 of the Act at the following rates:

- For non corporate residents individuals/HUFs at the rate of 20 percent
- For domestic companies at the rate of 20 percent

A surcharge of 2.5 percent is levied on tax payable by corporate assesseees, cooperative societies, firms and local authorities. Further, a surcharge of 10 percent is levied on the tax payable by individuals / Hindu Undivided Families/ Body of Individuals and Association of Persons having total income exceeding Rs 850,000 per annum.

Section 197 of the Act provides that where any person considers that no taxes should be withheld on a sum payable to him or such taxes should be withheld at a lower rate, it may apply to the Revenue authorities to obtain a reduced/nil withholding order. No tax withholding is required where the Revenue authorities have issued a nil certificate to the Bondholder.

Tax will be deducted at a lower rate where the Revenue authorities on application by any Bondholder issues a certificate in Form 15AA for such lower deduction of tax as per the provisions of Section 197(1) of the Act.

(2) Capital gains - Indian resident

Long-term capital gains earned would be taxed under section 112 of the Act at the rate of 20 percent (plus surcharge) and short-term capital gains earned would be taxed at the tax rates prescribed (plus surcharge) for such Bondholders based on their total taxable income (the maximum marginal rate for an individual/HUF/AOP currently is 30 percent plus surcharge as mentioned earlier; for domestic corporates the rate is 35 percent plus surcharge).

Gains from transfer of listed bonds would be classified as short-term if these securities are held for 12 months or less from the date of acquisition and gains from transfer of bonds held for a period exceeding 12 months prior to transfer would be classified as long term capital gains.

Capital gains tax exemption

If Bondholders earn long-term capital gains from the transfer of Bonds and at any time within a period of 6 months after the date of such transfer of bonds, invest the whole or any part of the capital gains in securities specified in Section 54EC of the Act, then such capital gains would be exempted from capital gains tax, to the extent specified in and subject to fulfillment of conditions of Section 54EC of the Act.

Under Wealth Tax Act 1957

The bonds are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax Act, 1957, and therefore are not liable to wealth tax.