





THE FEDERAL BANK LIMITED

Registered Office: Aluva - 683 101

NOTICE TO SHAREHOLDERS

Notice is hereby given that the seventy fourth Annual General Meeting of the **Federal Bank Limited** will be held as shown below:

Date : **19 September 2005**
Day : **Monday**
Time : **10 a m**
Venue : **Mahatma Gandhi Municipal Town Hall, Aluva**

to transact the following items of business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March 2005 and the Profit & Loss Account for the financial year ended on that date, together with the reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri T.N. Jayachandran, who retires by rotation, and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri S. Santhanakrishnan, who retires by rotation, and, being eligible, offers himself for reappointment.
5. To consider and, if thought fit, to pass the following resolution, with or without modifications as an Ordinary Resolution.

"RESOLVED that M/s Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby appointed as the Joint Central Statutory Auditors of the Company together with M/s Brahmayya & Co., Chartered Accountants, Chennai, to hold office until the conclusion of the next Annual General Meeting of the Bank, at such remuneration to be fixed by the Board of Directors of the Bank."

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution, with or without modifications as an Ordinary Resolution.

"RESOLVED that the Board of Directors be and is hereby authorised to arrange for the audit of the Bank's branches for the accounting year 2005-2006 and to appoint, and fix the remuneration of branch auditors in consultation with the central statutory auditors for the purpose."

7. To consider and, if thought fit, to pass the following resolution, with or without modifications, as an Ordinary Resolution.

"RESOLVED that the remuneration, including salary, allowances and perquisites of the Chairman and Chief Executive Officer, Shri M Venugopalan, as approved by the Reserve Bank of India and shown in the explanatory statement hereto, be and is hereby approved."

EXPLANATORY STATEMENT

(As required under Section 173(2) of the Companies Act, 1956)

In conformity with Section 173(2) of the Companies Act, 1956, (hereinafter referred to as "the Act") the following explanatory statements set out the material facts relating to item Nos. 6 and 7 of the Notice.

Item No. 6

In accordance with the provisions of section 228(3)(a) of the Act, the shareholders of a company may authorise its Board of Directors to appoint branch auditors in consultation with the company's (central statutory) auditors.

No Director is interested in the resolution.

Item No. 7

The Reserve Bank of India, by its letter DBOD No.1160/08.38.001/2004-05 dated 28 April 2005 approved the appointment of Shri M Venugopalan as the Chairman and Chief Executive Officer of the Bank for a period of 3 years from 01/05/2005 as per the terms and conditions as given herein below.

TERMS OF REMUNERATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Sl No	Particulars	Terms approved by RBI
1	Pay (Consolidated)	Rs1 .50 lakh effective 1 May 2005, with increments of Rs.10,000 p.a.
2	Dearness Allowance	Nil
3	Sitting fee	No sitting fee for attending Board/Committee meetings
4	Bonus	Nil
5	Provident Fund	10% of pay, to be matched by the Chairman's contribution
6	Gratuity	As applicable to other Bank staff
7	Pension	Not eligible
8	Accommodation	The Bank will provide free furnished accommodation. If the Chairman continues to reside in his own house/flat, HRA will be paid at Rs.15,000 p.m., and the Bank will bear the cost of furnishing the house/flat up to Rs.3 lakhs. At the time of leaving the Bank, the Chairman will have the option of taking over the furniture, fittings, appliances, etc. at the then book value in the Bank's books.
9	Telephone	Free use of the Bank's phone at residence for official purposes
10	Conveyance	Free use of the Bank's car for official purposes. For personal use, recovery of Rs.250 p m up to 750 km and at 60% of the rate fixed by the Regional Transport Authority in excess of 750 km.
11	Official travel	Highest class by whichever mode within the country and business class by air on foreign travel
12	Travel insurance	Rs.10 lakh on official travel by road, rail or air
13	Board and lodging expenses	Actual expenses incurred (other than on alcoholic drinks), supported by bills/vouchers
14	Per diem/halting	a. Rs.750 per day if boarding expenses are not claimed. b. Rs.1,500 per day if both boarding and lodging expenses are not claimed.
15	Leave	<u>Casual leave</u> :12 working days a year provided that not more than 4 days' casual leave may be availed of at any one time. No accumulation or conversion of casual leave is permitted <u>Privilege leave</u> :On full emoluments computed at one day for every 11 days of service on

		duty. May be accumulated up to and not exceeding 240 days except where leave has been applied for and refused. <u>Sick leave:</u> a. 30 days for each completed year of service; b. such leave can be accumulated up to 360 days and c. will be on half the full emoluments unless twice the amount of such leave is debited to the sick leave account. ('Full emoluments' for the purpose of privilege and sick leave means the consolidated pay)
16	Leave encashment	As applicable to other officers of the Bank. Encashment will be allowed only at the time of final demission of office
17	Leave travel concession	Highest class by whichever mode of travel within the country but reimbursement limited to the actual expenses incurred. Business class by air on foreign travel, but the reimbursement shall be limited to the business class fare between Kochi and New Delhi. The concession will be available once every year.
18	Medical expenses	a. During the Chairman's tenure, reimbursement of medical expenses (including for hospitalization) in full for him and his wife, and to the extent of 50% for his dependent parents and dependent children. b. Upon the Chairman laying down his office after serving at least three years as Chairman, the Bank will pay (or reimburse) the full premiums payable/paid on a policy or policies issued under a medical insurance plan covering hospitalization and other medical expenses incurred on the Chairman and his wife up to Rs.5 lakhs each p a until their attaining the age of 80 years. However, if entry to such a plan is currently limited to persons not older than 60 years, the bank will pay the premium on such a policy or policies taken out before the Chairman and his wife reach 60. In which case the bank will seek to recover from the insurer any insured expenses which are paid by the bank under (a) above.
19	Entertainment allowance	During the Chairman's tenure, he can make use of the Bank's corporate membership of one or more clubs.
20	Personal driver	Reimbursement of actual salary, up to Rs.3,500 pm during the Chairman's tenure.
21	Salary of an attendant at residence	Reimbursement of actual salary, up to Rs.2,000 p m during the Chairman's tenure.

None of the Directors other than Shri M Venugopalan is interested in the resolution.

NOTES

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself. The instrument appointing a proxy shall be deposited at the Registered Office of the Bank not later than 48 hours before the scheduled time for holding the meeting. A proxy need not be a member.
2. The Share Transfer Register and the Register of Members will be closed from 10.09.2005 to 19.09.2005 (both days inclusive) during which period no transfer of shares will be registered.

Aluva,
9 August 2005

By order of the Board
Sd/
Girish Kumar Ganapathy
Company Secretary

FOR THE ATTENTION OF SHAREHOLDERS

Proxy Form and Attendance Slip

A blank proxy form with an attendance slip is sent along with the notice and Annual Report. Shareholders are requested to detach the attendance slip and produce it for verification at the venue of the meeting.

Queries at the AGM

Shareholders wishing to make queries at the AGM on the published accounts, the Directors' Report or any aspect of the working of the Bank may write to,

The Company Secretary,
The Federal Bank Ltd.,
Federal Towers,
P B No.103, Aluva - 683 101,

so as to reach him latest by 10 September 2005, specifying the point/s requiring clarification.

Correspondence

All correspondence relating to shares and dividend should be addressed to the Bank's Registrars and Share Transfer Agents, viz:

Integrated Enterprises (India) Ltd.,
"41/427, "Seema", Near Abad Metro Hotel,
Rajaji Road, Ernakulam - 682 035
Phone No.(0484) 2371494, 2366 099 Fax 2384 735
email: stdcochin@iepindia.com

Unclaimed Dividends

Dividend warrants issued to shareholders are valid for payment for a period of six months from the date of issue.

Until the passing of the Companies (Amendment) Act, 1999, shareholders who had not encashed dividend warrants within three years from the date of issue could claim refund from the Registrar of Companies by filing a prescribed return. In terms of the 1999 Act, any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the Investor Education and Protection Fund of the Central Government (Fund) established under Section 205C(1). Further no claims shall lie against the Fund or the Bank in respect of individual amounts remaining unclaimed and unpaid for a period of seven years from the dates they first became due for payment, and no payment shall be made in respect of any such claims. Hence shareholders will not be able to claim the dividend amount after its transfer to the Fund. Shareholders who have not encashed their dividend warrants for any of the years 1997-1998 to 2003-2004 are requested to get the warrants revalidated by the Bank. Since the seven-year period in the case of dividend warrants issued for the year 1997-1998 is to expire in October 2005, those shareholders who are yet to encash their dividend warrants or yet to request for duplicate warrants in lieu of the originals may request the Bank for revalidation or issue of duplicates, as the case may be, since the entire amount will be non-refundable once the amount is remitted to the Fund.

Change of Address and information on Bank mandate

Where shares are held in the physical mode, a change in the shareholder's address may be notified to the Registrars and Share Transfer Agents, at the address noted above, by a separate communication showing share folio number. Holders of shares in the demat mode may send such requests to their depositories concerned including changes, if any, in the mandate for issue of dividend.

By order of the Board

Aluva,
9 August 2005

Sd/
Girish Kumar Ganapathy,
Company Secretary



investing in trust

At Federal Bank, we invest in the trust of our customers. And the assurance that one of India's largest private banking corporation inspires. Because, we realise the importance of reliability and trust, not just infrastructure and technology. Making sense to our customers. And to us.



investing in bonds

At Federal Bank, you'll discover that every transaction builds a relationship. And that the meaning of bonds go beyond their financial implications. So it is natural that our customers treat us like family. Because, we believe that's the greatest compliment we can get.



investing in warmth

At Federal Bank, even the smallest need of the customer is treated as the biggest. Evident in the smiles, the understanding and the time spent. Which is why our customers bank more, smile more and worry less.

Report

Junction

chairman's
message



Dear Shareholders,

I deem it a great privilege to be at the helm of affairs of your bank. Your bank is a strong and effective player in the financial sector. We provide the full range of financial services to retail and corporate customers and are rapidly expanding our scale of operations.

Though Federal Bank is said to be a traditional bank, it has adopted modern technology in all its operations to offer services on par with the new generation banks. The core strength of the bank lies in its people, viz., its customers and its employees.

We believe in building relationships that are unique. Our efforts are to turn every banking transaction into building a relationship or strengthen an already existing relationship. Our products and services are so designed that they meet our customer expectations and result in everlasting satisfaction.

Over the years, the bank has built up strength in all areas of banking. The inherent strength of your bank to reposition itself in tune with the changing market conditions forms the core competence of your bank.

In our journey towards building relationship and maximizing stakeholders' wealth, I look forward to your continued support and cooperation.

With warm regards,

A handwritten signature in black ink, appearing to be 'M. Venugopalan', written over a horizontal line.

M. Venugopalan
Chairman

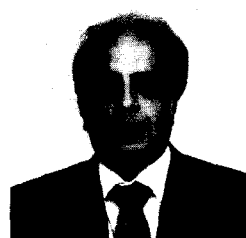
board of
directors



Dr. C K George
Director



Shri. T N Jayachandran
Director



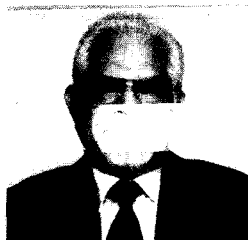
Shri. S Santhanakrishnan
Director



Shri. M Venugopalan
Chairman



Shri. M J Subbaiah
Director



Prof. A M Salim
Director



Shri. P H Ravikumar
Director



Shri. P C Cyriac
Director

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management
team



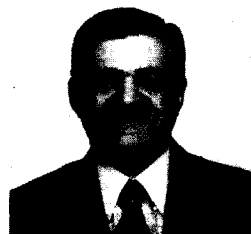
Shri. P R Sankaranarayanan
Executive Director



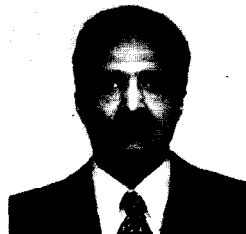
Shri. K S Harshan
Executive Director



Shri. M M Antony
General Manager



Shri. George John
General Manager



Shri. P C John
General Manager

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Report of the Board of Directors

The Federal Bank Limited



ANNUAL
REPORT 2005

To the Members

Your Directors have great pleasure in presenting the 74th Annual Report on the business and operations of your bank together with the audited accounts for the year ended 31 March 2005.

FINANCIAL PERFORMANCE

The financial highlights of your bank for the year 2004-05 are given below:

(Rs. crore)

	For the year ended	
	31 March 2005	31 March 2004
Earnings:		
Net interest income	502.28	421.77
Fees and other income	211.98	297.86
Net revenue	714.26	719.63
Operating expenses	313.86	282.89
Profit before depreciation and tax	143.51	235.40
Net profit	90.09	136.30
Profit brought forward	0.49	2.31
Total profit available for appropriation	90.58	138.61
Appropriations:		
Transfer to statutory reserve	22.53	34.08
Transfer to revenue reserve	20.83	0.00
Transfer to capital reserve	14.17	13.22
Transfer to special reserve	12.00	9.00
Transfer to investment fluctuation reserve	0.00	64.64
Proposed dividend	16.45	15.23
Tax including surcharge and education cess on dividend	2.30	1.95
Balance carried over to balance sheet	2.30	0.49
Financial position:		
Deposits and other borrowings	15378.78	13603.40
Advances	8822.59	7700.53
Investments	5799.16	5521.03
Total assets/liabilities	16820.96	15114.27
Capital	65.60	21.76
Ratios:		
Return on average total assets (%)	0.62	1.03
Return on equity (%)	13.13	23.13
Earnings Per Share (Rs.)	13.73	20.88
Operating cost to income (%)	43.94	39.31
Capital Adequacy Ratio (%)	11.27	11.48