

82nd ANNUAL REPORT
2012-13



Ten years at a glance

(All Figures in ₹ Crore except as stated otherwise)

Year	Deposits and Accounts	Total Advances	Investments	Gross Earnings	Net Profits	Paid up Capital	Reserves	Dividend (%)	No. of Employees	No. of Branches	No. of Extension Counters
2003-04	10478.07	6936.73	4085.24	1287.41	59.00	22.65	724.67	50	4959	373	61
2004-05	12569.31	9080.59	4195.89	1113.25	(38.18)	22.71	686.69	Nil	4963	370	56
2005-06	13335.26	10231.53	4372.34	1412.75	9.06	90.72	928.95	Nil	5312	377	56
2006-07	15418.59	11976.17	4527.81	1595.69	88.91	90.90	1012.38	6.5	5341	400	40
2007-08	20498.06	14649.55	6293.22	2099.01	156.93	102.47	1433.18	15	5852	407	39
2008-09	24889.92	16750.93	10495.54	2787.56	188.78	102.60	1600.29	20	6227	455	37
2009-10	25865.30	18507.19	10472.92	2853.11	242.22	119.97	2210.95	25	6249	482	13
2010-11	30194.25	23602.14	11058.27	3349.02	318.65	120.99	2503.30	30	7041	511	13
2011-12	35195.42	28736.67	12715.50	4526.56	456.30	150.12	3829.67	40	10001	531	10
2012-13	41333.00	31772.03	18278.23	5588.46	612.96	154.85	4471.06	55*	9758	546**	10

* Subject to approval of shareholders

** Includes nine Regional Clearing Centres (RCC) and five Asset Recovery (AR) Branches



BOARD OF DIRECTORS

Arun Thiagarajan
Chairman

Shailendra Bhandari
Managing Director and CEO

OTHER DIRECTORS

Aditya Krishna (up to January 28, 2013)
Lars Kramer
Mark Newman
Meleveetil Damodaran
Peter Staal
Richard Cox
Santosh Desai
Sanjeev Aga (from December 17, 2012)
Vaughn Nigel Richtor
Vikram Talwar

82nd ANNUAL GENERAL MEETING

Venue : The Auditorium,
"ING Vysya House",
No. 22, M.G. Road,
Bangalore - 560 001.

Day/Date : Tuesday, June 25, 2013

Time : 11.00 A.M.

CONTENTS

Page No.

1.	Board of Directors	1
2.	Senior Management Team	2
3.	Directors' Report	3
4.	Management Discussion and Analysis Report	7
5.	Non-financial Report	18
6.	Corporate Governance Report	21
7.	Auditors' Report	40
8.	Financial Statements	42
9.	Cash Flow Statement	85
10.	Statement pursuant to Section 212	86
11.	ING Vysya Financial Services Limited	87
12.	Consolidated Auditors' Report	106
13.	Consolidated Financial Statements of ING Vysya Bank Limited and its Subsidiary	108
14.	Consolidated Cash Flow Statement	146
15.	Basel II - Pillar 3 Disclosures	147

CORPORATE SECRETARY

M V S Appa Rao

STATUTORY AUDITORS

B S R & Co.,
Chartered Accountants,
Mumbai

ING VYSYA BANK LIMITED

Registered and Corporate Office:
ING Vysya House, No. 22, M.G. Road
Bangalore - 560 001

REGISTRARS & SHARE TRANSFER (R&T) AGENTS

Karvy Computershare Private Limited

Unit : ING Vysya Bank Limited,
17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad – 500 081.
Ph : 040-4465 5000
Fax : 040-2342 0814
E-mail: einward.ris@karvy.com



SENIOR MANAGEMENT TEAM

Shailendra Bhandari
Managing Director & CEO

Ashok Rao B
Chief of Staff – Legal, Compliance & Vigilance
(up to December 14, 2012)
Chief Auditor (effective December 15, 2012)

Brett Morgan
Country Head – Branch Banking, Marketing & Private Clients
(effective November 12, 2012)

Janak Desai
Country Head – Wholesale Banking

Jan Van Wellen
Chief Risk Officer (up to July 31, 2012)

Jayant Mehrotra
Chief Financial Officer

Mahesh Dayani
Country Head – Retail Assets (effective November 29, 2012)

Manjunatha M S R
Chief Audit Executive (up to January 05, 2013)

Meenakshi A
Head – Operations

Prasad C V G
Chief Information Officer

Prasad J M
Chief – Human Resources

Samir Bimal
Country Head – Private Banking (up to September 25, 2012)

Susan Poot
Chief Risk Officer (effective July 02, 2012)

Uday Sareen
Country Head – Retail Banking (up to December 03, 2012)

M V S Appa Rao
Corporate Secretary

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the Eighty Second Annual Report of the Bank together with the Audited Statements of Accounts for the year ended March 31, 2013, Auditors' Report thereon and other documents and statements as are required.

Financial and Business Performance

For the year ended March 31, 2013 the Bank posted a net profit of ₹ 613 Crore compared to ₹ 456 Crore for 2011-12. The pre-tax profit improved to ₹ 901 Crore compared to ₹ 654 Crore during the previous year. The **Net Interest Income** for the year 2012-13 increased to ₹ 1,539 Crore registering an increase of 27 %.

The aggregate business of the Bank reached ₹ 73,106 Crore as at March 31, 2013 compared to ₹ 63,917 Crore as at March 31, 2012. The **Total Deposits** of the Bank increased to ₹ 41,334 Crore registering a growth of 17%. The **Net Advances** increased to ₹ 31,772 Crore for the year ended March 31, 2013 from ₹ 28,721 Crore at the end of the previous year recording a growth of 11%.

The Bank has achieved 38.16% of adjusted net bank credit for Priority Sector lending as of March 31, 2013 as against the target of 40%, having achieved a level of 40.03% for the previous year. Export advances increased to ₹ 1930.90 Crore from ₹ 1,376.64 Crore at the end of the previous year. The export credit as a percentage of adjusted net bank credit stood at 6.72% as of March 31, 2013. The outstanding credit to Scheduled Caste/ Scheduled Tribe borrowers stood at ₹ 28.17 crore and the percentage of recovery to demand as of March 31, 2013 was 30.45 % (previous year 68.16%) of the amounts fallen due. The Net NPA Ratio as of March 31, 2013 is 0.03% as against 0.18% as of March 31, 2012.

Paid up-capital and Capital Adequacy Ratio

The Paid up capital of the Bank stood at ₹ 154.85 Crore as at March 31, 2013 as compared to ₹ 150.12 Crore as at March 31, 2012.

The Bank has adopted the New Capital Adequacy Framework (Basel II) from March 31, 2009. Under this framework, the Capital Adequacy Ratio (CAR) stood at 13.24% as at March 31, 2013 as against the Reserve Bank of India's (RBI) stipulated minimum of 9%. Of this, Tier I Capital was 10.49% and Tier II Capital was 2.75% as compared to 11.23% and 2.77% respectively as at March 31, 2012.

An overview on financials and business performance is presented in the Management Discussion and Analysis Report, forming part of this Annual Report.

Appropriation of Profits and Dividend

In compliance with the requirement under the Banking Regulation Act, 1949 and the guidelines issued thereunder by the RBI, the Directors propose to transfer ₹ 153.24 Crore (previous year ₹ 114.08 Crore) to Statutory Reserve, ₹ 1.63 Crore (previous year ₹ 0.42 Crore) to Capital Reserve and ₹ 0.22 Crore (previous year ₹ 0.22 Crore from Capital Reserve to Investment Reserve) from Investment Reserve to Profit and Loss Account for the year ended March 31, 2013.

Taking into account the regulatory restrictions, the Board of Directors recommend the payment of dividend at 55% on the face value of fully paid-up shares against 40% of the previous year. The outflow on account of the proposed dividend, including the dividend tax, would be ₹ 99 Crore.

The dividend recommended, on approval would be paid to all those shareholders whose names appear as Beneficial Owners as at the end of June 13, 2013 as per the list to be furnished by Depositories (viz., NSDL and CDSL) in respect of the shares held in electronic form and those shareholders whose names appear in the Register of Members of the Bank as members after giving effect to all valid transfers of shares in physical form which will be lodged with the Bank on or before June 13, 2013.

Consolidated Financial Statements

As required under AS 21 issued by the Institute of Chartered Accountants of India (ICAI), the Bank's consolidated financial statements are included in this Annual Report incorporating the accounts of its wholly owned subsidiary company viz., ING Ysya Financial Services Limited in line with the basis of consolidation as explained in the Notes to the said consolidated statements.

Statutory Disclosures

The requisite particulars to be disclosed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, in respect of the options granted etc., under the existing and new schemes are furnished in Annexure-I to this report.

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder, are given in the annexure appended hereto (Annexure- II) forming part of this report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to Corporate Secretary at the Registered Office of the Bank.

DIRECTORS' REPORT

The provisions of Section 217(1)(e) of the Companies Act, 1956 regarding to conservation of energy and technology absorption are not applicable to the Bank. The Bank has, however, used information technology extensively in its operations.

Subsidiaries

The main object of ING Vysya Financial Services Limited (IVFSL), a wholly owned subsidiary of the Bank, is to carry on business of non-fund / fee based activities of marketing and distribution of various financial products / services of the Bank, apart from recovery of the old lease rentals due to the company.

Subsequent to transfer of the Wealth Management Services of IVFSL to the Bank in April, 2007, IVFSL continues to provide services to the Bank, as may be required from time to time on a non-exclusive contract basis.

Currently, the recovery of past lease rentals is the only major income for IVFSL besides receipt of reimbursement charges on outsourcing of manpower to the Bank. IVFSL has been offering low cost hiring platform for the resourcing needs of the Bank.

IVFSL has earned a net profit of ₹ 0.44 Crore for the year 2012-13.

As required under Section 212 of the Companies Act, 1956, the Balance Sheet, Directors' Report and other documents pertaining to IVFSL, along with a statement of interest of the Bank in the subsidiary, are attached to the financial statements of the Bank.

In compliance with Secretarial Standard on Board's Report-SS-10, the Board of Directors hereby affirm that it has reviewed the affairs of the subsidiary company.

Directors

Since the last Annual General Meeting, Mr. Aditya Krishna, Non- Executive and Independent Director had resigned from the Board on January 28, 2013. The Board placed on record its appreciation for the valuable contribution rendered by Mr. Aditya Krishna during his tenure as Director of the Bank. Mr. Sanjeev Aga has joined as an additional director on the Board effective December 17, 2012. Notice as required under Section 257 of the Companies Act, 1956 has been received by the Bank for his appointment as Director. The Board recommends to the shareholders for the appointment of Mr. Sanjeev Aga as a Director liable to retire by rotation.

Managing Director & CEO

Mr. Shailendra Bhandari was re-appointed, upon expiry of his tenure on August 5, 2012, as MD & CEO for period of 3 years till August 5, 2015. RBI informed that revised remuneration is being examined and the Bank would be advised separately in due course.

Retirement of Directors by rotation

Mr. Richard Cox, Mr. Meleveetil Damodaran and Mr. Vikram Talwar will retire by rotation in terms of Section 256 of the Companies Act, 1956 at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

A brief resume of each of these Directors is furnished in the Annexure to the Notice convening the ensuing Annual General Meeting.

Registrars and Share Transfer (R&T) Agents

Karvy Computershare Private Limited, Hyderabad continues to be the R & T Agent for the shares of the Bank.

Auditors

The Statutory Auditors viz. M/s. BSR & Co., Chartered Accountants, Mumbai, who were re-appointed at the 81st Annual General Meeting held on June 29, 2012 are retiring at the ensuing AGM and being eligible for re-appointment under the guidelines of Reserve Bank of India (RBI), offer themselves for re-appointment for the third consecutive year.

The Shareholders are requested to appoint the above auditors and authorize the Board of Directors to determine their remuneration. Shareholders are also requested to authorize the Board of Directors to appoint Branch Auditors and determine their remuneration. The re-appointment of Auditors is subject to the approval of the Reserve Bank of India.

Other Reports

As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a detailed report on Corporate Governance is included in this Annual Report.

Directors' Responsibility Statement

As required by Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that they had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for the year under review;
- (iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (iv) that they had prepared the accounts for the financial year ended March 31, 2013 on a going concern basis.

Board Confirmation

The Board receives quarterly compliance certificate from the CEO of the Bank certifying that the Bank has devised proper systems to ensure compliance on an ongoing basis of all directions/instructions given by Reserve Bank of India, all governing laws and applicable statutes and internal policy guidelines. On the basis of CEO certification and pursuant to Secretarial Standard on Board's Report- SS-10, the Board confirms the same for the financial year ended March 31, 2013.

Acknowledgements

The Board of Directors place on record their gratitude for the guidance and cooperation received from the Reserve Bank of India and other regulatory bodies. The Directors also place on record their appreciation of the encouragement and patronage received from valued customers, shareholders and other stakeholders like financial institutions, bondholders etc., and look forward to their continued support. The Directors also take this opportunity to express their appreciation for the good work and efforts put in by the employees of the Bank.

Finally, the Directors acknowledge the Members for their trust and support.

For and on behalf of the Board

Place : Bangalore
Date : April 29, 2013

Arun Thiagarajan
Chairman

ANNEXURE TO DIRECTORS' REPORT

Statutory Disclosures as of March 31, 2013 regarding ESOS under Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Particulars	ESOS Scheme 2005		ESOS Scheme 2007	ESOS Scheme 2010
	Tranche 1	Tranche 2 (Loyalty Options)		
Options Granted	465,212	525,285	7,845,476	11,378,475
Date of AGM Resolution	22-Sep-05	22-Sep-05	11-May-07	1-Jul-10
Options Vested	297,207	508,100	7,090,676	3,711,640
Options Exercised	296,105	368,517	4,941,126	1,678,255
Total number of Shares arising as a result of exercise of Option	296,105	368,517	4,941,126	1,678,255
Options Lapsed	160,419	47,598	803,450	1,108,840
Variation of terms of options	NIL	NIL	NIL	NIL
Money realised by exercise of options (in ₹)	36,351,475	68,109,311.94	1,143,783,841	574,787,515
Total number of options in force	8,688	109,170	2,100,900	8,591,380
Pricing Formula for ESOS 2005	Exercise price is equivalent to 75% of the average price of the shares during the past six months in the Stock Exchange where the Stocks are traded in highest number.			
Pricing Formula for ESOS 2007 & ESOS 2010	Exercise price is latest available closing price, prior to the date of meeting of the Board of Directors in which options are granted in the Stock Exchange where the Shares are traded in the highest number.			

Employee-wise details of grant to Senior Managerial Personnel

Name	2012-13	2011-12
Mr. B. Ashok Rao	40,000	40,000
Mr. Janak Desai	55,000	55,000
Ms. Susan Poot (Joined on July 2, 2012)	-	-
Mr. Jan Van Wellen (Closure of contract on July 31, 2012)	-	-
Mr. Jayant Mehrotra	65,000	60,000
Mr. Brett Morgan (Joined on November 12, 2012)	-	-
Mr. Manjunatha M S R (Retired from the services of the Bank January 5, 2013)	-	25,000
Ms. Meenakshi A	45,000	40,000
Mr. Prasad C V G	25,000	25,000
Mr. Prasad J M	45,000	40,000
Mr. Mahesh Dayani (Became part of the Senior Management Personnel with effect from November 29, 2012)	80,000	55,000
Mr. Samir Bimal (Resigned from services of the Bank in September 25, 2012)	40,000	40,000
Mr. Shailendra Bhandari	115,000	128,000
Mr. Uday Sareen (Transferred to the role of ING DiBa Germany on December 3, 2012)	80,000	75,000
Mr. Appa Rao M V S	12,000	9,500
Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during the year.	NIL	NIL
Identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (exclude outstanding warrants and conversations) of the company at the time of grant.	NIL	NIL

The details on Employees compensation cost is given under 'Employee Stock Option Scheme' in the Notes on Accounts (Schedule 18) of the Balance sheet (Page no. 56).

MACRO ECONOMIC AND BANKING INDUSTRY DEVELOPMENTS

Real Gross Domestic Product (GDP) for the year 2012-13 has been estimated to grow at 5.0% as compared to 6.2% in 2011-12. The slowdown is primarily on account of lack of/ delayed policy action on core issues, higher Current Account Deficit (CAD) and the tight monetary stance of Reserve Bank of India (RBI) for the major part of the fiscal which adversely impacted the investment cycle. However during the later half of the year, RBI has started easing its monetary policy by cutting both the Repo Rate and Cash Reserve Ratio (CRR).

The Central Statistical Organization (CSO) estimated overall 2012-13 GDP growth at around 5%. Given the slower growth coupled with rising CAD and fiscal deficit, the Government has taken several measures to improve business sentiment and avert sovereign rating downgrade by international rating agencies.

While Wholesale Price Index (WPI) has shown some moderation recently, Consumer Price Index (CPI) has consistently been above 10 % due to higher food and fuel prices. We estimate that WPI for FY14 is likely to range between 5.5% - 6.0%. There is an upside risk to the WPI estimate if the global commodity prices especially oil continues to trend higher.

Announcing the Union Budget for 2013-14, the Government continued its commitment to fiscal consolidation by estimating fiscal deficit for 2012-13 at 5.2% of GDP. Further, the fiscal deficit for 2013-14 has been targeted at 4.8% of GDP. Both revenues and expenditure have been assumed to grow at 16.4% on an annual basis. While, these growth rates are in line with the past six years' average, a lower growth number would have adverse risk on fiscal deficit. Large part of the receipts have been budgeted to come from items like disinvestment in which the recent numbers have been lower than budget. Further, the Government may overshoot on its expenditure targets given the fact that this being the last year before the elections, the government may resort to additional expenditure on social schemes.

Due to the tight monetary stance maintained by the RBI for major part of 2012-13, liquidity in the banking system remained in deficit mode. Average net liquidity deficit (borrowing under Liquidity Adjustment Facility (LAF) from the RBI) was at ₹ 82,484 crore which was marginally above the 1% NDTL level. While, severe liquidity tightness was seen during the quarter ends, injection of primary liquidity in the form of Open Market Operations (OMOs)/secondary market purchases ₹ 1,35,532 crore) and 75bps of CRR cuts (around ₹ 45,000 crore) provided some relief. Overnight call rates remained marginally above the Repo rate. Deposit during 2012-13 grew by 13.3 % against RBI's estimates of 15%, credit grew by 14.7% against RBI's estimate of 16%. The mismatch in deposit and credit growth rates has also resulted in the liquidity tightness during the year. Retail deposit rates have been hiked by banks even after the RBI's Repo rate cut in January. During the year RBI also cut SLR requirement by 1% to 23% and facilitated an additional 1% under the Marginal Standing Facility (MSF) which is available to banks at 1% over the repo rate.

Indian Rupee continued to weaken in 2012-13 after a 14% fall in previous year. Since April 2012, Rupee has lost around 6.7% against US dollar. Policy inaction and weak domestic fundamentals driven by increasing current account and fiscal deficit, amidst higher inflation have weighed on Rupee. Foreign capital inflow in the form of Foreign Direct Investment (FDI) is lower by 11% from USD 32 billion in the first eleven months of 2011-12 to USD 28 billion in the same period in 2012-13. However, net inflows by Foreign Institutional Investors (FIIs) have shown significant increase in current year. Net FII inflow during 2012-13 was USD 31 billion, higher by USD 12 billion over the same period last year, thus providing temporary support to Rupee. Reform measures that were initiated in September 2012 including liberalized FDI norms in multi brand retail, insurance and pension sector along with an increase in limit on the Corporate and Government bonds of USD 5bn each improved the sentiment. Weak economic performance of developed economies has resulted in lower exports whereas imports remained high due to dominance of oil and gold.

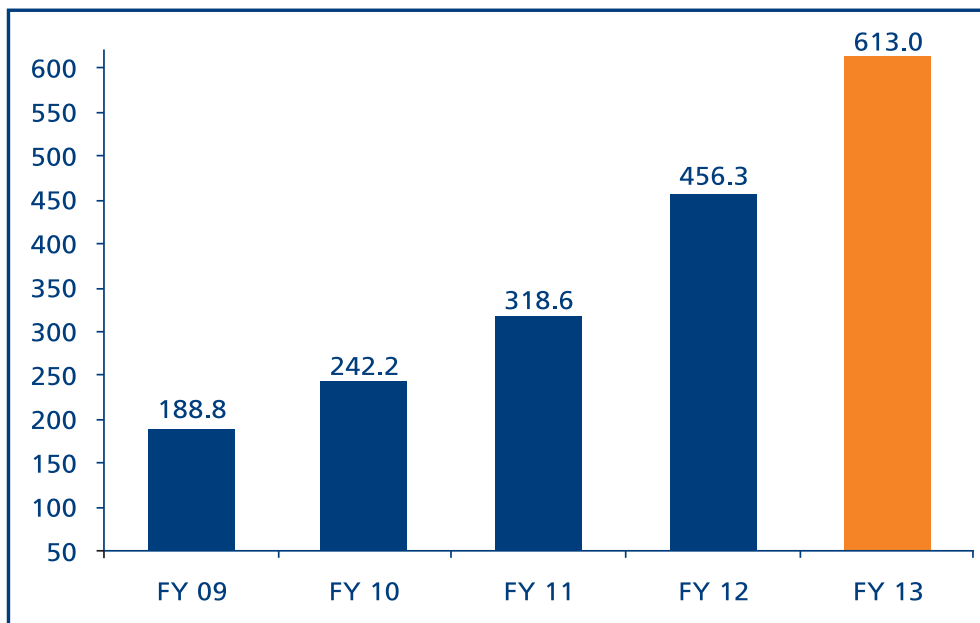
OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE

During the financial year 2012-13, the Bank continued to grow its key businesses and revenues. The Bank reported healthy improvement in its financial, business and other operating parameters.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

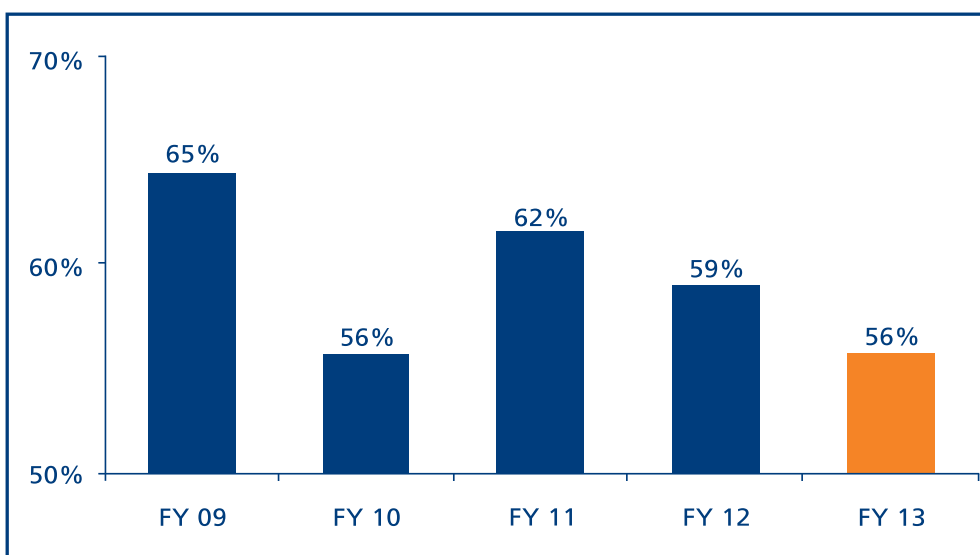
The Bank recorded a net Profit After Tax (PAT) of ₹ 613 Crore for the year 2012-13, an increase of 34% from ₹ 456 Crore reported in the previous year.

Net Profit (₹ in Crore)



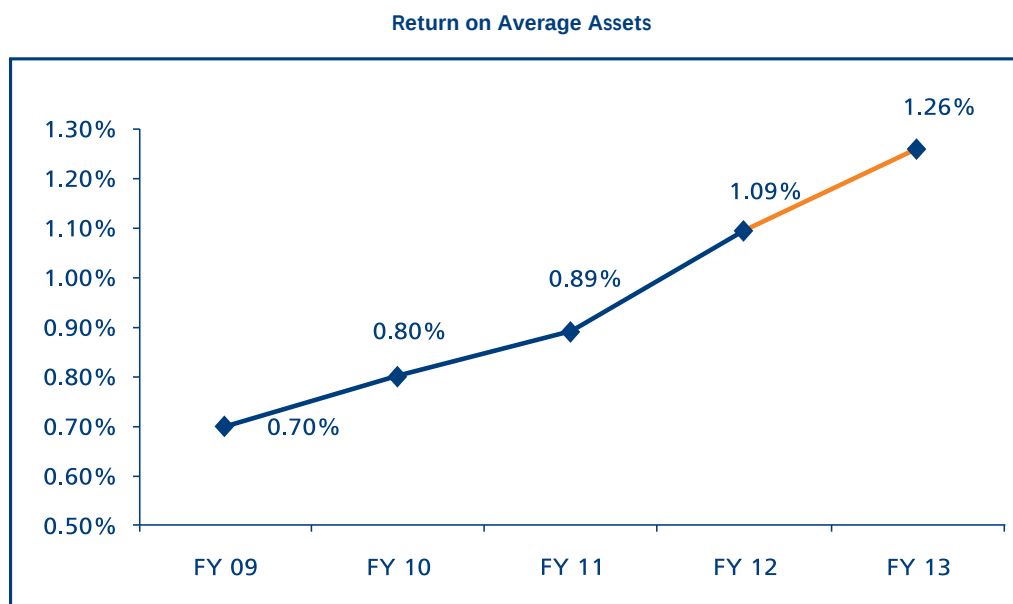
The Net Total Income of the Bank for the year grew by 21% to ₹ 2,266 Crore from ₹ 1,878 Crore reported during the previous year. During this period, the Net Interest Income (NII) grew by 27% to ₹ 1,539 Crore from ₹ 1,208 Crore reported in the previous year. Fee and Other Income increased by 9% to ₹ 727 Crore from ₹ 670 Crore. Operating expenses increased by 15% to ₹ 1,273 Crore from ₹ 1,110 Crore in the previous year. The Cost to Income Ratio declined from 59% to 56%.

Cost to Income Ratio

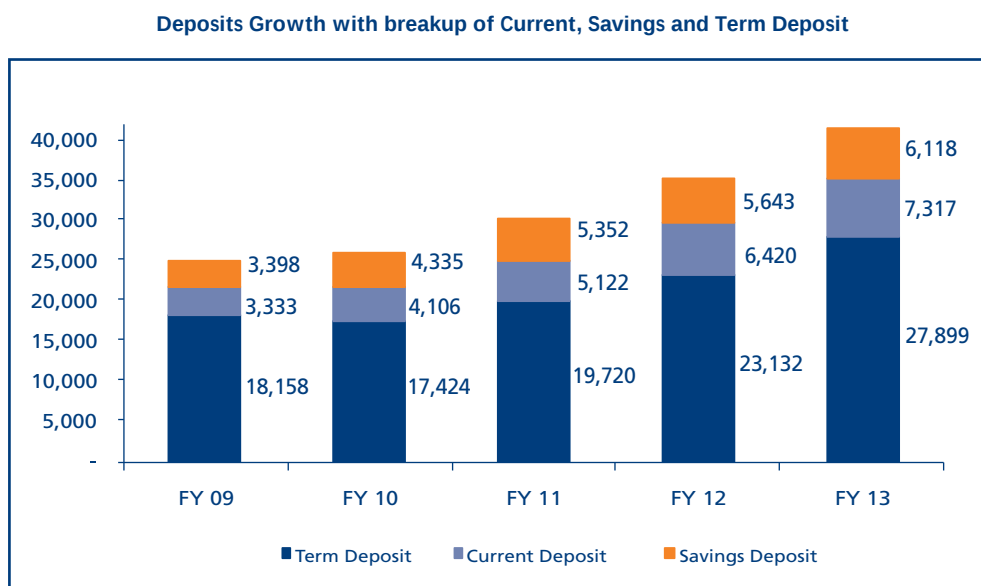


MANAGEMENT DISCUSSION & ANALYSIS REPORT

Return on Average assets increased to 1.26% from 1.09% reported in the previous year.



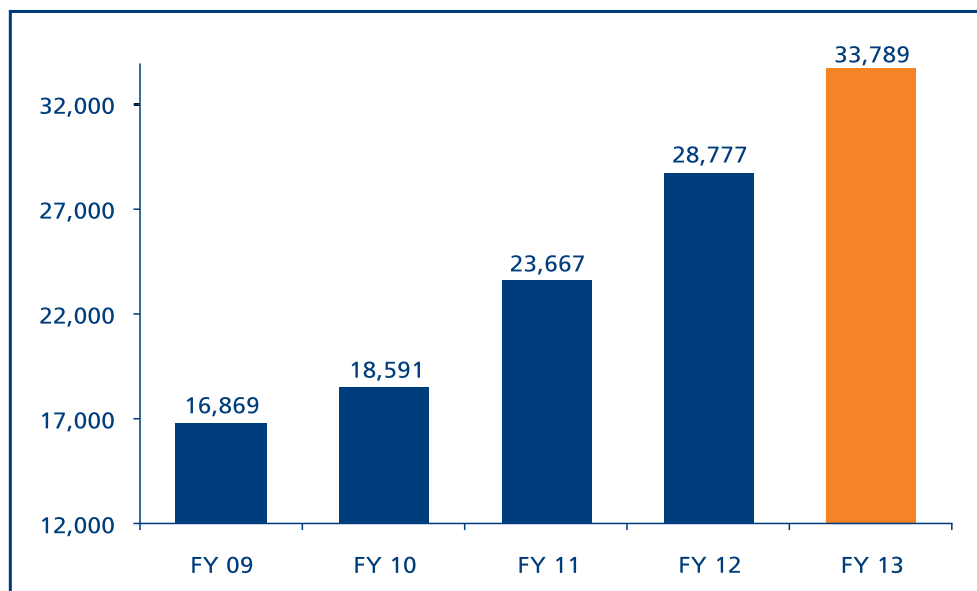
Total deposits of the Bank aggregated to ₹ 41,334 Crore, an increase of 17% over the previous year. The Bank continued to focus on growing low cost deposits during the year. The Current and Savings Account (CASA) deposits increased by 11% from ₹ 12,063 Crore at March 2012 to ₹ 13,435 Crore at March 2013.



MANAGEMENT DISCUSSION & ANALYSIS REPORT

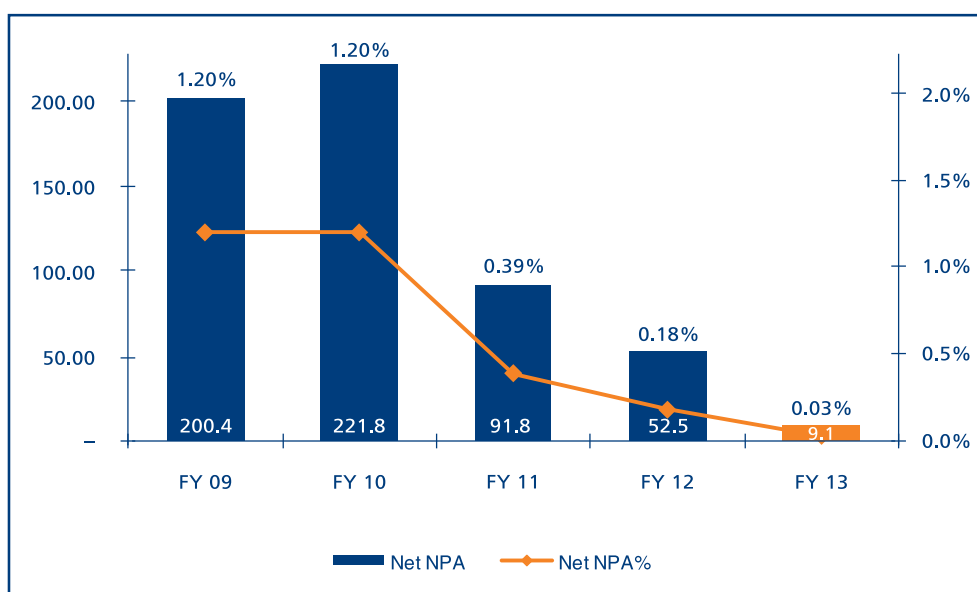
Total assets increased by 17% to ₹ 54,836 Crore from ₹ 46,984 Crore at March 2012. While Net Advances increased by 11% to ₹ 31,772 Crore from ₹ 28,721 Crore at March 2012, Net Customer Assets increased by 17% to ₹ 33,789 Crore from ₹ 28,777 Crore at March 2012.

Customer Assets



The net NPA of the Bank as at March 2013 stood at ₹ 9.10 Crore, which was 0.03% of Net Advances as against 0.18% of the previous year.

Net NPA



The capital adequacy of the Bank as per Basel II stood at 13.24% as of 31 March 2013 with Tier 1 Capital ratio at 10.49%.

INTERNAL CONTROL SYSTEMS

The internal control system of the Bank is reinforced through three layers of defence i.e., Business Units, Risk Management (Credit, Market, Operational and Information Risk) & Compliance and Internal Audit.

The internal control of the Bank is aligned with the overall organizational structure. While basic customer facing activities are performed at branch level, a number of other activities are fully or partially centralized. The control processes are based on identified underlying risks and adequate checks and balances has been incorporated. Employees undertake internal and external training programs to ensure that they adopt prescribed guidelines. Branch functioning is closely monitored by the Regional Offices and the Corporate Office monitors all the centralized functions. The Bank's Internal Audit function performs an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that all business units adhere to regulatory requirements and internal guidelines.

BUSINESS REVIEW

An overview of various business segments along with their key performance achievements in 2012-13 is presented below.

RETAIL BANKING

The growth in Retail Banking business was robust during the current financial year and the Bank witnessed a healthy growth across key financial and operating parameters. The Retail Bank is organized to meet the needs of a wide range of customer segments. The main verticals are Branch Banking, Business Banking (SME), Consumer Loans and Agricultural & Rural Banking (ARB). The key priorities for the Bank were acquisition of new customers, deepening customer relationship through segmentation and cross-sell, profitable expansion of distribution and building an enhanced brand presence to serve the target segments.

(i) Branch Banking

During the year 2012-13, the Bank opened 15 new branches across India, taking the number of branches and extension counters from 527 to 542. In terms of the mix of the branches, the network is fairly spread with 32% in Metro areas, 31% in Urban areas, 20% in Semi Urban and 17% in Rural locations.

The bank expanded its ATM network from 430 to 500 ATMs during the year. Further during the year the Bank upgraded its ATM switch to connect all ING ATMs directly to ING switch to bring in flexibility for introducing various innovative products and value added services in a cost effective manner through ATM channel.

The Bank continued to launch new products in 2012-13 with the aim of meeting the diverse needs of customers and expanding the product range. "Institutional Savings and Current Account" was launched to cater to the needs of institutions like Trusts, Associations, Societies, Clubs and Government entities.

The Bank also took the initiative to revamp the NRI business this year to build it into a high growth engine for liabilities including product revamp, and spends on marketing and S&D (Sales & Distribution). The bank introduced Toll free numbers and P.O. Box service for customers in the US and Middle East to enable better contactability for both existing customer base and 'New to Bank' customers.

Bank's reinforced focus on growth of retail term deposits led to innovation. During May'12, INGFD+ a value added term deposit product was pilot launched in Bangalore. The key feature of the new deposit was the waiver of pre-closure penalty. After successful launch at Bangalore, it was extended to Mumbai and Delhi and thereafter pan India. Booking of term deposit via SMS banking, an industry first feature was also launched as an exclusive service to account holders. With the introduction of this product customers are now able to book their deposits from their mobile phone.

(ii) Business Banking (SME)

The Bank has traditionally focused on Micro, Small and Medium Enterprise business, partnering with their growth through decades. The Business Banking segment serves the needs of business enterprises with annual sales turnover of up to ₹150 Crore for both domestic and export credit requirements. Apart from regular working capital facilities, the Bank also offers structured products to cater to the needs of clients. This segment has also contributed significantly towards priority sector advances of the Bank. The clear focus, strategy, underwriting capability backed with a strong relationship and acquisitions team, has helped ensure a healthy and profitable growth in this segment.

(iii) Consumer Loans

The Bank's consumer lending products include home loans, home equity loans, loan against commercial property, loans for commercial vehicles & construction equipment, auto loans, personal loans and education loans. Mortgage loans continue to be the largest portfolio in the consumer loans business. Mortgage will continue to fuel the consumer loan portfolio. However during the year there was greater emphasis on home equity / loan against property. The personal loan business launched last year has grown steadily focusing mainly on salaried customers and will continue to have the same segmental focus.

(iv) Agricultural and Rural Banking (ARB)

The Bank has a network of 87 rural branches mostly spread in Andhra Pradesh, Karnataka, Tamil Nadu and North India.

The Bank has a wide range of products like Kisan Credit Card, Produce Loans, Gold Loans, Micro Finance Institution loans, SHG loans, Working Capital and Agriculture Term Loans for Poultry, Dairy, Pisciculture, Loans for Farm Mechanization, Cold storage units etc. to cater to the diverse needs of the farming community. Products like Premium KCC, Premium Dairy Loans and Premium poultry loans are being offered at select locations in order to focus on larger ticket sizes as well.

The Bank lends against gold/gold jewellery through more than 250 branches.

Under the Financial Inclusion (FI) Programme, Bank has been allocated 97 villages with population greater than 2000 in Andhra Pradesh, Chattisgarh, Tamil Nadu & Dadara Nagar Haveli. In addition to this, in Karnataka State, under Grama Panchayat (GP) concept, 463 villages are allocated under 74 GPs and attached to 37 Branches.

The Bank has been empanelled for 164 Districts (Pan India) with UIDAI for opening Aadhar based accounts.

PRIVATE BANKING

In India, ING Private Client Group focused on building a strong foundation offering core banking, wealth planning, investment services, credit products, estate planning and investment banking. The aim is to offer entire suite of products for clients with minimum investable amounts of USD 1 million. The competitive edge lies in a strong advisory, product innovation and highly customized engagement.

WHOLESALE BANKING

The Wholesale Banking Business (WSB) provides a wide range of banking products and services to India's leading corporate and fast growing businesses. The fund-based products include working capital finance, term finance and structured finance facilities. The non-fund based products mainly consist of letter of credit, financial and performance guarantees etc. WSB's fee-based high-value added products are cash management services, financial market transactions and structured hedge products, trade services, corporate finance and debt syndication advisory. WSB's advisory services focus on advising clients on mergers and acquisitions, capital restructuring and capital raising. The Bank also accepts Rupee and foreign currency deposits from our corporate customers.

The Wholesale Bank is organized into two overlapping groups, (i) Client Coverage and (ii) Products and Services. While the Client Coverage group is responsible for managing relationships with identified client sub-groups, the Products and Services group is responsible for product and service delivery to the Wholesale Banking client base. WSB's customer segments are as follows:

(i) Large Corporates Group (LCG)

The LCG is responsible for managing relationships with large corporates typically with sales turnover exceeding ₹ 1,500 Crore. The primary focus of the LCG relationship managers is to market High Value Added (HVA) products viz. Debt Capital Markets, Corporate Finance, Financial Markets and Advisory services.

LCG is also responsible for coordinating with ING Bank N.V. for offering retail and direct banking products and services to corporate clients and their employees.

(ii) International Clients Group (ICG)

In order to provide greater focus to servicing our multinational clients who have operations in India, WSB created a separate International Clients (IC) group, with effect from FY 2012. The ICG currently services over 260 clients. This has enabled the Bank to bring seamless servicing capability, thus helping its global clients in their business in India. This group benefits significantly

from the global reach of ING's network, which helps it in gaining access to ING's core clients. While the whole range of the bank's products is available to International Clients, a key focus for ICG is to be a stable source of liabilities. The business is currently present in 6 major cities.

(iii) Emerging Corporates Group (EC)

The Emerging Corporates clientele is serviced from ten cities within the Bank's extensive network and focuses on managing relationships with manufacturing, processing and services sector companies with an annual sales turnover between ₹ 150 Crore and ₹ 1,500 Crore.

A wide range of products are offered to meet the needs of this business segment, with special focus on export credit, working capital finance, cash management services, term loans, non-fund based facilities like letters of credit, guarantees and structured finance products. In partnership with Retail and Private Banking, the EC group provides wealth management solutions, loans, advances, salary accounts, and allied services to the employees & promoters / directors of the companies. Debt Capital Market (DCM) & Corporate Finance (CF) launched to cater specific requirements of the EC segment has paid good dividends despite sluggish market conditions. Both the products helped EC team to tap new revenue streams.

Given the global reach of ING's global network, EC also caters to the cross border needs of its clients in supporting their business requirements outside India via funding and advisory services. Whilst offering complete financial services solutions both at corporate as well as individual level, the EC segment also plays a substantial role in meeting the Bank's export credit commitments.

(iv) Banks and Financial Institutions Group (BFI)

The Banks and Financial Institutions (BFI) Group, is a dedicated group created to leverage the business opportunities with the Financial Institutional client base. Clientele includes international and domestic banks, non-bank finance companies, insurance companies and mutual funds. BFI uses ING's global expertise and offers a complete product suite which includes funding, trade, clearing and cash management, bond placements, loan syndications and Financial Market products.

FINANCIAL MARKETS (FM)

The Financial Markets unit was well placed given that the Bank has adopted "Back to Basics" focus way back in 2008. The new environment helped the unit deepen franchise driven flows. The unit, in line with the strategy of the Bank, also integrated its offerings with relationships of other units and other products so as to provide more comprehensive solutions to clients.

The FM unit in the Bank consists of four key units – Trading & Market Making, Sales, Structuring and Asset & Liability Management (ALM).

The Trading and Market Making unit has its focus in the chosen asset classes and has been an active market maker internally and externally. The unit has demonstrated agility and consistency in exploiting trading opportunities in volatile markets.

The Sales and Relationship Management unit of Financial Markets has provided significant value to our client set. Our research analysis and dissemination have got wide appreciation and have contributed to both enhancing relationships and furthering the business. In close co-ordination with the Structuring Desk, sales desk offers solutions that are optimal for client needs.

The Asset & Liability Management (ALM) Desk continues to play a pivotal role in managing the balance sheet, both on liquidity and interest rate risks. The ALM unit has been proactive in its approach and provides valuable feedback to Asset Liability Committee (ALCO) for timely decisions.

RISK MANAGEMENT AND PORTFOLIO QUALITY

The risk management policy of the Bank, monitored at the highest levels, is based on a thorough review of key risk areas of Credit Risk, Market Risk and Operational Risk.

(i) Credit Risk

Credit Risk Management (CRM) is an important component of risk management in banks. The Bank has a robust risk governance framework in place, addressing all aspects of credit risk management viz, origination, underwriting, administration, monitoring, reporting and recovery.

The Risk Management and Review Committee of the Board is primarily responsible for owning and managing Credit Risk through Policies, Processes and Controls in the Bank. The Chief Risk Officer (CRO) manages the Risk Policies and Processes, Credit MIS & Infrastructure, Credit Risk Assessment on Credit submissions through the Risk Analysts and Credit Approvers. CRO also oversees the Loan Review functions and Special Loans Monitoring Group (SLMG). The loan review department performs Portfolio reviews, Sector/Industry analysis, conducts sample reviews of approvals and monitors asset classification and SLMG manages irregular accounts.

Credit risk management below CRO level is organized vertical-wise in line with the business segments, namely Large Clients Group (LCG), International Clients Group (ICG), Emerging Corporates Group (ECG), Banks and Financial Institutions (BFIG), Financial Markets (FM) and Retail Banking. The Credit Policy document which defines the Risk Appetite of the Bank is reviewed and updated at least annually. The Bank has in place both overarching Policy documents e.g. Credit Risk Policy, Signature Approval Process, as well as detailed guidelines/manuals originating from the Policies.

Most credit exposures have primary and/or collateral securities, with appropriate legal documentation. Other risk mitigating measures, like escrowing cash-flow, electronic clearing service (ECS) mandates, financial or other covenants as stipulated, depending on the type of borrower and facilities availed, are also in place.

Financial Markets products are offered to corporate clients in accordance with the Bank's Board approved 'Client Appropriateness and Suitability Policy'.

Portfolio across each business segment is reviewed periodically for course-correction. Retail Assets are reviewed monthly and appropriate corrective actions are taken based on portfolio trends. There are dedicated Collections and Recovery teams reporting to Head- SLMG. Recoveries are made by enforcement of securities, foreclosure of mortgages, and other legal remedies, if no settlement can be reached. Asset classification and provisioning is done in accordance with RBI guidelines.

Continuous efforts are being made to improve Credit MIS infrastructure using IT resources of the Bank with a view to gather timely information both at individual borrower account level, group level and as a portfolio.

The Bank is fully compliant with Basel II norms (standardized approach) and working towards complying with Basel-III requirements.

Though the Indian economy performed moderately well in the past, some Corporates still felt the impact of the slowdown in the global economy. While exporters continued to face issues in importing countries, domestic businesses experienced issues due to volatility and increases in raw material cost, elongated payment cycles and FX fluctuations, leading to cash-flow and debt servicing stresses. The Bank continued to provide support to viable businesses by participation in restructuring plans agreed under the Corporate Debt Restructuring (CDR) Scheme. In other cases, steps had to be taken to contain exposures, improve recoveries or obtain additional collaterals. With the current stress on the economy, it is expected that some client segments will continue to face liquidity tightness in the ensuing months.

In the Wholesale Bank, the Bank has built strong relationships with several top-tier names, quality of services and turnaround time have enabled the Bank to achieve significant cross-sell/up-sell and enable customer retention. Credit risk in these two segments continue to be relatively benign but are monitored regularly for stresses building up on account macro-economic tailwinds.

In Retail Bank, rigorous monthly monitoring mechanism has put in place by introduction of a risk dashboard at a borrower level and also at a portfolio level. When a particular industry or activity is facing problems, a rapid performance review of the portfolio is conducted to mitigate and control the risk. Implementation of Early Warning portfolio triggers and grading system enable pre active identification of problem accounts and enable corrective action on time.

In Retail Bank and Wholesale Bank as monitoring has been institutionalized, based on early warning signals and churn in the accounts, exits are planned and portfolio is kept healthy. The Bank is confident that the robust risk management practices put in place will enable the Bank to manage issues arising out of unforeseen events.

(ii) Market Risk

Market Risk Management (MRM) focuses on three businesses and their risks: (1) Trading and Market Making, (2) Structured Products and Sales and (3) Asset and Liability Management. The positions in the Trading Book are valued and monitored on an ongoing basis. MRM is responsible for the daily monitoring of the market risks and ensuring adherence to limits and framework laid down by the Board. To monitor risk in regards to risk capacity, MRM determines the market risk using VaR approach combined

with various other controls. The impact of market risk exposure under stress scenario in relation to the Bank's risk capacity is also reported to the management on a periodic basis.

Structured Products and Sales mainly provide corporate clients with a range of instruments to hedge their business exposure that are sensitive to foreign exchange and/or interest rate fluctuations. MRM is responsible for the independent valuation, monitoring, and reporting of the mark to market value of these products. MRM is the gatekeeper of all new products with regard to the Financial Markets activities.

For effective Asset and Liability management, an Asset Liability Committee (ALCO) has been operating in the Bank to manage inter alia the capital position, liquidity and interest rate risks in the Bank's Balance Sheet. MRM provides qualitative inputs to ALCO in form of information on Balance sheet analysis and movement in various risk parameters, such as Value at Risk, Event Risk, Earnings at Risk etc, under normal as well as stress scenarios. MRM also provides analysis on balance sheet simulations of the impact of volume growth and changes in interest rate regime. MRM monitors adherence to limits and relevant prudential norms laid down by the Board.

MRM is also the gatekeeper of the Fund Transfer Pricing (FTP) framework in the Bank. It is responsible for implementation of FTP framework and recommending suitable amendments to ALCO from time to time. The FTP framework and policies are designed to ensure that the interest rate and liquidity risks emanating out of various business activities of the Bank are transferred to a centralized Treasury unit, which then actively manages the same to optimize the risk-return framework.

MRM controls and monitors the activities of the desk within the regulatory framework. MRM is also involved in advising the Bank in the risk based pricing of products, and market risk awareness within the Business Units of Retail and Wholesale Banking in respect of regulatory requirements and international standards, and to advise management on the optimal product mix strategy.

(iii) Operational Risk Management (ORM)

The Operational Risk Management (ORM) function manages the Operational, Information and Security risks. The Bank has developed a comprehensive Operational Risk Management framework supporting the process of identifying, measuring and monitoring Operational, Information and Security risks. The Bank's Operational Risk Management Framework is approved by the Risk Management and Review Committee of the Board and is reviewed on a periodic basis.

The Board and the Senior Management of the Bank are kept informed about the key Operational Risk issues on a regular basis. For effective management of the Operational Risk, Operational Risk Committees have been formed at Country level and Business Line level. The Country Operational Risk Committee meets on a quarterly basis and the Business Line Operational Risk Committees meet on a monthly basis to discuss and take effective actions for operational risk issues.

During the year a number of new initiatives were undertaken to further strengthen the Bank's Operational Risk management process. The key initiatives undertaken and achieved in the financial year 2012-13 include:

- A comprehensive Operational Risk Management Framework (ORMF) was developed to manage Operational Risk in daily business providing an appropriate balance between operational risks, rewards and costs, and thereby create a common and uniform view on Operational Risk management
- Through project **In Control Environment**, a new approach of Risk & Control Self Assessment (RCSA) was introduced that provides business management a holistic view of its operational risk profile, indicating the key risks & controls, and embed the process of testing the controls, thereby providing an assurance of being 'In Control'.
- Bank has initiated to adopt and move to higher approaches for the purpose of Operational Risk Capital calculation. Bank has communicated its intention to move to The Standardized Approach to the RBI.
- In the area of Information risk management, the new guidelines on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds issued by RBI was subject to a comprehensive gap analysis, and suitable actions were taken. All planned business continuity and disaster recovery tests have been successfully completed during the year.

INFORMATION TECHNOLOGY (IT)

The IT Service Management Group (ITSMG) is the technology organization responsible for the Bank's IT strategy and execution. ITSMG's responsibilities extend from conceptualizing technology strategy in harmony with business strategy, to running day to day operations at the workplace and data centers. ITSMG plays an active role in not just running efficient operations, but also in assisting business in winning at the marketplace, true to its mission "To be a strategic business partner based on service excellence through technical leadership in a secure and cost effective manner."

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Bank continued its focus on alternate delivery channels by investing in High-end Mobile Banking solution on smartphones and other new mobile devices such as iPads. The Bank also has launched an award winning product called INGFD+ which enabled the customers to open Fixed Deposits through mobile banking using simple SMS based instructions. The Bank made new investments in the key domains of Financial Markets and Market Risk. In order to enhance the customer service, a project is underway to implement an online Financial Markets portal. The Financial Markets front and back office systems were upgraded to newer software versions and new infrastructure. Further, a new system is under implementation for Market Risk for enhanced delivery of the Value at Risk functionality.

Data infrastructure received adequate focus this year. Two key initiatives were launched in this area: Data management initiative with a Business Intelligence (BI) based MIS Platform and the Automated Data Flow initiative that makes the Bank compliant with RBI's new regulation of straight through processing of Central Bank returns. The Bank continued its investments in the core systems and infrastructure areas. The Core Banking Upgrade project is currently underway and due for completion in 2013-14. Communication infrastructure modernization to support the new core banking version is also underway in parallel.

Focus also continued on regulatory compliance and IT Security, with new systems being implemented for privileged user access management and data encryption.

The above initiatives have been noticed and rewarded in various domestic and international forums. The Bank received the CIO 100 award for the fourth year in a row, for FD+ – the SMS powered Fixed Deposit product.

OPERATIONS

The year required the organization to keep pace with quite a few regulatory requirements within stringent timelines. Taking them in its stride, Operations continued its journey towards operational excellence keeping the customer benefits as the Top Priority on its list.

Few milestones achieved during the year were:

- Extended cut off timings for deposit of clearing cheques in specific locations/branches
- We are amongst the six banks who were part of the pilot project on NACH (National Automated Clearing House), an initiative of the NPCI (National Payments Corporation of India) – is an improved version of the current ECS facility and enhances efficiencies manifold
- We have successfully tested credits to customers based on the "Aadhar" number and is an initiative primarily to ease the financial inclusion process and can assume much larger dimensions
- Bhoomi project aimed at digitizing the mortgage of agricultural property is another such initiative and has been implemented
- "CERSAI" which required updating information on all mortgages (with defined exceptions) created with the Bank was an equally huge task and we were amongst the first banks to complete the same

INTERNAL AUDIT

Internal Audit is an independent, objective assurance and consulting activity to add value and contributes towards improvement of the bank's various functions. It is designed to extend support to the management to accomplish its strategic objectives by bringing in a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. IAD reports directly to the Audit Committee of the Board (ACB). The ACB approves the rolling Annual Audit Plan and oversees the functioning of the Department, besides giving directions based on audit findings.

The Internal Audit Department follows the Risk Based Audit approach across the Bank, wherein both process gaps and deficiencies in execution are identified, with suitable recommendations for remedial actions. The annual audit plan of the bank is based on the Risk Assessment of all the auditable units identified within the Bank.

Audits are segregated into Wholesale, Retail – Assets/Liabilities, Regulatory audits, Information system audits in alignment with business segments with dedicated teams with the required skill sets. The audits carried out covers verification of Regulatory compliance at the units subjected to audits. All audit reports have a rating, indicating the level of risk. In addition, concurrent audits are performed at select branches, as also key functions such as Financial Markets, Retail Deposits and Investment Operations, Centralized Trade Finance Operations, loan documentation centers, etc. This enables the Bank to take corrective actions in respect of critical transactions early.

Findings of Internal Audit are followed up by audit teams for timely closure and effective resolution by the management.

COMPLIANCE

A new monitoring framework was introduced and it progressed relatively well with the designing of a risk based monitoring plan, bringing more focus on the business tracking controls and testing, development of data analytics and initiation of scheduled analytics for various obligations. A customer based activity monitoring model and enhancement of the scope of transaction monitoring through integration of various customer transaction applications was also introduced. The Bank continued its focus on training on the Financial Economic Crime policy with extensive face to face training conducted at various locations across the country, in addition to other modes of trainings.

HUMAN CAPITAL MANAGEMENT

One of the key measures employed in assessing effectiveness of managing of human capital is the Sustainable Engagement Index, which is a barometer of the bonding that an employee demonstrates towards the organization. The Bank continued to improve its high scores on this critical metric in the Winning Performance Culture Survey, an annual employee engagement initiative conducted globally by ING for all its group entities. Based on the Index scores on various parameters appropriate actions are taken.

The Industrial Relations in the Bank continued to be constructive and positive. During the year, Bank signed an Internal Charter of Demands with the Union, as part of an exercise undertaken every four years. A Scholarship Assistance Scheme was introduced to support meritorious children of employees through their graduation, post graduation and professional courses. A new Topper's Recognition Scheme to reward and recognize the bright young minds among employees' children was also put in place.

Trainings to up skill employees offered a balanced blend of domain and soft skill interventions. The touch points of learning were taken beyond the conventional class room through migration to alternate channels of delivery like video and teleconferencing, to optimize costs and employee time and enhance learning comfort. Knowledge Management by way of mailers was initiated on diverse themes like management best practices, role model behavior and building a culture of excellence. New training initiatives launched during the year included programs to sharpen product knowledge such as 24 Carat, roll out of *Integrated Client Approach*, an ING program to co-create business solutions for Wholesale Banking clients by shifting from transactional to consultative selling and *Project Focus*, a program to cascade process awareness by training the Branch Heads. Trainings in the Bank touched close to 6500 employees.

The year also witnessed the Bank shift substantially from talent acquisition to strategic resourcing. Internal job postings that provided opportunities to employees to move into new areas of work became a focal point for capacity building. The *Centre of Excellence* and *Batch Mode* initiatives based on the intern-model of train, test and absorb of campus hires yielded rich dividends to the Bank in creation of a pipeline of expertise in different business and support verticals.

Bank has an institutionalized approach to identifying a group of top performers with potential to become future leaders referred to as a Talent Pool. These employees are categorized into three categories viz.,: Young Talents, Emerging Leadership Talents and Leadership Talents. There is a different level of engagement which is designed for these talents, which includes opportunities to work on critical projects and face time with the leadership team of the bank, thus providing enough visibility for them to showcase their potential.

OPPORTUNITIES AND RISKS

As part of its operations, the Bank sights a number of opportunities and faces threats to its strategy.

The opportunities include:

- Increasing distribution with new product offerings, product enhancement and packaging on both lending and fee products.
- Leveraging and scaling up the branch network and sales structure to grow low cost deposits.
- Increasing cross sell by deepening of existing relationships.
- Further upgrading our technology and service platforms to support business growth and meet customer expectations.

Risks that must be managed include, amongst others:

- Inflationary pressures and consequent hardening of interest rates;
- Tightening of Liquidity in the Banking system and effective management of ALM.
- Changes in regulatory framework which has impact on our operations or ability to do business or pricing products.
- Credit environment in the economy and increase in Non Performing Assets (NPAs).
- Impact of Global events on the Indian economy.

OUTLOOK

The Bank expects GDP growth for the year 2013-14 to be 6% due to marginal improvement in global sentiments and gradual pick-up in domestic investments. WPI inflation is expected to range between 5.5%-6.0% YoY, with upside risks due to higher global commodity prices especially oil. The Bank expects the sector to grow advances by around 15% and deposits around 14% in FY14. Rupee is expected to range between 53-55 per USD in FY14 due to a marginal improvement in global sentiment thus moderating CAD from current levels.

Corporate Social Responsibility and Sustainable Development Performance Report

Your Directors are pleased to present the Non Financial Report for the year 2012-13. The Report deals with Corporate Social Responsibility and Sustainable Development.

As a responsible financial services provider, your Bank has consistently reported along the guidelines of the banking regulator under RBI/2007-08/216 DBOD. No. Dir . BC. 58/13.27.00/2007-08 dated December 20, 2007 - Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting – Role of Banks. The advent of the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business, issued by the Indian Institute of Corporate Affairs under the aegis of the Ministry of Corporate Affairs, encourages companies to report voluntarily according to the spirit of the NVGs. Our scope of non-financial reporting respects both recommendations.

1.0 CORPORATE SOCIAL RESPONSIBILITY (CSR)

ING Vysya Bank is committed to being a responsible corporate citizen. Our approach to CSR is primarily implemented through the ING Vysya Foundation (IVF) which acts as a catalyst to make a positive social difference by promoting and providing primary education to children from a disadvantaged socio-economic background. This focus is part of the worldwide “Chances for Children” program (CFC) of the ING Group. IVF was established as a Trust in October 2004 to promote CSR of ING Group entities in India. ING Vysya Bank has been the main contributor to IVF.

Your Bank recognizes the importance of creating social infrastructure by nurturing partnerships with Civil Society Organizations (CSOs) to achieve its mission. Over the reporting period of the last year, IVF has worked with 13 CSO partners, across India, who are engaged in:

- Enrolling children (never been to school and out of school) back to school
- Preparing children through bridge schools and pre-primary schools for enrollment in formal schools
- Retaining and continuing education of children who are already enrolled.

No.	CSO Partner	Location	Program
1	Akshara Foundation	Bengaluru	Community Library program and pre-school program
2	Sukrupa	Bengaluru	Residential program for children with single parents/orphans
3	Makkala Jagriti	Bengaluru	Community Learning centre for children living in slums
4	Christel House	Bengaluru	Formal School for children living in slums
5	Samarthanam Trust	Bengaluru	Higher education for visually impaired youth
6	Aurobindo Chaudhari Memorial Great Indian Dream Foundation	Delhi	Pre-school program for children living in slums
7	Hamari Muskaan	Kolkata	Learning centre for children in red-light area
8	Pratham Vulnerable Council for Children	Mumbai	Residential program for former child labourers
9	Support	Mumbai	Residential program for rehabilitated drug addicted street children
10	Room to Read	Andhra Pradesh	Libraries in Government schools to promote learning habits
11	IIMPACT	Lucknow	Learning centre for girl children
12	UNICEF	India	Chances for Children program
13	Jan Jagran Samasthan	Bihar	Bridge school for flood affected children, living in slums

During the year, IVF has continued its engagement in the following Programs:

Our active engagement in these projects has positively impacted deserving children. This helps us leverage our resources, both funds as well as skills to create long-term impact in the lives of the children. Further, this involvement engages our employees, who volunteer their time on various projects.

IVF provides opportunities to employees to volunteer for the development and growth of underserved children. During the year, several volunteer initiatives were organized under the ‘Hope Brigade’ program. Activities ranged from teaching children spoken English, garden cleanup activities, painting/marketing trees and planting saplings, raising awareness on reducing the spread of bacteria during the monsoon, taking children on educational tours, story-telling classes to develop reading habits among children and donating books to libraries. Around 5,000 employees volunteered for 15,000 hours (average 3 hours per volunteer) in these initiatives. In India, ‘ING Global Challenge–Chances for Children’ with a theme on ‘Environment’ involved 3,045 employees across 230 branches at 50 locations.

Many programs extend beyond a timeline and in the year 2012–13, IVF continued to implement some programs that were initiated during 2011–12:

Financial literacy: The program teaches children the basics of money , banking and explains the importance of savings. This program also covers parents to facilitate their acquiring financial skills such as budgeting, money management, savings, and the confidence to be local entrepreneurs including starting a self-run micro enterprise. So far , 1000 parents have participated in our programs. A core group of 20 mothers are being trained as trainers to impart training on financial literacy to a wider group of parents. With this knowledge it is envisaged that the mothers would be able to start a small business to support their family and generate income that would enable children to continue their education. Our efforts on this project were led by a group of 30 Bank employees.

Financial Inclusion: The Bank is committed to promote financial inclusion under its Board approved plan. All its branches are authorized to open Basic Savings Bank deposit accounts to encourage unbanked populations to become a part of the formal banking channel and generate savings. The Bank is also undertaking a biometric based transaction system where basic banking services are provided at the doorstep with the help of a business correspondent.

Training, Empowerment and Livelihoods: Established by the Bank in association with BVV Sangha at Bagalkot, the Rural Development and Self Employment Training Institute (RSETI) continues to identify, motivate, train and assist unemployed youth to embrace self-employment ventures as an alternative vocation. During the year , 2,271 rural youth have benefited under the Institute's programs of which 2,114 trainees were women. Our RSETI has been awarded an "A" rating by The Ministry of Rural Development.

Sensitizing Children: The Bank hosts a children's portal - www.kidzzbank.com to educate children on nature and environment, money and savings. The website features a unique and informative virtual tour of a bank.

2.0 SUSTAINABLE DEVELOPMENT

Your Bank is committed to the sustainable development of India. IVBL believes in promoting triple-bottom lines (economic, environmental and social) where possible.

Social materiality is an important element of sustainable development, particularly from a risk perspective which we address comprehensively. Environment, natural resources and energy efficiency, are important to both the Bank and its clients. The Bank embraces various facets of sustainability, including:

2.1 Policies and Risk Management

The Bank strives to ensure that the projects financed by it are environmentally and socially sound and sustainable. IVBL being part of the ING Group N.V ("ING") has adopted the Equator Principles (EP) and Environmental and Social Risk (ESR) Policies of ING, after adapting them to the Indian environmental and legal framework. The ESR is a prescriptive regulatory framework and IVBL has adopted these policies and integrated them into its appraisal, approval and monitoring mechanisms.

General ESR Policy and Framework

The Bank has integrated the following commitments to its General G-ESR policy - Sustainability Do No Harm, Responsibility, Accountability and Transparency. The Bank has specified rigorous standards for finance and services to ensure adherence to strict social responsibility principles. These include:

- No financing for activities that would abuse human rights or violate rules
- Zero tolerance for controversial weapons like cluster bombs and land mines
- Restrictions on use of genetic engineering and modification
- Non progressing finance for sectors such as gambling, animal testing or pornography.

The Bank rejects many proposals from a Sustainable Development perspective, especially so if they are categorized under sensitive sectors or areas not supported by the Bank.

Equator Principles

The Bank is an early adopter of the Equator Principles (EP) which is a set of voluntary international environmental and social guidelines for ethical project finance. Its scope includes child labour , involuntary resettlement and protection of natural heritage.

Specific ESR Principles

The S-ESR Policy reflects the Bank's concern for sensitive markers such as Forestry and Plantations, Natural Resources and Chemicals. Proposals are reviewed based on Risk Filters and evaluated through questionnaires. This enables us to screen and not progress funding of projects in protected areas and vulnerable sectors. We monitor issues such as labour and human rights violations or adverse impact on the environment. We also conduct sector analysis and higher due diligence on sectors that may be detrimental to the environment and/or local communities. ESR Assessment is a key part of the overarching risk assessment process. Training on risk including sustainability risk is imparted across relevant teams.

2.2 Energy Management

The Bank has accelerated its efforts in the area of energy conservation and has registered an overall saving of 1.76 million KWh since 2009 across its two corporate locations at Bengaluru and Mumbai. Over the last year we have reduced our energy consumption by 1.79% in our Bengaluru Corporate Office and 11.3% at our Mumbai Office amounting to over 0.3 million units.

We are also proud to share that we have actively embraced the green buildings concept. Our Office at BKC, Mumbai is a LEED certified Gold rated building. Our Corporate Office in Bengaluru, incorporates the best of modern building codes and practices.

2.3 Stakeholder Engagement

Our human capital connects to the Bank's global motto "ING for Something Better". We undertake extensive employee engagement and a best practice is our Winning Performance Culture (WPC) Survey conducted by an independent organization 'Towers Watson'. Last year, we identified three focus areas-Career Opportunities, Rewards/Recognition and Leadership/Strategy.

The 2012 WPC was conducted in October 2012 with a record participation of 87% - the highest ever. The survey is measured by the Sustainable Engagement Index (which represents the bond or attachment the employee has to the company). This year we scored 78% on this index (5% more than global ING peers). We have improved over 2011 scores, particularly in Career Opportunities and Rewards/Recognition. Going forward, key organizational priorities from the 2012 WPC report are-Customer Focus and Compliance Culture. Two cross functional teams have been formed to make recommendations.

We include employees in the Bank's evolution through our magazine 'Intouch' a periodic e-magazine featuring accomplishments, milestones and events across the organization. Our Learning and Development Team engages with employees regularly on subjects of finance, management and professional development. Town halls on a multitude of subjects are also hosted. We believe that such interaction contributes to effective stakeholder engagement and encourages staff to join in the Bank's sustainability journey.

2.4 Sustainability projects

a. As we extend our work and deepen our understanding of sustainable development, we appreciate the interconnectedness of issues. Education has been our primary focus through IVF. While it can be seen stand-alone, education is intrinsically related to inclusion, energy, water, health, mobility and community folkways. We find that we are often operating at the intersection of these dynamics with differing stresses which we welcome as a responsible corporate citizen. In the following instances, we have supported eco-friendly projects among indigenous communities (also protected under the Equator Principles). Under the umbrella of the IVF, our employees:

- Installed 400 eco-friendly, smokeless stoves in 20 tribal villages of Bandipur. These 20 villages are now 100% smokeless stove villages, helping to protect the health of over 400 women and around 200 girl children. Each home owner saves 100 days a year on firewood collection (usually done by women and girl children walking long distances) because of lower fuel consumption. This initiative saves 3.5 tonnes of firewood per stove/year (equal to two fully grown trees) and helps protect forests, sequester carbon and minimize human-animal conflict in a sensitive ecosystem.
- Planted 1200 saplings in the barren hills of Bandipur.
- Provided solar lights in the SOS Children's Village of India, Nagapattinam. The project promoted community awareness and involvement to save energy, provide carbon free lighting and extend study time for children during the evening hours. This initiative has enabled the village to save 1,540 KWh/month which equates to about ₹ 12,000/month. These savings are used to provide better nutrition and health care to this village's children.

b. Earth Hour

For the fifth consecutive year, your Bank was actively involved in building awareness around the Earth Hour (Saturday, March 23, 2013). The Bank partnered with WWF to launch an outdoor campaign in Bengaluru and Delhi, followed by a unique Mall activity and a focused social media campaign to promote the event.

1. CORPORATE GOVERNANCE

1.1 Bank's Philosophy

The Corporate Governance philosophy of the Bank is to promote corporate fairness, transparency and accountability with the objective of maximizing long term value for all stakeholders. This philosophy is realized through the Bank's endeavour to work towards portfolio, operational and reputational excellence.

1.2 Mission of the Bank

Setting the standard in helping our customers manage their financial future.

1.3 Vision of the Bank

To emerge as a top five among Foreign and Private Sector Banks with a market share in excess of 1%.

2. BOARD OF DIRECTORS

2.1 Composition

The requirements for composition of the Board of Directors of the Bank are mainly governed by the relevant provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and Clause 49 of the Listing Agreement.

Mr. Arun Thiagarajan, Non-Executive and Independent Director, is the Chairman of the Bank. As of March 31, 2013, the Board has 11 Directors out of which, four are Independent Directors, in compliance with the requirements under Clause 49 of the Listing Agreement.

Ten out of eleven Directors, as against the requirement of six, possess the prescribed special knowledge / practical experience and meet the conditions stipulated in Section 10A(2) of the Banking Regulation Act, 1949 regarding substantial interest. Out of these ten, four Directors, as against the requirement of two, possess special knowledge / practical experience in the areas of Agriculture and Rural Economy, Co-operation and Small Scale Industry.

The details of the ages, experience, category/ area of expertise and highest qualification of Directors as of March 31, 2013 are given below:

Name of Director (Mr.), Designation, Age (Completed) & Experience	Category	Area of Expertise	Highest Qualification Held
Shailendra Bhandari # Managing Director and CEO Age: 54 years Experience: 33 years	Executive, Non-Independent and compliant with Sec 10A(2)	Banking, Economics, Strategic Planning and Treasury Operations	MBA (IIM)
Arun Thiagarajan , Chairman Age: 68 years Experience: 44 years	Non-Executive, Independent and compliant with Sec 10A(2)	Strategic Planning, Technology & Systems, Economics and Finance	Masters degree in Electrical Engineering
Meleveetil Damodaran # Director Age: 65 years Experience: 44 years	Non- Executive, Non-Independent and compliant with Sec 10A(2)	Banking, Economics, Finance, Law and Agriculture & Rural Economy	IAS (Retired) and Degrees in Economics and Law
Vikram Talwar Director Age: 63 years Experience: 43 years	Non-Executive, Independent and compliant with Sec 10A(2)	Banking and Technology & Systems	MBA (IIM)
Sanjeev Aga Director Age: 61 years Experience: 40 years	Non-Executive, Independent and compliant with Sec 10A(2)	Corporate and Investment Banking, Rural Economy and Technology & Systems	P.G.D.M.(IIM)
Vaughn Richter # Director Age: 57 years Experience: 35 years	Non-Executive, Non-Independent and compliant with Sec 10A(2)	Banking, Economics, Marketing, Risk Management, Strategic Planning, Treasury Operations and Agriculture & Rural Economy	Diploma in Corporate Finance from London Business School
Santosh Desai Director Age: 50 years Experience: 26 years	Non-Executive and Independent	Marketing, Branding and Strategic Planning	MBA (IIM)

Name of Director (Mr.), Designation, Age (Completed) & Experience	Category	Area of Expertise	Highest Qualification Held
Peter Staal# Director Age: 47 years Experience: 23 years	Non- Executive, Non-Independent and compliant with Sec 10A(2)	Banking, Finance, Economics, Risk Management, Strategic Planning, Treasury Operations, Credit Recovery and Agriculture & Rural Economy	Graduate In Business Administration (Economics and Finance)
Mark Newman# Director Age: 46 years Experience: 24 years	Non- Executive, Non-Independent and compliant with Sec 10A(2)	Treasury, Financial Markets and Risk Management	Chartered Accountant
Lars Kramer# Director Age: 45 years Experience: 26 years	Non-Executive, Non-Independent and compliant with Sec 10A(2)	Accountancy, Banking, Economics, Finance and Strategic Planning	Chartered Accountant (SA), MBA in Finance and Post Graduate Diploma in Accounting
Richard Cox# Director Age: 44 years Experience: 22 years	Non- Executive, Non-Independent and compliant with Sec 10A(2)	Banking and Risk Management	Chartered Accountant (England and Wales) and Masters in English & Literature from Oxford

Represents Foreign Promoter Group (ING Group)

2.2 Changes in the Board of Directors during the year

2.2.1 The following are the changes in the composition of Board of Directors during the year:

Resignation / Cessation

Name of Director	Date of Cessation/Retirement
Mr. Aditya Krishna	Mr. Aditya Krishna resigned from the office of director of the Bank effective conclusion of the Board Meeting on January 28, 2013.

Appointment(s)

Name of Director	Date of Appointment
Mr. Sanjeev Aga	Mr. Sanjeev Aga was appointed as an Additional Director of the Bank by the Board of Directors vide a circular resolution effective December 17, 2012.

2.2.2 Criteria for appointment and renewal of appointment of Directors

As per the Directors' Appointment/ Re-appointment Policy of the Bank, the following process is undertaken before appointment of a Director:

- Due diligence by the Corporate Governance (Nomination) Committee to determine suitability of the person for appointment as a Director and declare him as 'fit and proper' for appointment, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
- Reference checks from appropriate persons / authority, wherever required.
- 'Declaration and Undertaking' by the person to be appointed as a Director to the effect that he has not been convicted for any offence, has not come to the adverse notice of the Regulators, is not holding substantial interest in the Bank, and has not availed fund or non-fund facilities from the Bank, etc.
- Letter of consent to act as a Director and confirming that he is not disqualified under Section 274(1)(g) of the Companies Act, 1956.
- Execution of deed of covenants with the Bank re-affirming his duties and responsibilities as a Director.
- Declaration under Clause 49 of the Listing Agreement in case of an Independent Director.

2.2.3 Term of Board membership

As per the provisions of the Companies Act, 1956, one-third of the Board members (other than Executive Directors) whose office is subject to retirement by rotation shall retire every year; and approval of shareholders is sought for the re-appointment of such retiring members, if eligible and if they offer themselves for re-appointment. Further, the Banking Regulation Act, 1949 prescribes that no director of the Banking Company other than its Chairman or Whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years. Therefore maximum tenure for the directors is eight years from the date of their appointment. Bank has complied with the provisions of the Companies Act, 1956 and also Banking Regulation Act, 1949 during the year.

2.2.4 Changes proposed at the 82nd Annual General Meeting (AGM)

Directors holding office till 82nd AGM

Mr. Sanjeev Aga was appointed as an Additional Director effective December 17, 2012 and is eligible to hold the office up to the 82nd AGM.

Directors retiring by rotation and being eligible, offer themselves for re-appointment:

Mr. Richard Cox, Mr. Meleveetil Damodaran and Mr. Vikram Talwar are retiring by rotation and being eligible offer themselves for re-appointment. A resolution is proposed to the members in the Notice of the current AGM to this effect at the meeting or any adjournment thereof.

All the above directors satisfy the requirement of Directors' Appointment/ Re-appointment Policy which mandates good attendance record of the meetings held during their tenure.

2.3 Board Meetings

During the year, six Board meetings were held as against the requirement of four meetings in terms of Clause 49 of the Listing Agreement and Section 285 of the Companies Act, 1956. The dates of the Board meetings held were: April 24, 2012, June 28, 2012, June 29, 2012, July 24, 2012, October 19, 2012 and January 28, 2013.

2.4 Details of attendance at the Bank's Board Meetings, Annual General Meeting, Directorship, Membership and Chairmanship in other companies for each Director are as follows:

Name of the Director (Mr.)	No. of Board meetings held during the tenure	Board meetings attended (in person/ through Video Conference)	Board meetings attended through Non-Notified Video Conference* / Teleconference	Attendance at last AGM	Directorship in other Indian Public Limited Companies	Membership of Committees of other Companies	Chairman-ship of Committees of other Companies
Persons who have been Directors throughout the year 2012-13							
Arun Thiagarajan	6	6	0	Present	5	3	-
Shailendra Bhandari	6	6	0	Present	-	-	-
Vaughn Richtor	6	6	0	Present	-	-	-
Richard Cox	6	6	0	Present	-	-	-
Lars Kramer	6	5	0	Present	-	-	-
Santosh Desai	6	5	0	Present	-	-	-
Meleveetil Damodaran	6	6	0	Present	9	7	2
Peter Staal	6	4	0	Present	-	-	-
Vikram Talwar	6	4	0	Present	1	-	-
Mark Newman	6	5	0	Present	-	-	-
Persons who ceased to be Directors during the year 2012-13							
Aditya Krishna (Ceased to be a Director effective January 28, 2013)	6	6	0	Present	4	-	-
Persons who appointed to be Directors during the year 2012-13							
Sanjeev Aga (Appointed as a Director effective December 17, 2012)	1	1	0	NA	3	3	1

* In terms of MCA Circular No 28/2011/7/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings via Video Conferencing (VC), provided the meeting is notified as a Video Conference Meeting. The attendance of a director via VC in a non-notified VC meeting is not considered for the purpose of attendance. However there is no such instance during the year.

Note: The details of Directorships and Chairmanships / Memberships of Committees of other companies given above are in accordance with the provisions of Section 275 of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Only Membership of Audit Committee and Shareholders' / Investors' Grievance Committee are considered for calculating the number of other Memberships / Chairmanships of Committees.

3. COMMITTEES

Following are the Board Level Committees in the Bank:

1. Audit Committee of the Board (ACB)
2. Risk Management and Review Committee (RMRC)
3. Corporate Governance Committee (CGC) (which also acts as Nomination Committee)
4. Shareholders' / Investors' Grievance Committee (SIGC)
5. Special Committee for Monitoring Frauds (SCMF)
6. Customer Service Committee (CSC)
7. Board Credit Committee (BCC)
8. Information Technology Strategy Committee (ITSC) and
9. Remuneration Committee (RC) (which also acts as Compensation Committee and Clause 49 non-mandatory Remuneration Committee)

The constitution and functioning of these Committees are governed by relevant provisions of the Companies Act, 1956, Listing Agreement as well as the guidelines / circulars issued by the Reserve Bank of India from time to time. A brief on each Committee, its scope, composition and meetings held during the year is as follows:

3.1 Audit Committee of the Board (ACB)

Scope and Terms of Reference

- To review the quarterly and annual financial statements before submission to the Board, oversee the financial reporting process to ensure transparency, sufficiency, fairness and credibility of financial statements.
- To review the adequacy and effectiveness of the internal audit function and control systems.
- To function as per RBI guidelines to the extent that they are in alignment with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.
- To focus on the objective of unqualified financial statements.

Composition and Meetings

ACB consists of five members of which three members are independent directors constituting 60% of the total strength. Mr. Aditya Krishna was the Chairman of the Committee however consequent to his resignation from the office, he ceased to be the director and also Chairman of the Committee effective January 28, 2013. During the year Audit Committee of Board met five times and all the meetings were held by January 28, 2013. The dates on which the meetings were held are; April 24, 2012, July 24, 2012, October 19, 2012, October 25, 2012 and January 28, 2013. The Corporate Secretary of the Bank acts as the Secretary to the Committee in terms of Clause 49 of the Listing Agreement.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Arun Thiagarajan	5	5	-	-
Vaughn Richter	5	4	-	-
Lars Kramer	5	4	-	-
Vikram Talwar	5	2	-	-
Sanjeev Aga (appointed as a member effective January 28, 2013 and Chairman effective April 29, 2013)	-	-	-	-
Aditya Krishna (ceased to be a Director and Chairman of ACB effective January 28, 2013)	5	5	-	-

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.2 Risk Management and Review Committee (RMRC)

Scope and Terms of Reference

- To review and approve the Bank's overall risk appetite and set limits for individual types of risk, including credit, market and operational risk;
- To approve material changes to the overall risk appetite and monitor the Bank's risk profile, including risk trends and concentration;
- To ensure that the principal risks facing the Bank have been identified and are appropriately managed;
- To assess existing and potential risks for the Bank;

- To ensure effective management of the above risks;
- To review constantly and realign changes to credit, market and operational risk policy;
- To monitor and approve credit portfolio and trading limits;
- To ensure minimal risks arising from portfolio concentration, positions and recommending remedial measures;
- To review and approve measurement techniques, tools and approaches used to identify, aggregate and control credit, market, and operational risk;
- To manage the comprehensive Risk Policy, reviews implementation of risk management techniques, review policies and procedures to ensure continued compliance to Risk Policy;
- To oversee the activities of Risk Management Departments and co-ordinate with the Board, Chief Risk Officer (CRO) and other Executive Committees;
- To review management's report on the risk control standards in the Bank.

Composition and Meetings

The Committee consists of seven members. Mr. Vaughn Richtor is the Chairman of the Committee effective July 22, 2010. The Corporate Secretary of the Bank acts as the Secretary to the Committee. During the year 2012-13, the Committee met four times. The dates on which the meetings were held are April 23, 2012, July 24, 2012, October 19, 2012 and January 28, 2013.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Vaughn Richtor, Chairman	4	4	-	-
Arun Thiagarajan	4	3	-	-
Peter Staal	4	2	-	-
Shailendra Bhandari	4	4	-	-
Lars Kramer	4	2	-	1
Richard Cox	4	4	-	-
Mark Newman	4	3	-	-

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.3 Corporate Governance Committee (CGC)

Scope and Terms of Reference

- To introduce, implement and review Corporate Governance practices at all levels in the Bank;
- To induct and ensure a pro-active governance framework at all levels in the Bank;
- To review and monitor the implementation of various mandatory / non-mandatory requirements of Clause 49 of the Listing Agreement dealing with Corporate Governance in Indian Companies;
- To monitor and ensure that interests of all the stakeholders viz., shareholders, customers, employees, and the community / society are served properly;
- To review status of compliance with Section 10A of the Banking Regulation Act, 1949 and Clause 49 of the Listing Agreement relating to composition of the Board of Directors and also composition of other mandatory Committees;
- To monitor insider trading within the Bank and ensure implementation of code for prevention of Insider Trading.
- To act as 'Nomination Committee' for the purpose of recommending appointment of Non- Executive/Independent Directors after carrying out the due diligence under 'fit and proper' norms prescribed by the regulator, RBI;
- Upon constitution of an exclusive Remuneration Committee, this Committee ceased to operate as non-mandatory Remuneration Committee and Compensation Committee effective January 16, 2012.

Composition and Meetings

The Committee consists of five members. Mr. Peter Staal is the Chairman of the Committee. The Corporate Secretary of the Bank acts as the Secretary to the Committee. During the year 2012-13, the Committee met five times. The dates on which the meetings were held are April 23, 2012, June 29, 2012, October 19, 2012, November 30, 2012 and January 28, 2013.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Peter Staal, Chairman	5	4	-	-
Santosh Desai	5	4	-	-

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Arun Thiagarajan	5	4	-	-
Aditya Krishna (ceased to be director and member effective January 28, 2013)	5	3	-	-
Vaughn Richter	5	4	-	1
Sanjeev Aga (Appointed as member effective January 28, 2013)	-	-	-	-

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.4 Shareholders' /Investors' Grievance Committee (SIGC)

Scope and Terms of Reference

- To look into the redressal of investors' grievances like non-transfer of shares, non-receipt of Annual Reports, non-receipt of declared dividends, etc;
- To oversee investor relations;
- To approve share transfers (to the extent not delegated to officials) ;
- To monitor servicing of investor requirements;

The Committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement with the Stock Exchanges.

During the year, the Bank received 113 complaints from the shareholders all of which stand resolved. As of March 31, 2013, there are no complaints pending for resolution.

Composition and Meetings

There are five members in the Committee. Mr. Arun Thiagarajan, Independent Director is the Chairman of the Committee. Mr. M V S Appa Rao, Corporate Secretary of the Bank, being the Compliance Officer of the Bank, acts as the Secretary to the Committee. During the year 2012-13, the Committee met twice. The dates on which the meetings were held are July 13, 2012 and January 22, 2013.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Arun Thiagarajan, Chairman	2	2	-	-
Shailendra Bhandari	2	1	-	-
Peter Staal	2	1	-	-
Vikram Talwar	2	-	-	2
Mark Newman	2	2	-	-

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.5 Special Committee for Monitoring Frauds (SCMF)

Scope and Terms of Reference

- To monitor and follow up cases of fraud involving amounts of ₹ 1 Crore and above (RBI circular DBS.FGV (F) No.1004/23.04.01A/2003-04 dated January 10, 2004);
- To monitor effective detection of frauds and reporting thereof to the regulatory and enforcement agencies and review the action taken against the perpetrators of frauds.

Composition and Meetings

The Committee consists of four members. Mr . Shailendra Bhandari is the Chairman of the Committee and the Corporate Secretary of the Bank acts as the Secretary to the Committee. During the year 2012-13, the Committee met thrice. The dates on which the meetings were held are April 23, 2012, July 13, 2012 and January 22, 2013.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Shailendra Bhandari, Chairman	3	2	-	-
Peter Staal	3	1	-	-
Arun Thiagarajan	3	2	-	-
Lars Kramer	3	2	-	1

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.6 Customer Service Committee (CSC)**Scope and Terms of Reference**

- To bring about ongoing improvements in the quality of customer service provided by the Bank;
- To initiate, review and implement proactive measures to bring ongoing improvements in the quality of customer service provided by the Bank and improve the level of customer service for all categories of clients.

Composition and Meetings

The Committee consists of four members. Mr. Santosh Desai is the Chairman of the Committee. The Corporate Secretary of the Bank acts as the Secretary to the Committee. During the year 2012-13, the Committee met twice. The dates on which the meetings were held are April 23, 2012 and October 19, 2012.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Santosh Desai, Chairman,	2	1	-	-
Shailendra Bhandari	2	2	-	-
Mark Newman	2	2	-	-
Sanjeev Aga (appointed as member effective January 28, 2013)	-	-	-	-
Aditya Krishna (ceased to be a Director and member effective January 28, 2013)	2	2	-	-

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.7 Board Credit Committee (BCC)**Scope and Terms of Reference**

- To review developments in key industrial sectors.
- To review at quarterly intervals the Credit approvals given under Triple Signature powers.
- To approve proposals that are beyond the approval authority of the Signature Approval Process (SAP) authorized signatories.

Composition and Meetings

The Committee consists of four members. Mr Richard Cox is the Chairman of the Committee. The Corporate Secretary of the Bank acts as the Secretary to the Committee. During the year 2012-13, the Committee met four times. The dates on which the meetings were held are April 23, 2012, August 30, 2012, October 19, 2012 and January 28, 2013.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Richard Cox, Chairman	4	3	-	1
Shailendra Bhandari	4	4	-	-
Vaughn Richter	4	3	-	-
Meleveetil Damodaran	4	3	-	-

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.8 Information Technology Strategy Committee (ITSC)

Scope and Terms of Reference

- To ensure that the initiatives on the Corporate Governance and IT Governance are addressed so as to advise on strategic direction on IT;
- To approve IT Strategy and Policy documents and undertake review of its execution;
- To ensure IT investments represent a balance of risks and benefits and the budgets are acceptable

Composition and Meetings

In terms of RBI Guidelines No. DBS.CO.ITC.BC.No. 6/31.02.008/2010-11 dated April 29, 2011 on formation of a committee for IT Governance, Information Security, IS Audit, IT Operations, IT Services Outsourcing, Cyber Fraud, Business Continuity Planning, Customer Awareness programmes and Legal aspects, a separate Committee was constituted on October 17, 2011. It consists of three members. Mr. Aditya Krishna was the Chairman of the Committee, however consequent to his resignation from the office, he ceased to be the Director and also Chairman of the Committee effective January 28, 2013. Mr. Arun Thiagarajan was elected as the Chairman of the Committee in its meeting held on February 04, 2013. The Corporate Secretary of the Bank acts as the Secretary to the Committee. During the year 2012-13, the Committee met thrice. The dates on which the meetings of this Committee were held are August 24, 2012, October 25, 2012 and February 04, 2013.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Arun Thiagarajan (Elected as Chairman of the Committee at its meeting held on February 04, 2013)	3	3	-	-
Lars Kramer	3	3	-	-
Sanjeev Aga (appointed as Member effective January 28, 2013)	1	1	-	-
Aditya Krishna (Ceased to be Director and Chairman effective January 28, 2013)	2	1	-	1

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.9 Remuneration Committee (RC)

Scope and Terms of Reference

- To oversee the framing, review and implementation of compensation policy of the Bank;
- To form policy, procedures and schemes to undertake overall supervision and administration of Employee Stock Option Schemes (ESOSs) of the Bank;
- To determine / review the Bank's policy on specific remuneration packages for executive directors;
- To deal with ESOS policies and administration of ESOS schemes

Composition and Meetings

In terms of RBI Circular No. DBOD No.BC. 72 /29.67.001/2011 dated January 13, 2012, a separate Remuneration Committee was constituted on January 16, 2012. This Committee also acts as Compensation Committee under SEBI (Employee Stock

Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Till then, the Corporate Governance Committee was also acting as the Remuneration Committee. The Committee had three independent directors out of five members constituting 60% of the total strength till January 28, 2013. Three members are members of Risk Management and Review Committee also. Mr. Arun Thiagarajan is the Chairman of the Committee. The Corporate Secretary of the Bank acts as the Secretary to the Committee. During the year 2012-13, the Committee met four times. The dates on which the meetings were held are April 23, 2012, May 21, 2012, October 19, 2012 and January 22, 2013.

Members (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ Notified Video Conference Meeting*	No. of Meetings attended through Non-Notified Video Conference Meeting	No. of Meetings attended through Tele Conference
Arun Thiagarajan(Elected as Chairman effective May 21, 2012)	4	3	-	-
Santosh Desai	4	1	-	2
Peter Staal	4	3	-	-
Vaughn Richtor	4	3	-	-
Aditya Krishna (ceased to be the director and member effective January 28, 2013)	4	2	-	-

* In terms of MCA Circular No 28/2011/17/95/2011-CL.V dated, May 20, 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC) and the participation in such notified VC is reckoned for the quorum.

3.10 Exclusive Meeting of Independent Directors

Bank follows the practice of regularly holding the exclusive meeting of Independent Directors. During the year 2012-13, the Independent Directors met five times without the presence of Managing Director and other non independent directors.

3.11 Role of Corporate Secretary in Overall Governance

The Corporate Secretary plays a key role in ensuring that the Board procedures are followed and reviewed periodically. The Corporate Secretary ensures all relevant inputs like agenda notes, details and other statutory documents are made available to the directors and the senior management for effective decision making at the meetings. The Corporate Secretary is primarily responsible to ensure compliance with statutory requirements applicable for governance. All the directors have access to advice and services of Corporate Secretary.

4. REMUNERATION

Remuneration of Chief Executive Officer / Whole-time Director and Part time Chairman are subject to the approval of Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949 / Shareholders.

All the Non-Executive Independent Directors are paid sitting fees of ₹ 20,000/- for each Board/Committee meeting attended as permitted under the Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956. One Non-Independent Director who is not on the rolls of ING is also paid sitting fees. Other Directors representing Promoter Group have not drawn any sitting fees for the meetings attended during the year.

Shares of the Bank held by the Directors as on March 31, 2013

Sl. No.	Name of the Director	Designation	No. of Shares
1	Mr. Shailendra Bhandari	MD & CEO	5,000
2	Mr. Arun Thiagarajan	Part Time Chairman	18,080
3	Mr. Santosh Desai	Director	550

4.1 Remuneration to Directors

4.1.1 Remuneration to MD & CEO

Mr. Shailendra Bhandari was appointed as the Managing Director and CEO of the Bank for a period of three years effective August 06, 2009 (end of the day). Reserve Bank of India approved the re-appointment of Mr. Shailendra Bhandari for a further period of three years effective August 05, 2012 and informed that the revised remuneration is being examined and the Bank would be advised separately in due course.

The details of the current remuneration being paid annually to Mr. Bhandari, as earlier approved by RBI and Shareholders, pending RBI's approval of revised remuneration are as under:

Particulars	Amount (in Rupees)
Salary	8,970,000/- p.a.
Perquisite:	
Free Furnished House	Minimum cost of ₹ 1,450,000/- p.a.
Cars	Bank's car for official purposes and leased car for personal use.
Driver's Salary	₹ 108,000/- per annum
Gratuity	As per Payment of Gratuity Act, 1972
Provident Fund	10% of basic salary
Travelling & Halting Allowances	As decided by Board from time to time.
Medical benefits	Reimbursement up to ₹ 250,000/- for insurance premium. (per annum)
Performance based Bonus	As decided by Board from time to time.

In terms of RBI's approval dated August 29, 2012, Mr. Shailendra Bhandari was paid cash bonus of ₹ 2,242,000/- for the year 2011-12 and granted 115,000 Stock Options effective May 23, 2012 under Employee Stock Option Scheme, 2010. The said options have not been vested during the year.

Out of the 700,000 Stock Options granted under the Employee Stock option Scheme 2010 for the year 2009-10, 70% (490,000 Stock Options) have been vested, out of which 48,000 options have been exercised. Out of the 128,000 Stock Options granted under the Employee Stock Option Scheme 2010 for the year 2010-11, 40% (51,200 Stock Options) have been vested and exercised.

4.1.2 Remuneration to the Part time Chairman

Remuneration has been paid to Mr. Arun Thiagarajan, Part time Chairman for the financial year 2012-13

The details of annual remuneration paid to Mr. Arun Thiagarajan in terms of approval of Reserve Bank of India and duly approved by the shareholders at the 80th AGM held on September 07, 2011, is as follows:

Particulars	Amount (In ₹)
Salary / Compensation	₹ 15 lakh p.a.
Allowances	
Other Allowances	₹ 25.000/- per month for maintaining the Chairman's Office

5. DETAILS OF GENERAL BODY MEETINGS AND OTHER SIGNIFICANT DEVELOPMENTS:

Details of the General Body meetings held in the last three years are given below:

General Body Meeting	Date, Time and Venue	No. of Special Resolutions passed
81 st AGM	June 29, 2011 at 11.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore-560 001	Nil
80 th AGM	September 07, 2011 at 11.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore-560 001	Nil
79 th AGM	September 01, 2010 at 11.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore-560 001	2

6. DISCLOSURE

6.1 The Disclosure on materially significant related party transactions is given under Point 18.13 in the Notes on Accounts (Schedule 18) of the Balance Sheet.

6.2 Penalty levied / strictures passed on the Bank during the previous three years by Stock Exchanges or any other Statutory Authority for non- compliance with any regulation relating to capital market.

- Penalties imposed during the year 2012-13 by Stock Exchanges/SEBI – Nil
- Penalties imposed during the previous three years already disclosed in the Annual Reports of earlier years – Nil
- Strictures passed during the year 2012-13 by SEBI/Stock Exchange – Nil
- Strictures passed during the previous three years already disclosed in the Annual Reports of earlier years: Nil

6.3 Whistle Blower Policy

The Bank has a Whistle Blower Policy in place as approved by the Corporate Governance Committee at its meeting held on January 18, 2006. Subsequently, Operating Guidelines were issued to all the Branches / Offices effective March 20, 2006. RBI's Policy on Protected Disclosure Scheme is also put in place as a sequel to Whistle Blower Policy.

The Whistle Blower Policy of ING Vysya Bank has the following key objectives:

- To provide an avenue for the employees and others to raise concerns in respect of violation of Law , questionable business practices or grave misconduct by the employees of the Bank that could lead to financial loss or reputation risk to the Bank;
- To provide reassurance of protection of the whistle blower from reprisal, discrimination or victimization for having blown the whistle in good faith;
- To provide the details of reporting, investigation and settlement of the issues and
- To provide direct access to the Chairman of the Audit Committee of the Board, where a senior management person / reporting officer is involved.

In terms of the policy, employees of the Bank and its affiliates including persons employed by or associated with the Bank on a contractual or temporary basis are required to be vigilant against frauds perpetrated on the Bank whether by their own colleagues or by outsiders, are advised to blow the whistle in case they become aware of any unethical or improper business practices by their colleagues or superiors.

During the year no reference was received from any source under the Whistle Blower Policy.

Awareness has been brought among employees / customers / other connected persons with the Bank on Whistle Blower Mechanism by display of Notices, writing personal communication to staff, scrolling the message in the Intranet, holding sessions at Competence Development Centre (CDC) for the trainees etc.

6.4 Code of Conduct

In compliance with Clause 49 of the Listing Agreement, Managing Director and CEO made the following declaration affirming compliance with the Code of Conduct by the Directors and Senior Management of the Bank:

Declaration of Compliance with the Code of Conduct

I confirm that all the Directors have affirmed compliance with the Bank's Code of Conduct for Directors. Also, the Senior Management Team has affirmed compliance with the Bank's Code of Conduct for Senior Management.

Place: Bangalore

Date: April 17, 2013

Shailendra Bhandari
Managing Director & CEO

6.5 Certification by the CEO and CFO

In terms of Clause 49, Para V of the Listing Agreement, the Certification by the Managing Director & CEO and the Chief Financial Officer of the Bank, on the financial statements and the internal controls for financial reporting has been obtained and submitted to the Board.

6.6 Compliance with Mandatory Requirements:

The Bank has complied with the mandatory requirements of Clause 49 of the Listing Agreement dealing with Corporate Governance.

6.7 Compliance with Non -Mandatory Requirements:

The Bank complied with the non-mandatory Corporate Governance requirements under Clause 49 of the Listing Agreement in the following manner:

- The Bank hosts its financial results on its website viz., www.ingvysysabank.com, which is accessible to all.
- The Bank, during the year , has organized the training programme on June 28, 2012 for the Directors on the topic "Outlook for Banking Sector"
- There are no audit qualifications in the financial statements during the period.
- The Bank has adopted a Whistle Blower Policy , which permits the employees of the Bank to voice their concerns in respect of any activity or event, which is against the interest of the Bank or society (please refer to para 6.3)
- The Board and Committees undergo a process of annual self-evaluation of their performance.

6.8 Adoption of Secretarial Standards

Secretarial Standards for various secretarial practices have been formulated and issued by The Institute of Company Secretaries of India (ICSI), New Delhi, a pioneer in inculcating culture of good governance in Corporate India.

The Bank has, from time to time, voluntarily adopted the following ten Secretarial Standards mutatis mutandis with the approval of the Corporate Governance Committee:

1. Secretarial Standard on Meetings of Board of Directors – SS-1
2. Secretarial Standard on General Meetings – SS-2
3. Secretarial Standard on Dividend- SS-3
4. Secretarial Standard on Registers and Records – SS-4

5. *Secretarial Standard on Minutes – SS-5*
6. *Secretarial Standard on Transmission of Shares and Debentures – SS-6*
7. *Secretarial Standard on Passing of Resolution by Circulation- SS-7*
8. *Secretarial Standard on Affixing of Common Seal- SS-8*
9. *Secretarial Standard on Forfeiture of Shares- SS-9*
10. *Secretarial Standard on Board's Report-SS-10*

6.9 Self Evaluation of Board and Board Level Committees

Self-evaluation of Board and Board Level Committees is an organized process by which the Board and Committees regularly re-examine its performance, and then reaffirm its commitment by identifying areas for improvement. For the Calendar Year 2012, the members of the Board and Committees carried out the self-evaluation exercise and their average rating was placed before the subsequent Board / Committee meeting for its information, discussion and directions.

6.10 Compliance with Insider Trading Code

To bring in the greater transparency in the administration, Bank complies with the disclosure requirements by the Directors, Senior Management and the Designated Employees under the Bank's Insider Trading Code.

6.11 Annual Calendar of Meetings

The Annual Calendar of Meetings of the Board/Board Level Committees/ Shareholders' Annual Meeting/ Directors' Training Programme for each Calendar Year is prepared and circulated to directors much in advance to facilitate the directors to block their time and dates for the meetings scheduled and ensure better attendance at the meeting.

6.12 Meeting Procedures

The notice of the meeting is issued minimum 30 days in advance to the Directors as well as all the respective departments in addition to circulation of annual Calendar of Meetings. The notice specifically mentions whether the meeting is scheduled as Video-Conference (VC) meeting. In case of VC meetings procedures for the conduct of VC meetings are also circulated along with the Notice to Directors. The Agenda Notes received from various departments are indexed/ categorised and made available to all the directors at least 10 days in advance and also the soft copies of all the Agenda Notes are uploaded on the Board Notes website exclusively maintained for Directors. Agenda is categorised under three parts - Part A deals with Prioritised items and decisions, Part B deals with regular approvals and information items and Part C deals with reviews prescribed by Regulators/Board. The meeting proceedings are recorded and minutes are drafted and sent to the directors for their inputs within seven days of completion of the meeting. The approved minutes are printed on loose leaf papers. The extracts of the approved minutes are circulated to the departments concerned for implementing the decisions of the Board/ Committees.

7. MEANS OF COMMUNICATION TO THE SHAREHOLDERS/INVESTORS

7.1 Investor Relations: – Guiding principles

ING Vysya Bank is committed to maintaining an open and consistent communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of these parties about the historical record, current performance and future prospects is in line with management's understanding of the actual situation at ING Vysya Bank.

The guiding principles of this policy, as it relates to shareholders, are that ING Vysya Bank gives equal treatment to shareholders in equal situations that any price-sensitive information is published in a timely fashion and that information is provided in a format that is as simple, transparent and consistent as possible.

The Bank has a well-defined Code of Internal Procedures and Conduct for preventing and regulating the practice of Insider Trading in the shares of the Bank, applicable to Designated Employees. This Internal Code is regularly monitored to ensure overall compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992. The Bank has also implemented Code of Insider Trading applicable for Senior Management and Specified Employees for their dealing in shares of client companies.

7.2 Methodology

ING Vysya Bank's communication strategy makes use of both traditional and modern communication tools.

All information relevant to shareholders is placed on the Bank's website, viz., www.ingvysyabank.com from time to time. This includes the shareholding pattern of the Bank on a quarterly basis, Quarterly / Annual Financial Results, details of Directors as required under Clause 49 of the Listing Agreement, etc. The Balance Sheet as on March 31, 2013 along with Schedules is also placed on the website for the information of the Shareholders under the 'Financial Results' section on the webpage 'About Us' on our Website. – The Quarterly and Annual Financial Results were published in the following newspapers:

For the quarter /year	English	Kannada (Regional Language)
Apr 12 – June 12	Mint	Udayavani
Jul 12 – Sep 12	Mint	Udayavani
Oct 12 – Dec 12	Mint	Udayavani
Jan 13- Mar 13 & 2012-13	Mint	Udayavani

CORPORATE GOVERNANCE REPORT

The quarterly presentations made to investors are also posted on Bank's website viz., www.ingvysyabank.com

The Bank will publish its Balance Sheet and Profit & Loss Account together with Auditors' Report in newspaper(s) as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulations (Companies) Rules, 1949 before June 30, 2013.

As required by SEBI and the listing agreement, the Bank files its financial results and other information on the Corporate Filing and Dissemination System (CFDS), viz., www.corpfiling.co.in

8. GENERAL INFORMATION FOR THE SHAREHOLDERS

Financial year April 01, 2012 to March 31, 2013	
Board Meeting for consideration of / dealing with Accounts for the year 2012-2013	April 29, 2013, Monday
Posting of Annual Reports	May 25, 2013, Saturday
Book Closure Date	June 14, 2013, Friday to June 25, 2013, Tuesday
Last date for receipt of Proxy Forms	June 23, 2013, Sunday Up to 11.00 A.M.
Venue, Date and Time of AGM	82 nd Annual General Meeting June 25, 2013, Tuesday, 11.00 A.M. The Auditorium, ING Vysya House, No.22, Bangalore - 560 001.
Dividend Payment Date	On and from June 25, 2013, Tuesday but not beyond July 24, 2013, Wednesday

8.1 Listing on Stock Exchanges

The Shares of the Bank are listed on the following Stock Exchanges:

Name of Stock Exchange	Stock Code	Address
National Stock Exchange of India Limited (NSE)	INGVYSYABK	Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Bombay Stock Exchange Limited (BSE)	531807	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

8.2 Share Prices

The Shares are regularly traded on the NSE and BSE. The monthly market price data of High and Low prices of shares of the Bank traded on NSE & BSE during the year are given below:

Market Price Data: Monthly High and Low Prices of shares traded on NSE

Months	High Price (₹)	Low Price (₹)	Average Daily Volume (Number of Equity Shares)
Apr-12	380.00	347.50	75,878
May-12	378.15	324.85	37,518
Jun-12	375.00	307.50	35,831
Jul-12	399.90	354.80	65,032
Aug-12	414.40	307.95	57,403
Sep-12	414.95	362.00	61,302
Oct-12	475.50	360.65	121,682
Nov-12	494.90	446.95	76,785
Dec-12	538.00	484.00	106,449
Jan-13	600.00	521.10	215,174
Feb-13	607.50	526.00	121,017
Mar-13	575.00	512.70	86,955

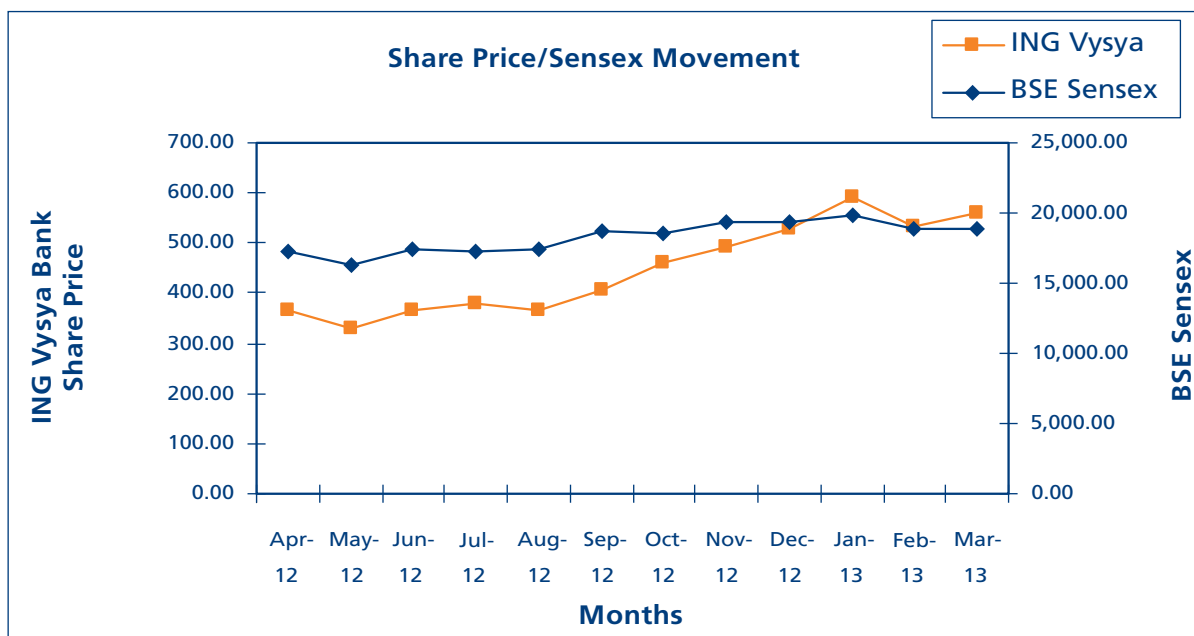
- During the year, the share prices of the Bank varied from a low of ₹ 307.50 (June 04, 2012) to a high of ₹ 607.50 (February 22, 2013)

Market Price Data: Monthly High and Low Prices of shares traded on BSE

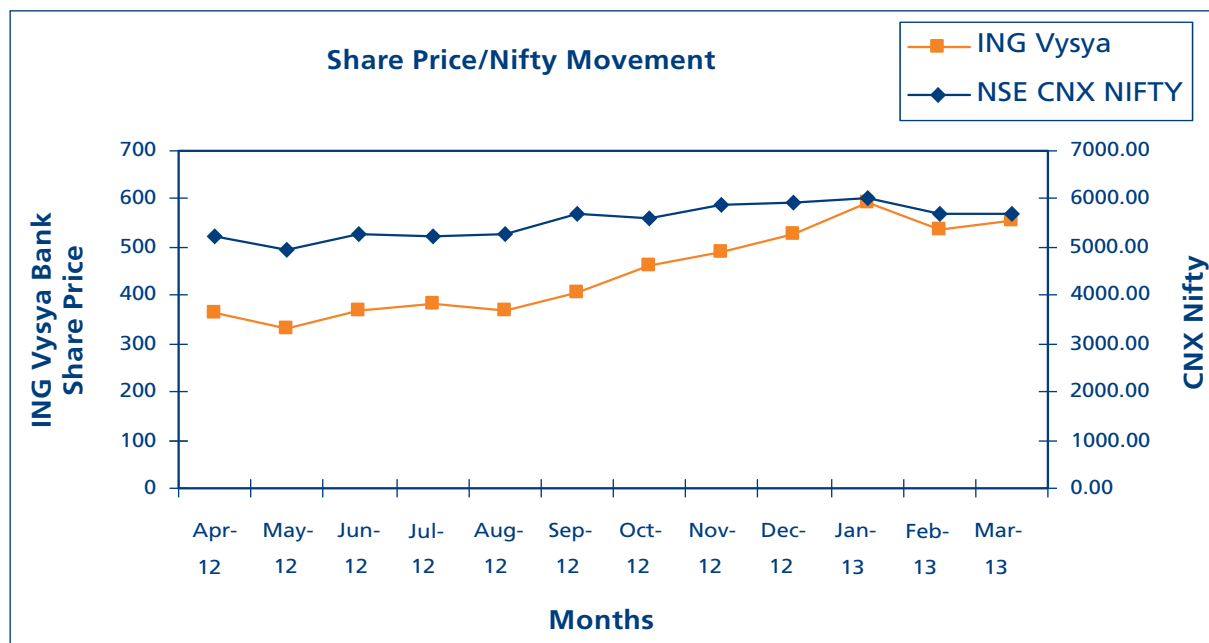
Months	High Price (₹)	Low Price (₹)	Average Daily Volume (Number of Equity Shares)
Apr-12	379.00	346.70	29,503
May-12	378.00	325.10	9,551
Jun-12	372.40	310.55	9,294
Jul-12	404.70	361.50	17,270
Aug-12	404.85	361.05	15,902
Sep-12	414.90	361.40	26,603
Oct-12	475.35	398.00	22,959
Nov-12	494.90	453.00	13,931
Dec-12	537.00	479.20	27,235
Jan-13	600.00	522.60	44,050
Feb-13	627.40	526.45	19,322
Mar-13	573.00	513.10	9,752

- During the year, the share prices of the Bank varied from a low of ₹ 310.55 (June 04, 2012) to a high of ₹ 627.40 (February 22, 2013)
- On March 31, 2013, the scrip closed at ₹ 557.05 at NSE and at ₹ 557.75 at BSE

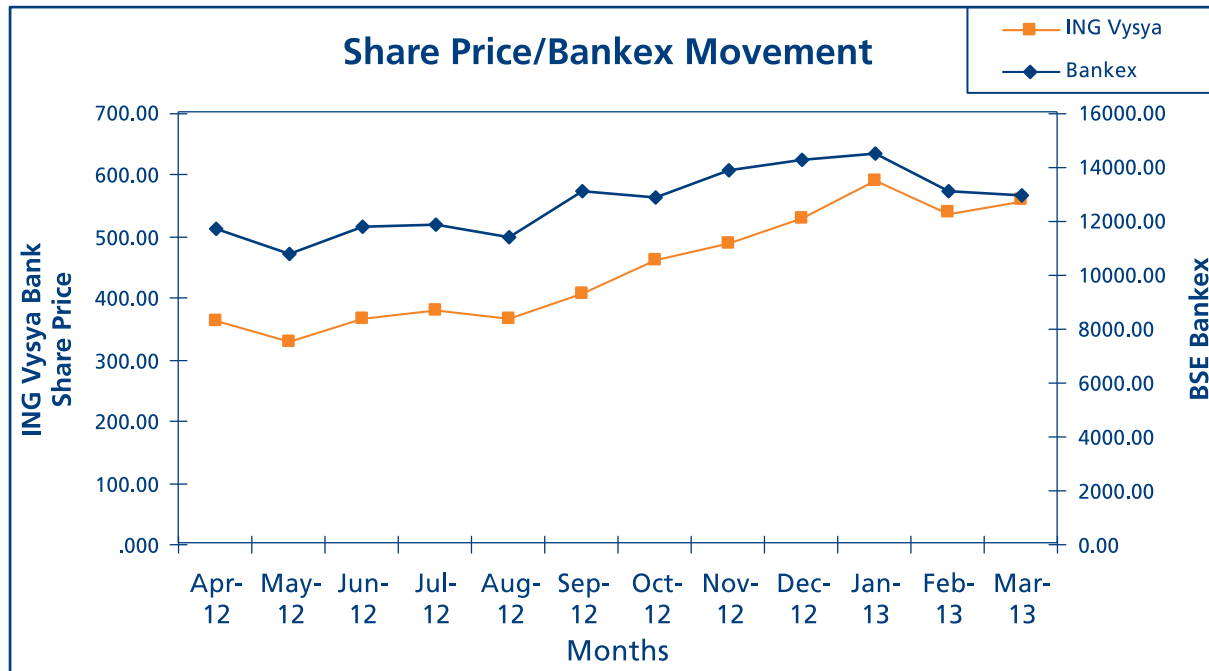
IVBL Share Price in comparison with BSE Sensex April 01, 2012 to March 31, 2013



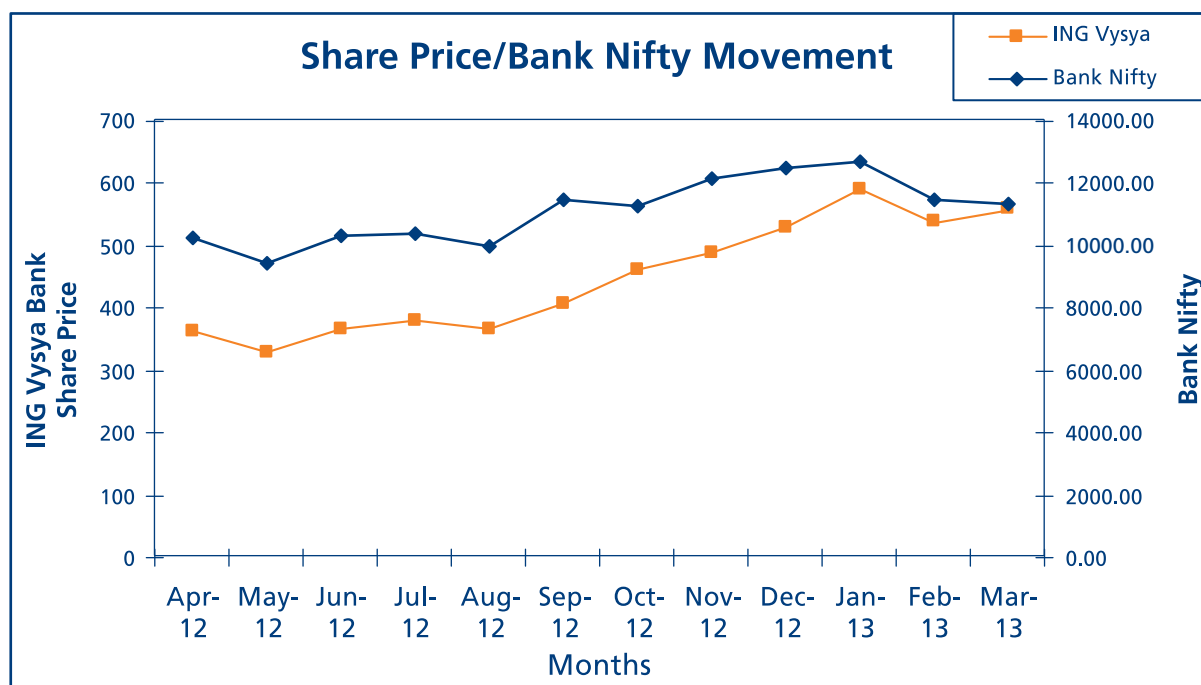
IVBL Share Price in comparison with NSE NIFTY April 01, 2012 to March 31, 2013



IVBL Share Price in comparison with BSE Bankex April 01, 2012 to March 31, 2013



IVBL Share Price in comparison with NSE BANK NIFTY April 01, 2012 to March 31, 2013



8.3 Shareholding

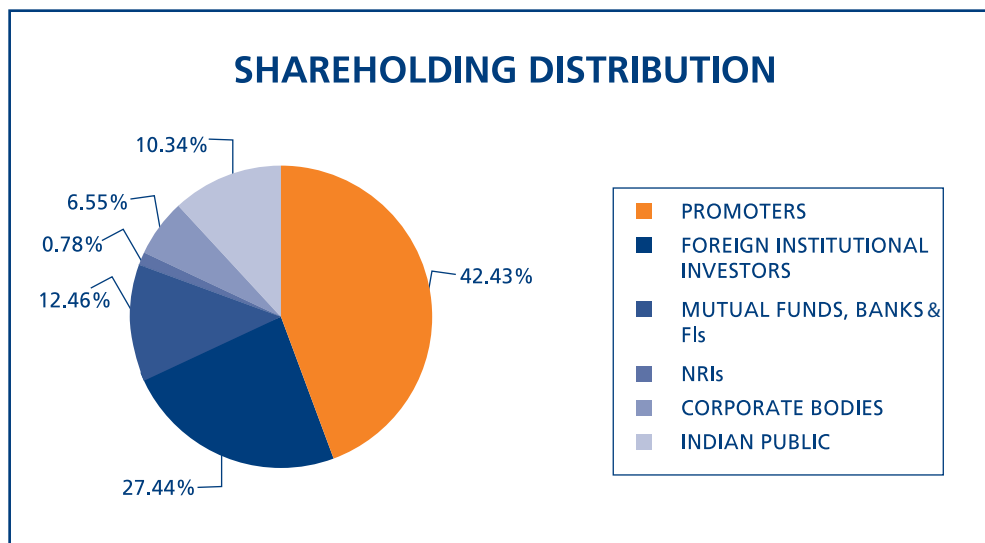
The shareholding in demat mode increased from 98.79% as on March 31, 2012 to 98.90% as on March 31, 2013. (the highest ever achieved).

A table showing the distribution of shares among Shareholders according to size, class and category of shareholders as on March 31, 2013 is given below:

Category	No of shareholders	Total Shares	%age to shareholders	%age to paid up capital
Upto 5000	27,259	2,972,040	84.48%	1.92%
5001 - 10000	2,212	1,636,751	6.86%	1.06%
10001 - 20000	1,528	2,113,144	4.74%	1.36%
20001 - 30000	395	975,176	1.22%	0.63%
30001 - 40000	164	582,755	0.51%	0.38%
40001 - 50000	121	560,019	0.38%	0.36%
50001 - 100000	211	1,489,327	0.65%	0.96%
100001 And Above	376	144,524,262	1.17%	93.33%
Total	32,266	154,853,474	100%	100%

8.4 Shareholding pattern as on March 31, 2013

S.No	Category	No. of Shares	%age To Equity
1	PROMOTERS	65,704,254	42.43%
2	FOREIGN INSTITUTIONAL INVESTORS	42,498,128	27.44%
3	MUTUAL FUNDS, BANKS & FIs	19,291,636	12.46%
4	NRIs	1,202,427	0.78%
5	CORPORATE BODIES	10,146,128	6.55%
6	INDIAN PUBLIC	16,010,901	10.34%
	Total	154,853,474	100%



8.5 Aggregate Foreign Investment (AFI) as defined by RBI

As on March 31, 2013

Sl. No.	Category	% age
1	Foreign Promoters (FDI)	42.43%
2	FII's	27.44%
3	NRIs	0.78%
4	Foreign Nationals	0.00%
	Total	70.65%

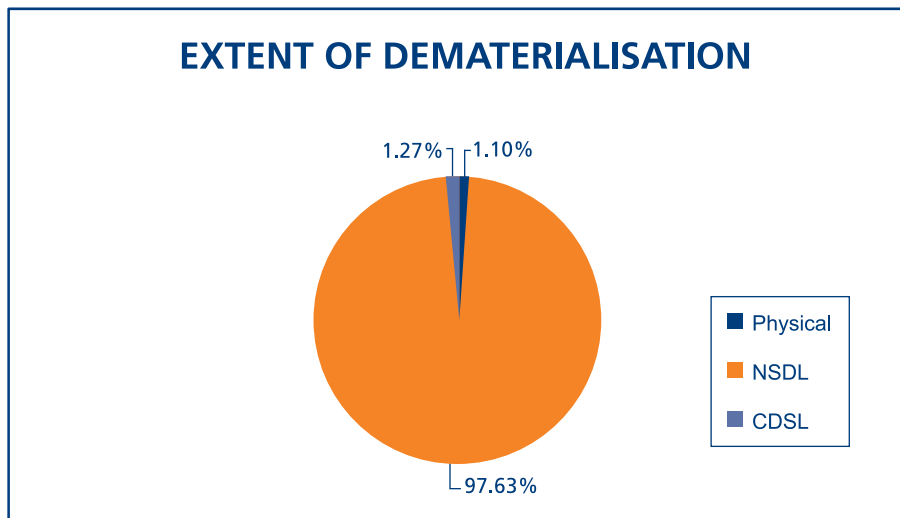
8.6 List of Top 10 shareholders as on March 31, 2013

S.No	Name	Shares as on March 31, 2013	%age to Paid-up Capital
1	ING MAURITIUS HOLDINGS	51,081,681	32.99%
2	ING MAURITIUS INVESTMENTS I	14,622,573	9.44%
3	ABERDEEN GLOBAL INDIAN EQUITY FUND MAURITIUS LIMITED	7,266,032	4.69%
4	WARHOL LIMITED	5,520,447	3.56%
5	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LIMITED	3,478,596	2.25%
6	MORGAN STANLEY MAURITIUS COMPANY LIMITED	3,064,080	1.98%
7	CITIGROUP GLOBAL MARKETS MAURITIUS PRIVATE LIMITED	3,053,849	1.97%
8	INDIA ADVANTAGE FUND S3 I	2,923,208	1.89%
9	GOVERNMENT PENSION FUND GLOBAL	2,527,208	1.63%
10	JF INDIA FUND	2,286,661	1.48%
	Total	95,824,335	61.88%

8.7 Status of Dematerialization of Bank's shares:

The Company's shares are available for dematerialization with both the depositories; i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on March 31, 2013, 98.90% of Bank shares were in demat mode.

Category	No. of Shares	%age of shareholding
Physical mode	1,703,015	1.10%
Demat Mode		
NSDL	151,179,229	97.63%
CDSL	1,971,230	1.27%
Total	154,853,474	100%



8.8 STATEMENT SHOWING DETAILS OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2005-06 TO 2011-12 AS ON MARCH 31, 2013.

Sl. No	Year	Percentage of dividend declared	Amount of unclaimed dividend as on March 31, 2013 (₹)	Due date for transfer of unclaimed dividend by Bank to Investors Education and Protection Fund (IEPF)
1	2005-06	Nil	N.A.	N.A.
2	2006-07	6.50%	403,739.00	August 02, 2014
3	2007-08	15%	820,102.00	August 05, 2015
4	2008-09	20%	1,523,306.00	October 09, 2016
5	2009-10	25%	1,510,274.00	August 05, 2017
6	2010-11	30%	1,928,079.00	October 12, 2018
7	2011-12	40%	2,657,628.00	August 04, 2019

The Government established the Fund with a view to support the activities relating to investor education, awareness and protection. Following are the objectives/ activities of the Fund:

1. Educating investors about market operations
2. Equipping investors to analyze information to take informed decisions
3. Making investors aware about market volatilities
4. Empowering the investors by making them aware of their rights and responsibilities under various laws
5. Continuously disseminating information about unscrupulous elements and unfair practices in securities market
6. Broadening the investors' base by encouraging new investors to participate in securities market and
7. Promoting research and investor surveys to create a knowledge base that facilitate informed policy decisions.

8.9 Share Transfer System

The Bank's shares are in compulsory dematerialization (demat) mode and are transferable through the depository system. Investor Services are handled by Registrars and Share Transfer Agents, Karvy Computershare Private Limited, Hyderabad. Physical Share transfers are registered and returned within 30 days from the date of receipt provided all documents are correct and valid in all respects. Shareholders and Depository Participants are requested to continue to send their transfer / dematerialisation and other requests directly to our Registrars and Share Transfer Agents.

8.10 Shareholder Rights

Important rights that a shareholder enjoys are as follows:

1. To transfer shares and receive share certificates upon transfer within the period prescribed in the Listing Agreement, in case of physical holdings;
2. To receive notices of general meetings, annual report, the balance sheet and profit and loss account and the auditors' report;

3. To appoint a proxy to attend and vote at the general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at the general meetings of the company on its behalf;
4. To attend and speak in person at general meetings. A proxy cannot vote on show of hands but can vote on a poll. In case of vote on poll, the number of votes of a shareholder is proportionate to the number of equity shares held by him. However, as per the Banking Regulation Act, 1949, on a poll the voting rights of a shareholder of a banking company are capped at 10% of the total voting rights of all the shareholders of the banking company;
5. To demand a poll along with other shareholder(s) who collectively hold 25,000 shares or are not less than 1/10th of the total voting power in respect of any resolution;
6. To requisition an Extraordinary General Meeting of any company by shareholders who collectively hold not less than 1/10th of the total paid-up capital of the company;
7. To move amendments to resolutions proposed at meetings;
8. To receive dividend and other corporate benefits like rights, bonus shares etc. as and when declared / announced;
9. To inspect various registers of the company , minute books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956;
10. To make nominations in respect of shares held by the shareholder.

The rights mentioned above are in terms of the Companies Act, 1956 and Banking Regulation Act, 1949, wherever applicable, and should be followed and exercised only after a careful reading of the relevant sections. These rights are not necessarily absolute.

8.11. Contact Details:

Investors' Help Desk: The shareholders may contact for shares related queries either our Registrars and Share Transfer Agents or Bank. The details of contact person are given below.

Mr. Jayaraman V. K. Karvy Computershare Private Limited Unit: ING Vysya Bank Limited 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 Ph:040-2342 0815 Fax:040-2342 0814 Email: mailmanager@karvy.com Email: jayaramanvk@karvy.com Website: www.karvycomputershare.com	M.V.S. Appa Rao Corporate Secretary Secretarial Department, ING Vysya Bank Limited, No.22, M G Road, Bangalore – 560 001 Ph : 080 – 2500 5770 (D) 080 – 2500 5000 (G) Ext : 3570 Fax : 080-2500 5555, 2555 9212 E-mail : sharecare@ingvysyabank.com
---	---

Banking Customer Help Desk: For Banking services related queries the shareholders /customers may contact /write to Bank at the following:

Customer Care Unit (CCU)
"ING Vysya House"
No.22, M.G. Road
Bangalore – 560 001
Toll free number: 1800 425 9900
e-mail: ccu@ingvysyabank.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

Reserve Bank of India, vide circular DBOD No.BC 112/08.138.001/2001-2002 dated June 04, 2002 has stated that in the case of Banks, a separate certificate from auditors regarding compliance with conditions of Corporate Governance is not considered necessary as the compliance of Banks with RBI instructions is already being verified by the statutory auditors.

To
The Members of
ING Vysya Bank Limited

Report on the financial statements

1. We have audited the accompanying financial statements of ING Vysya Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2013 and the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2. Management is responsible for preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 and circulars and guidelines issued by the Reserve Bank of India from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Bank including its branches in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
4. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2013;
 - (b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Emphasis of matter

7. We draw attention to Note 18.2 to the financial statements, which describes deferment of pension liability relating to existing employees of the Bank arising out of the opening of the II Pension Option, to the extent of ₹372,004 thousands pursuant to the exemption granted by the Reserve Bank of India to the Bank from application of the provisions of Revised Accounting Standard (AS) 15, Employee Benefits vide its letter to the Bank dated 8 April 2011 regarding Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

8. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
9. We report that:
 - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - (c) During the course of our audit, we visited 15 branches. Since the key operations of the Bank are completely automated with the key applications integrated to the core banking systems, the audit is carried out at the Head Office and the Corporate Office as all the necessary records and data required for the purposes of our audit are available therein.

INDEPENDENT AUDITORS' REPORT

10. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

11. We further report that:

- (i) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;
- (iii) the reports on the accounts of 50 branches audited by branch auditors, as submitted by the management of

the Bank have been dealt with in preparing report in the manner considered necessary by us;

- (iv) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Director is disqualified as on 31 March 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Zubin Shekary
Partner
Membership No: 048814

Mumbai
29 April 2013

BALANCE SHEET AS AT 31 MARCH 2013

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2013	31 March 2012
CAPITAL AND LIABILITIES			
Capital	1	1,548,535	1,501,238
Employees' Stock Options Outstanding (Net)		8,850	15,865
Reserves and Surplus	2	44,710,610	38,280,833
Deposits	3	413,339,957	351,954,188
Borrowings	4	65,112,581	56,964,884
Other Liabilities and Provisions	5	23,643,905	21,120,534
TOTAL		548,364,438	469,837,542
ASSETS			
Cash and Balance with Reserve Bank of India	6	19,447,202	19,823,682
Balance with Banks and Money at call and short notice	7	8,887,458	12,481,921
Investments	8	182,782,264	127,154,997
Advances	9	317,720,271	287,213,965
Fixed Assets	10	4,996,017	5,007,966
Other Assets	11	14,531,226	18,155,011
TOTAL		548,364,438	469,837,542
Contingent Liabilities	12	1,215,666,299	1,224,047,960
Bills for collection		64,384,812	53,798,305
Significant Accounting Policies	17		
Notes to Accounts	18		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date

For B S R & Co.

Firm Registration No. 101248W
Chartered Accountants

Zubin Shekary

Partner

Membership No: 048814

For and on behalf of the Board

Arun Thiagarajan

Chairman

Shailendra Bhandari

Managing Director

Sanjeev Aga

Director

Vaughn Richtor

Director

Place : Mumbai

Date : 29 April 2013

Place : Mumbai

Date : 29 April 2013

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2013	31 March 2012
INCOME			
Interest Earned	13	48,615,770	38,568,075
Other Income	14	7,268,792	6,697,565
TOTAL		55,884,562	45,265,640
EXPENDITURE			
Interest Expended	15	33,229,537	26,484,575
Operating Expenses	16	12,728,161	11,102,083
Provisions and Contingencies		3,797,288	3,115,942
TOTAL		49,754,986	40,702,600
PROFIT			
Net Profit for the year		6,129,576	4,563,040
Profit/(loss) Brought Forward		7,654,490	5,174,569
TOTAL		13,784,066	9,737,609
APPROPRIATIONS			
Transfer to Statutory Reserve		1,532,394	1,140,760
Transfer to Capital Reserves		16,289	4,174
Transfer to / (from) Investment Reserve		(2,154)	2,154
Transfer to Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)		160,000	140,000
Dividend Paid (Refer Note No.18.10.b)		-	86,562
Proposed Dividend		851,694	600,495
Dividend Tax (Refer Note No.18.10.b)		138,166	108,974
Balance Carried to Balance Sheet		11,087,677	7,654,490
TOTAL		13,784,066	9,737,609
Earnings Per Share (₹ Per Equity Share of ₹ 10 each)			
Basic		40.36	31.85
Diluted		39.29	31.54
Significant Accounting Policies	17		
Notes to Accounts	18		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account
As per our report of even date

For B S R & Co.

Firm Registration No. 101248W
Chartered Accountants

For and on behalf of the Board

Zubin Shekary

Partner

Membership No: 048814

Arun Thiagarajan

Chairman

Shailendra Bhandari

Managing Director

Sanjeev Aga

Director

Vaughn Richtor

Director

Place : Mumbai

Date : 29 April 2013

Place : Mumbai

Date : 29 April 2013

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2013

		(₹ in thousands)	
PARTICULARS	31 March 2013	31 March 2012	
SCHEDULE 1 - CAPITAL			
AUTHORISED CAPITAL			
350,000,000 (Previous Year 350,000,000) Equity Shares of ₹ 10 each	3,500,000	3,500,000	
100,000,000 (Previous Year 100,000,000) Preference Shares of ₹ 10 each	1,000,000	1,000,000	
ISSUED CAPITAL			
155,141,130 (Previous Year 150,411,637)			
Equity shares of ₹ 10 each	1,551,411	1,504,116	
SUBSCRIBED AND CALLED UP CAPITAL			
154,853,474 (Previous Year 150,123,831)			
Equity Shares of ₹ 10 each Fully Called and Paid up (Refer Note No. 18.10.a)	1,548,535	1,501,238	
TOTAL	1,548,535	1,501,238	
SCHEDULE 2 - RESERVES AND SURPLUS			
I. STATUTORY RESERVE			
Opening Balance	5,637,222	4,496,462	
Additions during the year	1,532,394	1,140,760	
Total (A)	7,169,616	5,637,222	
II. CAPITAL RESERVE			
(a) Revaluation Reserve			
Opening Balance	1,034,385	1,042,271	
Less: Revaluation reserve reversed consequent to sale of assets/ transfer of assets	-	(1,180)	
Less: Depreciation on revalued assets	(6,675)	(6,706)	
Total (B)	1,027,710	1,034,385	
(b) Others			
Opening Balance	1,248,501	1,244,327	
Add: Transfer from Profit and Loss Account	16,289	4,174	
Total (C)	1,264,790	1,248,501	
TOTAL CAPITAL RESERVE (B+C)	2,292,500	2,282,886	
III. SECURITIES PREMIUM			
Opening Balance	21,561,730	12,054,183	
Add: Additions during the year	1,296,736	9,580,886	
Less: Deductions during the year	-	(73,339)	
Total (D)	22,858,466	21,561,730	
IV. REVENUE AND OTHER RESERVES			
(a) SPECIAL RESERVE (u/s 36 (1) (viii) of Income Tax Act, 1961)			
Opening Balance	587,000	447,000	
Add: Additions during the year	160,000	140,000	
Total (E)	747,000	587,000	
(b) Revenue Reserves			
Opening Balance	555,351	555,351	
Add: Additions during the year	-	-	
Total (F)	555,351	555,351	
(c) Investment Reserve			
Opening Balance	2,154	-	
Add: Additions during the year	-	2,154	
Less: Deductions during the year	(2,154)	-	
Total (G)	-	2,154	
Total (IV) (E+F+G)	1,302,351	1,144,505	
V. Balance in Profit and Loss Account (H)	11,087,677	7,654,490	
TOTAL (I to V)	44,710,610	38,280,833	

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2013

		(₹ in thousands)	
PARTICULARS	31 March 2013	31 March 2012	
SCHEDULE 3 - DEPOSITS			
A. I. Demand Deposits			
i. From Banks	4,491,822	3,543,838	
ii. From Others	68,676,838	60,659,691	
II. Savings Bank Deposits	61,182,730	56,429,076	
III. Term Deposits			
i. From Banks	97,835,495	75,954,140	
ii. From Others	181,153,072	155,367,443	
TOTAL (I to III)	413,339,957	351,954,188	
B. Deposits of Branches In India	413,339,957	351,954,188	
C. Deposits outside India	-	-	
TOTAL	413,339,957	351,954,188	
SCHEDULE 4 - BORROWINGS*			
I. Borrowings in India			
i. Reserve Bank of India	1,000,000	-	
ii. Other Banks	2,234,839	4,403,344	
iii. Other Institutions and Agencies	25,576,311	23,696,723	
II. Borrowings outside India	36,301,431	28,864,817	
TOTAL (I to II)	65,112,581	56,964,884	
Secured Borrowings included in (I) & (II) above is NIL (Previous Year : NIL)			
* Includes Subordinated Debt (IPDI, Upper Tier II and Tier II Bonds) of ₹ 13,906,150 thousands as on 31 March 2013 (Previous year ₹ 11,205,956 thousands).			
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I. Bills Payable	5,603,073	3,681,163	
II. Inter Office Adjustments (Net)	69,213	173,880	
III. Interest Accrued	2,205,059	1,704,671	
IV. Provision against Standard Assets	1,491,500	1,454,200	
V. Others (Including Provisions)	14,275,060	14,106,620	
TOTAL (I to V)	23,643,905	21,120,534	
SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA			
I. Cash In Hand (Including Foreign Currency Notes)	5,710,747	3,864,699	
II. Balances With Reserve Bank of India			
i. In Current Account	13,736,455	15,958,983	
ii. In Other Accounts	-	-	
TOTAL (I to II)	19,447,202	19,823,682	

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2013

		(₹ in thousands)	
PARTICULARS	31 March 2013	31 March 2012	
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i) Balances With Banks			
a) In Current Accounts	1,588,465	1,671,063	
b) In Other Deposit Accounts	67,118	319,568	
ii) Money at Call and Short Notice			
a) With Banks	500,000	600,000	
b) With Other institutions	3,997,667	4,996,879	
TOTAL (i to ii)	<u>6,153,250</u>	<u>7,587,510</u>	
II. Outside India			
i) Balances With Banks			
a) Current Accounts	649,121	800,500	
b) In Other Deposit Accounts	-	-	
ii) Money at Call and Short Notice			
a) With Banks	2,085,087	4,093,911	
b) With Others	-	-	
TOTAL (i to ii)	<u>2,734,208</u>	<u>4,894,411</u>	
GRAND TOTAL (I to II)	<u>8,887,458</u>	<u>12,481,921</u>	
SCHEDULE 8 - INVESTMENTS (NET OF PROVISIONS)			
I. Investments in India			
i) Government Securities * \$ ^	125,117,201	89,688,804	
ii) Other Approved Securities	-	-	
iii) Shares	589,848	590,018	
iv) Debentures and bonds	2,711,637	1,875,804	
v) Subsidiaries/Joint Ventures	20,988	20,988	
vi) Others @	54,342,590	34,979,383	
TOTAL	<u>182,782,264</u>	<u>127,154,997</u>	
II. Investments Outside India	-	-	
TOTAL	<u>182,782,264</u>	<u>127,154,997</u>	
GROSS INVESTMENTS	183,219,258	127,504,887	
LESS: Depreciation/Provision for Investments	(436,994)	(349,890)	
NET INVESTMENTS	<u>182,782,264</u>	<u>127,154,997</u>	

* Includes Repo lending of ₹ 22,050,000 thousands (Previous year NIL) and Net of Repo borrowings of ₹ 42,452,581 thousands (Previous year ₹ 38,476,901 thousands) under the liquidity adjustment facility in line with Reserve Bank of India requirements.

\$ Includes securities costing ₹ 1,723,054 thousands (Previous year ₹ 1,365,054 thousands) pledged for margin requirement

^ Includes securities costing NIL (Previous year ₹ 1,053,174 thousands) utilised for market repurchase transaction

@ Includes deposits with NABARD, NHB and SIDBI of ₹ 31,945,026 thousands (Previous year ₹ 31,489,763 thousands), PTCs of ₹ 18,085,084 thousands (Previous year ₹ 557,707 thousands), Commercial paper of ₹ 1,586,673 thousands (Previous year NIL) and Certificate of deposit of ₹ 2,725,807 thousands (Previous year ₹ 2,931,913 thousands)

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2013

		(₹ in thousands)	
PARTICULARS		31 March 2013	31 March 2012
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)			
A.	i) Bills Purchased and Discounted	12,316,548	12,238,089
	ii) Cash Credits, Overdrafts and Loans repayable on demand	148,683,489	112,556,686
	iii) Term loans	156,720,234	162,419,190
	TOTAL	317,720,271	287,213,965
B.	i) Secured by Tangible Assets*	294,454,707	253,325,468
	ii) Covered by Bank/Government Guarantees	1,157,054	1,585,707
	iii) Unsecured	22,108,510	32,302,790
	TOTAL	317,720,271	287,213,965
* Includes advances secured against book debts			
C.	I ADVANCES IN INDIA		
	i) Priority Sector	109,523,775	94,939,939
	ii) Public Sector	367,817	35,697
	iii) Banks	42,923	28,411
	iv) Others	207,785,756	192,209,918
	II ADVANCES OUTSIDE INDIA		
	i) Due from Banks	-	-
	ii) Due from Others		
	(a) Bills purchased & discounted	-	-
	(b) Syndicate loans	-	-
	(c) Others	-	-
	TOTAL (I to II)	317,720,271	287,213,965
SCHEDULE 10 - FIXED ASSETS			
I.	Premises		
	i) At cost as on 31 March of the preceding year (Including Revaluation)	4,096,694	4,089,653
	ii) Additions during the year	-	9,326
		4,096,694	4,098,979
	iii) Deductions during the year	-	(2,284)
	iv) Depreciation to date	(441,494)	(386,510)
I	a. Capital Work in Progress	-	-
	TOTAL (I)	3,655,200	3,710,185
II.	Other Fixed Assets (Including Furniture and Fixtures)		
	i) At cost as on 31 March of the preceding year	5,037,942	4,571,731
	ii) Additions during the year	464,394	517,686
		5,502,336	5,089,417
	iii) Deductions during the year	(75,612)	(51,475)
	iv) Depreciation to date	(4,401,513)	(4,002,961)
II	a. Capital Work In Progress	158,622	105,816
	TOTAL (II)	1,183,833	1,140,797
III.	Lease Fixed Assets		
	i) At cost as on 31 March of the preceding year	1,540,585	1,540,585
	ii) Additions during the year	-	-
		1,540,585	1,540,585
	iii) Deductions during the year	-	-
	iv) Depreciation to date	(1,456,245)	(1,435,791)
	v) Add: Lease Adjustment Account	310,293	289,838
	vi) Less: Provision / Write-off of NPAs	(237,649)	(237,648)
	TOTAL (III)	156,984	156,984
	GRAND TOTAL (I to III)	4,996,017	5,007,966

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2013

			(₹ in thousands)
PARTICULARS	31 March 2013	31 March 2012	
SCHEDULE 11 – OTHER ASSETS			
I. Inter Office Adjustment (Net)	-	-	
II. Interest Accrued	2,652,950	2,248,027	
III. Tax Paid in Advance and Tax deducted at source (Net)	1,666,377	1,366,439	
IV. Stationery and Stamps	14,226	8,794	
V. Non Banking Assets acquired in satisfaction of claims (Net)	-	-	
VI. Others #	10,197,673	14,531,751	
TOTAL	14,531,226	18,155,011	
# Includes deferred tax assets of ₹ 1,285,960 thousands (previous year ₹ 1,399,143 thousands). Refer Note No. 18.8			
SCHEDULE 12 – CONTINGENT LIABILITIES			
I. Claims against the bank not acknowledged as debts	-	1,986	
II. Liability for partly paid investments	-	-	
III. Liability on account of Outstanding Foreign Exchange Contracts *@	814,215,910	834,727,705	
IV. Liability on account of Outstanding Derivative Contracts *@	299,279,059	306,172,778	
V. Guarantees given on behalf of constituents			
a) In India	76,139,332	54,538,671	
b) Outside India	6,164,382	9,744,137	
VI. Acceptances , Endorsements and Other Obligations	18,885,797	17,801,381	
VII. Other items for which the bank is contingently liable	981,819	1,061,302	
TOTAL	1,215,666,299	1,224,047,960	
* Represent notional amounts			
@ Long term forward exchange contracts amounting to ₹ 8,598,044 thousands (Previous year ₹ 7,459,634 thousands) are managed as derivatives and accordingly reflected under liability on account of derivative contracts.			

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

		(₹ in thousands)	
PARTICULARS	31 March 2013	31 March 2012	
SCHEDULE 13 – INTEREST EARNED			
i. Interest/Discount on Advances/Bills	35,498,112	28,678,177	
ii. Income on Investments	13,065,663	9,818,651	
iii. Interest on Balances with RBI and other inter bank funds	18,242	5,800	
iv. Others	33,753	65,447	
TOTAL	48,615,770	38,568,075	
SCHEDULE 14 – OTHER INCOME			
i. Commission, Exchange and Brokerage	4,793,706	4,689,755	
ii. Profit/ (Loss) on sale of Investments (Net)	308,153	122,523	
iii. Profit on Revaluation of Investments (Net)	-	-	
iv. Profit/ (Loss) on sale of Land, Buildings and Other Assets(Net)	(1,347)	8,239	
v. Profit on Exchange / Derivative Transactions (Net)	1,680,052	1,471,404	
vi. Income earned by way of Dividends from Subsidiaries/Companies and Joint Ventures Abroad/in India	9,240	9,840	
vii. Lease Income	-	-	
Add: Lease Equalisation	20,455	20,455	
Less: Depreciation	(20,455)	(20,455)	
viii. Miscellaneous Income #	478,988	395,804	
TOTAL	7,268,792	6,697,565	
# Includes recovery from written off accounts amounting to ₹ 123,526 thousands (Previous year ₹ 256,110 thousands)			
SCHEDULE 15 – INTEREST EXPENDED			
i. Interest on Deposits	25,791,251	21,530,252	
ii. Interest on Reserve Bank of India/Inter-Bank Borrowings	3,926,654	2,466,927	
iii. Others (Including interest on Tier II Bonds)	3,511,632	2,487,396	
TOTAL	33,229,537	26,484,575	
SCHEDULE 16 – OPERATING EXPENSES			
i. Payments and Provisions for Employees	7,506,919	6,510,307	
ii. Rent, Taxes and Lighting	1,099,947	978,281	
iii. Printing and Stationery	133,741	130,293	
iv. Advertisement and Publicity	58,138	44,167	
v. Depreciation on Bank's Property	509,695	498,075	
vi. Director's Fees, Allowances and Expenses	5,127	4,957	
vii. Auditors' Fees and Expenses (Including Branch Auditors Fees and Expenses)	6,967	6,125	
viii. Law Charges	29,226	30,841	
ix. Postage, Telegrams, Telephones	235,258	213,705	
x. Repairs and Maintenance	327,039	313,187	
xi. Insurance	317,280	305,349	
xii. Other expenditure	2,498,824	2,066,796	
TOTAL	12,728,161	11,102,083	

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

1 BACKGROUND

ING Vysya Bank Limited (“the Bank”) was incorporated on 29 March 1930 and is headquartered in Bangalore. Subsequent to the acquisition of stake in the Bank by ING Group N.V. in August 2002, the name of the Bank was changed from “Vysya Bank Limited” to “ING Vysya Bank Limited”. It is a banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared and presented under the historical cost convention, on accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles (“GAAP”) in India, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (“RBI”) from time to time, Accounting Standards (‘AS’) issued by the Institute of Chartered Accountants of India (‘ICAI’) and notified by the Companies (Accounting Standards) Rules, 2006, to the extent applicable and current practices prevailing within the banking industry in India. The accounting policies have been consistently applied except for the changes in accounting policies disclosed in these financial statements, if any.

The financial statements are presented in Indian Rupees rounded off to the nearest thousand, unless otherwise stated.

3 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, incomes and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

4 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- a Income and expenditure is accounted for on an accrual basis except as stated below:
Interest on advances, securities and other assets classified as non-performing assets/ securities is

recognized on realization in accordance with the guidelines issued by the RBI.

Processing fees collected on loans disbursed, along with related loan acquisition costs are recognized at the inception of the loan.

- b. Income on assets given on lease
Finance income in respect of assets given on lease is accounted based on the interest rate implicit in the lease in accordance with the guidance note issued by the ICAI in respect of leases given up to 31 March 2001 and in accordance with AS 19 – “Leases” in respect of leases given from 1 April 2001.
- c. Sale of investments
Realized gains on investments under Held To Maturity (“HTM”) category are recognized in the profit and loss account and subsequently appropriated to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve.
- d. Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- e. Interest income on investments in PTCs is recognized at their effective interest rate.
- f. Commission on guarantees and letters of credit issued are amortised on a straight-line basis over the period of the respective guarantees / letters of credit.
- g. Arrangership /syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- h. Dividend is accounted on an accrual basis when the right to receive the dividend is established.

5 FOREIGN EXCHANGE TRANSACTIONS

- a. Transactions denominated in foreign currencies are translated at the exchange rates prevailing on the date of the transaction.
- b. Monetary assets and liabilities denominated in foreign currencies are translated into Indian Rupees at the rates of exchange prevailing at the balance sheet date as notified by Foreign Exchange Dealers Association of India (“FEDAI”) and resulting gains/losses are recognised in the profit and loss account.
- c. Outstanding foreign exchange contracts and bills are revalued on the balance sheet date at the rates notified by FEDAI and the resultant gain/ loss on revaluation is included in the profit and loss account.
- d. Contingent liabilities denominated in foreign currencies are disclosed on the balance sheet date at the rates notified by FEDAI.

6 DERIVATIVE TRANSACTIONS

Derivative transactions comprise long term forward contracts, interest rate swaps, currency swaps, currency and cross currency options to hedge on-balance sheet assets and liabilities or to take trading positions.

Derivative transactions designated as "Trading" are Marked to Market ("MTM") with resulting gains/losses included in the profit and loss account. Derivative transactions designated as "Hedge" are accounted for on an accrual basis.

Pursuant to RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter -parties are reversed through the profit and loss account.

7 INVESTMENTS

For presentation in the Balance sheet, investments (net of provisions) are classified under the following heads – Government securities, Other approved securities, Shares, Debentures and Bonds, Subsidiaries and Joint Ventures and Others, in accordance with the Third Schedule to the Banking Regulation Act, 1949.

Acquisition cost:

In determining acquisition cost of an investment:

- Brokerage, commission, etc. paid at the time of acquisition, are charged to profit and loss account.
- Cost of investments is based on the weighted average cost method.

Valuation of Investments:

Valuation of investments is undertaken in accordance with the "Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks" issued by the RBI. For the purpose of the valuation, the Bank's investments are classified into three categories, i.e. 'Held to Maturity', 'Held for Trading' and 'Available for Sale' at the time of their purchase:

- "Held to Maturity" (HTM) comprises securities acquired by the Bank with the intention to hold them upto maturity. With the issuance of RBI Circular No. DBOD. BP.BC.37/21/04/141/2004-05 dated 2 September 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities.
- "Held for Trading" (HFT) comprises securities acquired by the Bank principally for resale within 90 days from the date of purchase .i.e. to benefit from short-term price/interest rate movements.
- "Available for Sale" (AFS) securities are those, which do not qualify for being classified in either of the above categories.

- Transfer of securities between categories of investments is accounted for at the acquisition cost / book value/ market value on the date of transfer , whichever is lower, and the depreciation, if any , on such transfer is fully provided for.

Valuation of investments is undertaken as under:

- For investments classified as HTM, excess of cost over face value is amortized over the remaining period of maturity on a straight line basis. The discount, if any , being unrealised is ignored. Provisions are made for diminutions other than temporary in the value of such investments.
- Investments classified as HFT and AFS are revalued at monthly intervals as per RBI and FIMMDA valuation norms. These securities are valued scrip-wise and any resultant depreciation or appreciation is aggregated for each category . The net depreciation for each category is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.
- In the event provisions created on account of depreciation in the "A available for sale" or "Held for trading" categories are found to be in excess of the required amount in any year, such excess is recognised in the profit and loss account and subsequently appropriated, from profit available for appropriation, if any, to Investment Reserve account in accordance with RBI guidelines after adjusting for income tax and appropriation to statutory reserve.
- The valuation of other unquoted fixed income securities (viz. State government securities, Other approved securities, Bonds and debentures) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FIMMDA. Special bonds such as Oil bonds, Fertiliser bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark up above the corresponding yield on GOI securities. Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at ₹ 1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price/ net asset value declared by the mutual fund.

Treasury bills, Commercial papers and Certificates of Deposit being discounted instruments, are valued at carrying cost.

REPO and Reverse REPO transactions conducted under LAF with RBI are accounted for on an outright sale and outright purchase basis respectively in line with RBI guidelines. The cost/income of the transactions upto the year end is accounted for as interest expense/income. However , in

case of reverse REPO, the depreciation in value of security compared to original cost is provided for. Market REPO and Reverse REPO transactions are accounted as collateralised borrowings and lending respectively.

The Bank follows settlement date method of accounting for purchase and sale of investments.

Disposal of investments:

Profit / loss on sale of investments under the aforesaid three categories is taken to the profit and loss account. The profit from sale of investment under HTM category, net of taxes and transfers to statutory reserve is appropriated from profit and loss account to "Capital Reserve" in accordance with the RBI Guidelines.

8 ADVANCES

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs and provisions in lieu of diminution in the fair value of restructured assets. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI.

Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and also encourage banks to make a higher provision based on sound commercial judgement. Non-performing advances are identified by periodic appraisals of the loan portfolio by management. In case of consumer loans, provision for NPAs is made based on the inherent risk assessed for the various product categories, and the provisioning done is higher than the minimum prescribed under RBI guidelines.

As per RBI guidelines, a general provision at the rate of 0.40% is made on all the standard advances except for the following where provision is made at different rates

- a) at 0.25% for loans to Small and Micro Enterprises and direct agricultural advances; and
- b) at 1.00% on Commercial Real Estate (CRE) sector.
- c) at 2.00% on housing loans at teaser rates.
- d) at 2.75% on restructured advances in the first two years from date of restructuring.

Provision towards standard assets is shown separately in the Balance Sheet under Schedule-5 – "Other liabilities and Provisions".

For restructured/rescheduled assets, provision is made for diminution in the fair value of the assets in accordance with the guidelines issued by RBI.

9 FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at historical cost less accumulated depreciation, with the exception of premises, which were revalued as at 31 December 1999, based on values determined by approved valuers.

Cost includes cost of purchase of the asset and all other expenditure in relation to its acquisition and installation and includes taxes (excluding service tax), freight and any other incidental expense incurred on the asset before it is ready for commercial use.

Office Equipment (including Electrical and Electronic equipment, Computers, Vehicles and other Office Appliances) are grouped under Other Fixed Assets.

- a. Depreciation on Premises is charged on straight line basis at the rate of 1.63% upto 31 March 2002 and at 2% with effect from 1 April 2002.
- b. Additional depreciation on account of revaluation of assets is deducted from the current year's depreciation and adjusted in the Revaluation Reserve account.

Depreciation on the following items of Fixed Assets is charged over the estimated useful life of the assets on a straight line basis. The rates of depreciation are:

- i. Electrical and Electronic equipment – 20%
- ii. Furniture and Fixtures – 10%
- iii. Vehicles – 20%
- iv. Computers and Software – 33.33%
- v. ATMs and VSAT equipment – 16.66%
- vi. Improvements to leasehold premises – amortised over the shorter of primary period of lease or estimated useful life of such assets, which is currently estimated at 6 years.

Depreciation on Leased Assets is provided on WDV method at the rates stipulated under Schedule XIV to the Companies Act, 1956.

Software whose actual cost does not exceed ₹ 100,000 and other items whose actual cost does not exceed ₹ 10,000 are fully depreciated in the year of purchase.

Assets purchased during the year are depreciated on the basis of actual number of days the asset has been put to use in the year. Assets disposed of during the year are depreciated upto the date of disposal.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Profits on sale of fixed assets is first credited to profit and loss account and then appropriated to capital reserve, net of taxes and appropriation to statutory reserve.

10 IMPAIRMENT OF ASSETS

In accordance with AS 28 – Impairment of Assets, the Bank assesses at each balance sheet date whether there is any indication that an asset (comprising a cash generating unit) may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the cash generating unit. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. If such recoverable amount of the cash generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to a maximum of depreciated historical cost.

11 NON-BANKING ASSETS

Non-Banking assets acquired in settlement of debts /dues are accounted at the lower of their cost of acquisition or net realisable value.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India, balances with other banks/ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

13 EMPLOYEES' STOCK OPTION SCHEME

The Employee Stock Option Schemes provide for the grant of equity shares of the Bank to its employees. The Schemes provide that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Bank follows the intrinsic value method to account for its stock-based employee compensation plans as per the Guidance Note on 'Accounting for Employee Share-based Payments' issued by the ICAI. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. The fair market price is the latest closing price, immediately prior to the date of the Board of Directors meeting in which the options are granted, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange

where there is highest trading volume on the said date is considered.

14 EMPLOYEE BENEFITS*Short-term employee benefits*

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

*Post-employment benefits**Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Bank makes specified monthly contributions towards employee provident fund and employee superannuation fund, which are defined contribution plans, to the funds set up by the Bank for the purpose and administered by a board of trustees. The Bank's contribution is recognised as an expense in the profit and loss account during the period in which the employee renders the related service.

Defined benefit plans

The Bank's pension and gratuity benefit schemes are defined benefit plans. The Bank's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation of the Bank's obligation is performed annually by a qualified actuary using the projected unit credit method.

The Bank recognises all actuarial gains and losses arising from defined benefit plans immediately in the profit and loss account. All expenses related to defined benefit plans are recognised in employee benefits expense in the profit and loss account. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit and loss account on a straight-line basis over the average period until the benefits become vested.

The Bank recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Compensated Absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since compensated absence do not fall due wholly within twelve months after the end of period in which the employees render the related service and also are not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified a long – term employee benefit. The Bank records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

15 LEASE TRANSACTIONS

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss Account on a straight line basis over the lease term in accordance with the AS-19, Leases, issued by the ICAI.

16 TAXES ON INCOME

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The Bank offsets, on a year on year basis, current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

17 NET PROFIT/(LOSS)

Net profit / (loss) disclosed in the profit and loss account is after considering the following:

- Provision/ write off of non-performing assets as per the norms prescribed by RBI;
- Provision for income tax and wealth tax;
- Depreciation/ write off of investments; and
- Other usual, necessary and mandatory provisions, if any.

18 EARNINGS PER SHARE ("EPS")

The Bank reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share, issued by the ICAI. Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year . Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year , except where the results are anti-dilutive.

19 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In accordance with AS 29 - Provisions, Contingent Liabilities and Contingent Assets, the Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Such provisions are not discounted to present value. A disclosure for a contingent liability is made when there is a possible obligation , or a present obligation where outflow of resources is not probable. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resource would be required to settle the obligation, the provision is reversed. The Bank does not account for or disclose contingent assets, if any.

20 SEGMENT INFORMATION

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organization structure, the internal business reporting system and the guidelines prescribed by RBI(vide DBOD. No.BP.BC.81/21.01.018/2006-07 dated April 18 2007). The Bank operates in the following segments:

(a) Treasury

The treasury segment includes the net interest earnings on investments of the Bank in sovereign bonds, corporate debt, mutual funds etc, income from trading, income from derivative and foreign exchange operations and the central funding unit.

(b) Retail banking

The retail banking segment constitutes the business with individuals and small businesses through the

branch network and other delivery channels like A TM, Internet banking etc. This segment raises deposits from customers, makes loans and provides fee based services to such customers. Exposures are classified under retail banking broadly taking into account the orientation criterion, the nature of product and exposures which are not exceeding ₹ 5 crores and in respect of customers where average turnover in the last 3 years does not exceed ₹ 50 crores. Revenue of the retail banking segment includes interest earned on retail loans, fees and commissions for banking and advisory services, A TM Fees etc. Expenses of this segment primarily comprise interest expense on the retail deposits, personnel costs, premises and infrastructure expenses of the branch network and other delivery channels, other direct overheads and allocated expenses.

(c) Wholesale banking

The Wholesale banking segment provides loans and transaction services to large corporate, emerging corporate, institutional customers and those not classified under Retail banking. Revenue of the Wholesale banking segment includes interest and fees earned on loans to customers falling under this segment, fees from trade finance activities and cash management services, advisory fees and income from foreign exchange and derivatives transactions. The principal expenses of the segment consist of personnel costs, other direct overheads and allocated expenses.

(d) Other Banking Operations

All Banking operations that are not covered under the above three segments.

(e) Unallocated

All items of which cannot be allocated to any of the above are classified under this segment. This also includes capital and reserves, debt classifying as tier I or tier II capital and other unallocable assets and liabilities.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue reduced by interest expense, operating expenses and provisions, if any, for that segment. Inter-segment revenue represents the transfer price paid/received by the central funding unit. For this purpose the present internal funds transfer pricing mechanism has been followed which calculates the charge based on yields benchmarked to an internally developed yield curve, which broadly tracks certain agreed market benchmark rates. Segment-wise income and expenses include certain allocations. The Retail banking and Wholesale banking segments allocate costs among them for the use of branch network etc. Operating costs of the common/shared segments are allocated based on agreed methodology which estimate the services rendered by them to the above four segments.

Geographic segments

As the Bank operates only in the domestic segment in India, there are no other geographic segments.

18 NOTES TO ACCOUNTS

18.1 Employee stock option scheme

ESOS 2005

The employee stock option scheme ("ESOS 2005" or "the scheme") of the Bank was approved by the Board of Directors in their meeting dated 27 July 2005 and by shareholders at the Annual General Meeting held on 22 September 2005. A total of 893,264 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of four years from the date of grant i.e. 25% at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank. The board level committee in their meeting dated 25 October 2007 approved the grant of options under ESOS 2005 loyalty options scheme.

The movements in ESOS 2005 during the year ended 31 March 2013 and 31 March 2012 are as under:

Particulars	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of Options	Weighted Average Exercise Price (In ₹)	Number of Options	Weighted Average Exercise Price (In ₹)
Options outstanding at the beginning of year	220,059	174.05	263,419	172.98
Add: Granted during the year	-	-	-	-
Less: Exercised during the year	95,308	166.51	35,660	165.15
Less: Forfeited / lapsed during the year	6,893	170.70	7,700	178.70
Options outstanding at the end of year	117,858	180.34	220,059	174.05

ESOS 2007

The employee stock option scheme ("ESOS 2007" or "the scheme") of the Bank was approved by the Board of Directors in their meeting dated 7 March 2007 and by the shareholders through postal ballot meeting held on 11 May 2007. A total of 7,800,000 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30% in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

The movements in ESOS 2007 during the year ended 31 March 2013 and 31 March 2012 are as under: -

Particulars	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of Options	Weighted Average Exercise Price (In ₹)	Number of Options	Weighted Average Exercise Price (In ₹)
Options outstanding at the beginning of year	5,088,280	257.43	6,065,000	250.02
Add: Granted during the year	18,000	414.25	70,000	290.50
Less: Exercised during the year	2,955,930	252.65	843,470	200.41
Less: Forfeited / lapsed during the year	49,450	285.21	203,250	284.43
Options outstanding at the end of year	2,100,900	264.84	5,088,280	257.43

ESOS 2010

The employee stock option scheme ("ESOS 2010" or "the scheme") of the Bank was approved by the Board of Directors at their meeting held on 29 April 2010 and by the shareholders at the AGM held on 1 July 2010. A total of 11,500,000 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30% in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

NOTES TO ACCOUNTS

The movements in ESOS 2010 during the year ended 31 March 2013 and 31 March 2012 are as under: -

Particulars	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of Options	Weighted Average Exercise Price (In ₹)	Number of Options	Weighted Average Exercise Price (In ₹)
Options outstanding at the beginning of year	6,745,225	340.83	3,595,500	358.78
Add: Granted during the year	4,146,000	365.30	3,554,975	323.37
Less: Exercised during the year	1,678,255	342.49	-	-
Less: Forfeited / lapsed during the year	621,590	348.05	405,250	346.95
Options outstanding at the end of year	8,591,380	351.80	6,745,225	340.83

Details of exercise price and remaining contractual life of options

The details of exercise price and remaining contractual life of stock options outstanding as at 31 March 2013 are:

Scheme	Exercise price (In ₹)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In ₹)
ESOS 2005 Tranche I	124	8,688	1.32	124
ESOS 2005 (Loyalty Options)	184.82	109,170	1.22	184.82
ESOS 2007	134.70 - 568.05	2,100,900	3.00	264.84
ESOS 2010	322.55 - 403.95	8,591,380	5.44	351.80

The details of exercise price and remaining contractual life of stock options outstanding as at 31 March 2012 are:

Scheme	Exercise price (In ₹)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In ₹)
ESOS 2005 Tranche I	92.59 - 136.47	38,004	2.13	122.45
ESOS 2005 (Loyalty Options)	184.82	182,055	2.10	184.82
ESOS 2007	114.20 - 380.40	5,088,280	3.64	257.43
ESOS 2010	322.55 - 403.95	6,745,225	5.70	340.83

The weighted average share price for all options exercised during the year was ₹ 478.00 per share (Previous Year: ₹ 323.83).

All options under each scheme when exercised are settled through issue of equity shares.

Employee Compensation Cost

The Bank follows the intrinsic method for valuing the stock options. The difference between employee compensation cost computed based on such intrinsic value and employee compensation cost that would have been recognized if fair value of options had been used is explained below:

Impact on Profit

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Net profit (as reported)	6,129,576	4,563,040
Add : Stock-based employee compensation expense included in net income	(473)	(565)
Less: Stock-based compensation expense determined under fair value based method (proforma)	412,898	330,067
Net profit (proforma)	5,716,205	4,232,408

Impact on Earnings per share

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Declared in the financial Statements		
Basic (₹)	40.36	31.85
Diluted (₹)	39.29	31.54
Revised EPS		
Basic (₹)	37.64	29.54
Diluted (₹)	36.64	29.26

Significant assumptions: Weighted average information to estimate the fair value of options

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Risk free interest rate**	6.55% - 6.68%	7.72% - 7.74%	5.35% - 9.25%	6.49% - 8.38%
Expected Life (excluding vesting period)	1 Year	1 Year	1 Year	1 Year
Expected Volatility	31.62%	45.23%	23.68% - 51.58%	23.68% - 38.72%
The price of the underlying share in market at the time of option grant (as per NSE) (₹)	162.60	262.60	134.70 - 568.05	322.55 - 403.95

The Black-Scholes Model is used to calculate a theoretical call price (ignoring dividends paid during the life of the option) using the five key determinants of an option's price: stock price, strike price, volatility, time to expiration, and short-term (risk free) interest rate.

** Risk free interest rate is taken from the rates given by Fixed Income Money Market and Derivatives Association of India (FIMMDA) for Government securities.

The call option values under Black- Scholes Model for option valuation under different schemes for outstanding options as on 31 March 2013 are:

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Option price at the date of grant (₹)	75.42 - 82.58	118.92 - 135.34	54.90 - 187.11	71.29 - 160.94
Weighted average Fair Value of the options at the date of grant (₹)	79.49	129.59	110.43	109.91

18.2 Employee benefits

Provident fund plan

The Bank has a defined contribution plan in respect of provident fund. The contribution to the employees provident fund amounted to ₹ 141,813 thousands for the year ended 31 March 2013 (Previous year ₹ 124,180 thousands).

Gratuity, Pension and Leave Benefit plans

The Bank has defined benefit plans in respect of Gratuity , Pension and Leave Encashment. The Gratuity and Pension schemes are funded out of Trust fund set up separately for this purpose.

Reopening of Pension Option and amendment to the Payment of Gratuity Act, 1972

During the year 2010-2011, the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result, the Bank incurred an additional liability of ₹ 1,217,310 thousands being ₹ 287,300 thousands on account of II Pension Option to retired/ separated employees and ₹ 930,010 thousands on account of II Pension Option to existing employees.

In terms of Revised Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹ 1,217,310 thousands was required to be charged to the profit and loss Account. However , the Reserve Bank of India vide their letter dated 8 April 2011 ("the

NOTES TO ACCOUNTS

RBI Letter”) on Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment, permitted the Bank to amortise the additional liability on account of re-opening of pension option for existing employees who had not opted for pension earlier over a period of five years beginning with the financial year ending 31 March 2011 subject to a minimum of 1/5th of the total amount involved every year.

Accordingly, the Bank during the year 2010-11 charged the full impact of ₹ 287,300 thousands on account of II Pension Option to retired/ separated employees and ₹ 186,002 thousands representing one-fifth of the full impact of II Pension Option to the existing employees as required by the RBI letter.

During the current year, the Bank has provided ₹ 186,002 thousands (Previous year ₹ 186,002 thousands) representing one-fifth of the full impact of II Pension Option to the existing employees. In terms of the requirements of the RBI Letter , the balance impact of ₹ 372,004 thousands on account of II Pension Option to existing employees shall be provided over the next two years.

Had the RBI Letter not been issued, the profit of the Bank in the current year would have been lower by ₹ 372,004 (Previous year ₹ 558,006 thousands) pursuant to application of the requirements of Revised AS 15.

Disclosures under AS -15

The following tables summarize the components of net benefit expense recognized in the profit and loss account and the funded status and amount recognized in the balance sheet for the respective plans.

Profit and Loss account: - Net employee benefit expense (recognized in Payment and provision for Employees)

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
1. Current service cost	67,973	98,025	251,933	258,990
2. Interest cost on benefit obligation	88,883	80,631	276,710	299,920
3. Expected return on plan assets	(97,610)	(73,123)	(240,282)	(217,265)
4. Net actuarial (gain)/ loss recognized in the year	51,313	76,392	396,497	44,187
5. Past service cost	-	-	-	-
6. Net expenses (1+2+3+4+5)	110,559	181,925	684,858**	385,832**
Actual return on plan assets	95,115	84,085	238,905	231,336

** Excludes ₹ 186,002 thousands representing one-fifth of the full impact of ₹ 930,010 thousands on account of II Pension Option to the existing employees.

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
1. Current service cost	28,274	27,525	30,435	28,632
2. Interest cost on benefit obligation	35,207	38,876	20,647	19,535
3. Net actuarial (gain)/ loss recognized in the year	(4,913)	(75,539)	(5,095)	(18,910)
4. Past service cost	-	-	-	-
5. Net expenses (1+2+3+4)	58,568	(9,138)	45,987	29,257

Balance Sheet - Details of Provision for Gratuity, Pension and Leave

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Present value of obligation	1,234,076	1,113,346	3,973,341	3,642,317
Fair value of plan assets	(1,123,517)	(931,421)	(2,699,905)	(2,358,671)
Liability (Assets)	110,559	181,925	1,273,436	1,283,646
Liability (Asset) recognized in the Balance Sheet	110,559	181,925	1,273,436	1,283,646

NOTES TO ACCOUNTS

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Present value of obligation	484,291	425,722	294,740	248,752
Fair value of plan assets	-	-	-	-
Liability (Assets)	484,291	425,722	294,740	248,752
Liability (Asset) recognized in the Balance Sheet	484,291	425,722	294,740	248,752

Changes in the present value of the defined benefit obligation are as follows:

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Opening defined benefit obligation	1,113,346	964,586	3,642,317	3,684,462
Interest cost	88,883	80,631	276,710	299,920
Current service cost	67,973	98,025	251,933	258,990
Past service cost	-	-	-	-
Benefits paid	(84,945)	(117,250)	(592,738)	(659,313)
Actuarial (gains) / losses on obligation	48,819	87,354	395,119	58,258
Closing defined benefit obligation	1,234,076	1,113,346	3,973,341	3,642,317

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Opening defined benefit obligation	425,722	434,860	248,753	219,495
Interest cost	35,207	38,876	20,647	19,535
Current service cost	28,274	27,525	30,435	28,632
Benefits paid	-	-	-	-
Actuarial (gains) / losses on obligation	(4,913)	(75,539)	(5,095)	(18,910)
Closing defined benefit obligation	484,290	425,722	294,740	248,752

Changes in the fair value of plan assets are as follows:

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Opening fair value of plan assets	931,422	608,017	2,358,671	2,215,334
Expected return	97,610	73,123	240,282	217,265
Contributions by employer	181,924	356,569	695,067	571,314
Benefits paid	(84,945)	(117,250)	(592,738)	(659,313)
Actuarial gains / (losses)	(2,494)	10,962	(1,377)	14,071
Closing fair value of plan assets	1,123,517	931,421	2,699,905	2,358,671

NOTES TO ACCOUNTS

Experience adjustments:

(₹ in thousands)

Particulars	Gratuity			
	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligations	1,234,076	1,113,346	964,586	668,621
Plan assets	1,123,517	931,421	608,017	689,308
(Surplus) / deficit	110,559	181,925	356,569	(20,687)
Experience adjustments on plan liabilities	(2,436)	101,937	85,021	(36,439)
Experience adjustments on plan assets	(2,494)	10,962	(5,393)	13,915

(₹ in thousands)

Particulars	Pension			
	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligations	3,973,341	3,642,317	3,684,462	2,045,609
Plan assets	2,699,905	2,358,671	2,215,334	1,254,852
(Surplus) / deficit	1,273,436	1,283,646	1,469,128	790,757
Experience adjustments on plan liabilities	117,549	257,991	2,257,216	192,955
Experience adjustments on plan assets	(1,378)	14,071	907,893	(488)

(₹ in thousands)

Particulars	Leave encashment and availment			
	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligations	779,030	674,475	654,355	554,454
Plan assets	-	-	-	-
(Surplus) / deficit	779,030	674,475	654,355	554,454
Experience adjustments on plan liabilities	(23,713)	(62,820)	35,535	(30,907)
Experience adjustments on plan assets	-	-	-	-

The above data on experience adjustments is disclosed to the extent of the relevant information is available in the valuation reports.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows: -

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Investments with insurer	100%	100%	100%	100%
Investment in Government/ PSU bonds/securities	-	-	-	-

Principal assumptions used in determining gratuity, pension & leave encashment obligations for the Bank's plans are shown below: -

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Discount rate (%) p.a.	8.30	8.90	8.27	8.94
Expected rate of return on assets (%)	9.50	9.50	9.50	9.50
Employee turnover % p.a	1 (IBA), 25(CTC), 71 (Others)	1 (IBA), 28 (CTC), 55(Others)	1 (IBA)	1 (IBA)
Salary Escalation Rate	3.5% p.a (IBA), 9% p.a (CTC), 9% p.a (Others)	3%p.a (IBA), 12% p.a (CTC), 12%p.a (Others)	3.5%p.a	3%p.a

NOTES TO ACCOUNTS

Particulars	Leave Encashment		Leave Availment	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Discount rate (%) p.a.	8.27	8.94	8.30	8.90
Expected rate of return on assets (%)	N.A.	N.A.	N.A.	N.A.
Employee turnover % p.a.	1 (IBA)	1 (IBA)	1 (IBA), 25 (CTC)	1 (IBA), 28 (CTC)
Salary Escalation Rate	3.5% p.a (IBA)	3%p.a (IBA)	3.5% p.a (IBA), 9% p.a (CTC)	3%p.a (IBA) 12%p.a (CTC)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority , promotion and other relevant factors, such as supply and demand in the employment market.

With respect to defined benefit plans, the Bank is yet to determine the contributions expected to be paid to the plans during the annual period beginning 1 April 2013.

18.3 Provisions and contingencies debited to the profit and loss account include (₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Provision for income tax (including deferred tax)	2,882,439	1,976,255
Provision for wealth tax	2,400	2,400
Provision/ write off of non performing advances	843,100	807,382
Depreciation/ write off (write back) of investments (net)	87,104	(4,252)
Provision for standard assets	37,300	289,100
Provision for restructured advances	(95,456)	(18,253)
Others *	40,401	63,310
Total	3,797,288	3,115,942

*Includes provision made on account of frauds, legal claims, operational losses and other items of similar nature. These provisions would be utilized/released upon settlement.

18.4 Provisions for income taxes during the year (₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Provision for income tax	2,882,439	1,976,255
a) Current tax for the year	2,769,256	1,847,304
b) Deferred tax for the year	113,183	128,951

During the year ended 31 March 2012, the entire Special Reserve amount of ₹ 587,000 thousands created under Section 36 (1) (viii) of the Indian Income Tax Act, 1961 (including ₹ 140,000 thousands transferred during the year ended 31 March 2012) was treated as a deduction in the computation of provision for Income T ax. This resulted in one time reduction in tax expense by ₹ 145,000 thousands for 2011-12.

18.5 Investments

18.5.1 Value of Investments(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Gross value of Investments		
a. In India	183,219,258	127,504,887
b. Outside India	-	-
Provisions for depreciation		
a. In India	136,513	49,409
b. Outside India	-	-
Provision for Non-Performing Investments		
a. In India	300,481	300,481
b. Outside India	-	-
Net value of Investments		
a. In India	182,782,264	127,154,997
b. Outside India	-	-

NOTES TO ACCOUNTS

18.5.2 Movement of provisions held towards depreciation on investments

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	349,890	354,142
Add: Provisions made during the year	110,081	-
Less: Write-off/write-back of excess provisions during the year	22,977	4,252
Closing balance	436,994	349,890

18.5.3 Issuer composition of non SLR investments

The details relating to issuer composition of non- SLR investments as at 31 March 2013 are as follows:

(₹ in thousands)

Issuer	Amount	Extent of private placement (Note 3)	Extent of 'below investment grade' securities	Extent of 'unrated' securities (Note 2 & 4)	Extent of 'unlisted' securities (Note 2)
Public sector undertakings	1,553,133	33,333	-	-	-
Financial Institutions	32,445,026	32,445,026	-	-	-
Banks	2,725,807	-	-	-	2,725,807
Private Corporates	3,135,506	3,135,506	300,481	964,716	3,054,650
Subsidiaries/ Joint Ventures	20,988	20,988	-	-	20,988
Others (Note 1)	18,213,939	18,213,939	-	-	18,213,939
Provision held towards depreciation	(429,336)	-	-	-	-
Total	57,665,063	53,848,792	300,481	964,716	24,015,384

- 1) Includes investments in Pass through certificates where the exposure is considered towards ultimate obligator/ borrower.
- 2) Deposits with NABARD, SIDBI and NHB have not been considered for the purpose of this disclosure.
- 3) Securities received as part of Corporate Debt restructuring have been considered under private placement.
- 4) Does not include equity shares.

The details relating to issuer composition of non- SLR investments as at 31 March 2012 are as follows:

(₹ in thousands)

Issuer	Amount	Extent of private placement (Note 4)	Extent of below investment grade' securities	Extent of 'unrated' securities (Note3 & 5)	Extent of 'unlisted' securities (Note 2 & 3)
Public sector undertakings	1,630,200	37,500	-	-	-
Financial Institutions	31,489,763	31,489,763	-	-	-
Banks	2,931,913	-	-	-	2,931,913
Private Corporates	1,140,499	1,140,499	300,481	806,212	811,247
Subsidiaries/ Joint Ventures	20,988	20,988	-	-	20,988
Others (Note 1)	576,483	576,483	-	-	576,483
Provision held towards depreciation	(323,653)	-	-	-	-
Total	37,466,193	33,265,233	300,481	806,212	4,340,631

- 1) Includes investments in Pass through certificates where the exposure is considered towards ultimate obligator/borrower.
- 2) Does not include bonds of Magma Fincorp Ltd. allotted on 30 March 2012 which is under process of listing on BSE.
- 3) Deposits with NABARD, SIDBI & NHB have not been considered for the purpose of this disclosure.
- 4) Securities received as part of Corporate Debt restructuring have been considered under private placement.
- 5) Does not include Equity Shares.

NOTES TO ACCOUNTS

18.5.4 Non-performing non SLR investments

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	300,481	300,481
Additions during the year	-	-
Reduction during the year	-	-
Closing balance	300,481	300,481
Total provisions held	300,481	300,481

18.5.5 Repo transactions

The details relating to repo transactions (in face value terms) during the year ended 31 March 2013 are as follows:

(₹ in thousands)

Issuer	Minimum outstanding during the year *	Maximum outstanding during the year	Daily average outstanding during the year	As at 31 March 2013
Securities sold under repos #	2,100,000	57,750,000	41,612,452	44,100,000
Government securities	2,100,000	57,750,000	41,612,452	44,100,000
Corporate debt securities	-	-	-	-
Securities purchased under reverse repos	50,000	22,050,000	2,991,500	22,050,000
Government securities	50,000	22,050,000	2,991,500	22,050,000
Corporate debt securities	-	-	-	-

* Minimum outstanding during the year excludes days with nil outstanding positions.

Includes LAF transactions with RBI which is inclusive of margin.

The details relating to repo transactions (in face value terms) during the year ended 31 March 2012 are as follows:

(₹ in thousands)

Issuer	Minimum outstanding during the year *	Maximum outstanding during the year	Daily average outstanding during the year	As at 31 March 2012
Securities sold under repos #	2,100,000	41,737,500	24,244,008	39,692,500
Government securities	2,100,000	41,737,500	24,244,008	39,692,500
Corporate debt securities	-	-	-	-
Securities purchased under reverse repos	50,000	200,000	87,500	-
Government securities	50,000	200,000	87,500	-
Corporate debt securities	-	-	-	-

* Minimum outstanding during the year excludes days with nil outstanding positions.

Includes LAF transactions with RBI which is inclusive of margin.

18.6 Advances

18.6.1 Information with respect to loan assets subjected to restructuring

(₹ in thousands)

Disclosure of Restructured Accounts																			
Type of Restructuring →			Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others			Total					
Sl. No	Asset Classification →		Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	
	Details																		
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	11	-	1	12	-	-	-	-	12	2	8	22	23	2	9	34	
		Amount outstanding	3,332,405	-	381,129	3,713,534	-	-	-	-	174,346	64,128	455,869	694,343	3,506,751	64,128	836,998	4,407,877	
		Provision thereon	164,302	-	-	164,302	-	-	-	-	1,829	129	1,591	3,549	166,131	129	1,591	167,852	
2	Fresh restructuring during the year	No. of borrowers	3	-	-	3	-	-	-	-	-	-	-	-	3	-	-	3	
		Amount outstanding	493,431	-	-	493,431	-	-	-	-	-	-	-	-	493,431	-	-	493,431	
		Provision thereon	30,613	-	-	30,613	-	-	-	-	-	-	-	-	30,613	-	-	30,613	
3	Upgradations to restructured standard category during the FY	No. of borrowers	1	-	(1)	-	-	-	-	-	-	-	-	-	1	-	(1)	-	
		Amount outstanding	407,182	-	(381,129)	26,053	-	-	-	-	-	-	-	-	407,182	-	(381,129)	26,053	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Restructured standard advances which cease to attract higher provisioning and /or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	(4)	-	-	(4)	-	-	-	-	(11)	(1)	-	(12)	(15)	(1)	-	(16)	
		Amount outstanding	(1,407,472)	-	-	(1,407,472)	-	-	-	-	(164,114)	(2,586)	-	(166,700)	(1,571,586)	(2,586)	-	(1,574,172)	
		Provision thereon	(92,577)	-	-	(92,577)	-	-	-	-	(1,204)	(129)	-	(1,333)	(93,781)	(129)	-	(93,910)	
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	(1)	1	-	-	(1)	1	-	
		Amount outstanding	-	-	-	-	-	-	-	-	-	(61,542)	61,434	(108)	-	(61,542)	61,434	(108)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	(1)	-	-	(1)	(1)	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(85,583)	(85,583)	-	-	(85,583)	(85,583)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	11	-	-	11	-	-	-	-	1	-	8	9	12	-	8	20	
		Amount outstanding	2,703,871	-	-	2,703,871	-	-	-	-	8,746	-	427,106	435,852	2,712,617	-	427,106	3,139,723	
		Provision thereon	71,423	-	-	71,423	-	-	-	-	437	-	-	437	71,860	-	-	71,860	

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

NOTES TO ACCOUNTS

18.6.2 Concentration of advances*

(₹ in thousands)

Particulars	31 March 2013	31 March 2012
Total advances to twenty largest borrowers	90,479,829	77,497,732
Percentage of advances to twenty largest borrowers to total advances of the Bank	13.19%	12.68%

* Advances are computed as per the definition of credit exposure including derivatives furnished in RBI Master Circular on Exposure Norms DBOD.No. Dir.BC.3/13.03.00/2012-13, dated 2 July 2012.

18.6.3 Concentration of exposures*

(₹ in thousands)

Particulars	31 March 2013	31 March 2012
Total exposures to twenty largest borrowers / customers	90,479,829	77,497,732
Percentage of exposures to twenty largest borrowers / customers to total exposures of the bank on borrowers / customers	12.71%	12.55%

* Exposures is computed based on credit and investment exposure as prescribed in RBI Master Circular on Exposure Norms DBOD.No.Dir.BC.3/13.03.00/2012-13, dated 2 July 2012.

18.6.4 Concentration of NPAs

(₹ in thousands)

Particulars	31 March 2013	31 March 2012
Total exposure to top four NPA accounts (funded)	1,929,356	2,080,560

18.6.5 Sector wise NPAs: Percentage of NPA to total Advances to that sector

Particulars	31 March 2013	31 March 2012
Agriculture and allied activities	3.09%	2.60%
Industry (Micro & small, medium and large)	2.27%	2.11%
Services	0.12%	0.62%
Personal Loans	22.31%	49.79%

18.6.6 Movement of Gross Non Performing Advances

(₹ in thousands)

Particulars	31 March 2013	31 March 2012
Opening Gross NPAs*	1,495,129	1,553,873
Additions (fresh NPAs) during the year	1,938,626	1,728,349
Total (A)	3,433,755	3,282,222
Less:-		
(i) Upgradations	1,015,900	31,689
(ii) Recoveries (excluding recoveries made from upgraded accounts)	515,100	1,235,288
(iii) Write-offs (including technical write offs)	688,836	520,116
Total (B)	2,219,836	1,787,093
Closing Gross NPAs* (A-B)	1,213,919	1,495,129

* After considering technical write off fs. Gross NP As before technical write off fs – ₹ 5,701,800 thousands (Previous Year – ₹ 5,628,716 thousands).

NOTES TO ACCOUNTS

18.6.7 Movement of Net Non Performing Advances

(₹ In thousands)

Particulars	31 March 2013	31 March 2012
Opening Net NPAs *	524,922	917,856
Additions during the year	97,404	208,555
Reductions (including write offs) during the year	531,326	601,489
Closing Net NPAs*	91,000	524,922
NPAs to advances (%) #	0.03	0.18
Provisioning Coverage Ratio (%)#	98.40	90.67

- * After netting of ₹ 598,380 thousands (Previous year: ₹ 599,971 thousands) of ECGC claims received and held pending adjustments of ₹ 599,971 thousands).
- # Provision held against the NP A sold of ₹ 50,500 thousands and ₹ 726 thousands during the year 2006-07 & 2007-08 respectively has not been reversed to profit and loss account in view of RBI Circular No DBOD.No.BP .BC.16/21.04.048/2005 dated 13 July 2005 and is retained as provision for NPA to be utilized to meet the shortfall / loss on account of sale of other non performing financial assets.

18.6.8 Movement in provisions for Non Performing Advances

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	370,236	-
Additions during the year	843,100	890,352*
Technical write-offs/write backs during the year	688,836	520,116
Closing Balance *	524,500	370,236

- * Inclusive of amount transferred from Suspense Account - Crystallised Receivables on account of crystallised derivative receivables.

18.6.9 Details of Unsecured Advances:

Under unsecured loans, amount of advances for which intangible securities such as charge over the rights, licenses, authority etc accepted as collaterals is Nil (Previous Year – Nil).

18.6.10 Floating provision

The Bank does not hold any floating provision as at 31 March 2013 (Previous year: Nil).

18.6.11 Provisions on standard asset

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Provision towards standard assets during the year	37,300	289,100
Cumulative provision for standard assets as at year end	1,491,500	1,454,200

Provisions towards standard assets are included in "Other Liabilities and Provisions" in Schedule 5 to the Balance Sheet.

18.6.12 Overseas Assets, NPAs and Revenue

There are no overseas assets (Previous year – Nil) and no overseas revenue (Previous year – Nil) during the year ended 31 March 2013.

NOTES TO ACCOUNTS

18.6.13 Purchase/ sale of non performing assets

The Bank did not purchase any non performing assets during the year ended 31 March 2013 (Previous year: Nil).

Details of non performing financial assets sold:

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
No. of accounts sold	1	17
Aggregate outstanding, net of provisions/ write offs (₹ in thousands)	-	17
Aggregate consideration received (₹ in thousands)	17,200	27,500

18.6.14 Sale of financial assets to Securitisation / Reconstruction Company for Asset Reconstruction:

The Bank did not sell any financial assets to Securitisation / Reconstruction Company during the year ended 31 March 2013 (Previous Year - NIL).

18.6.15 Off balance sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank.

18.6.16 (a) Exposure to capital market

(₹ in thousands)

Sl. No.	Particulars	As at 31 March 2013	As at 31 March 2012
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	590,263	590,433
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	2,772,775	2,430,522
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	16,120	16,490
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	132,139	569,638
(vi)	loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter' s contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	-	350,000
(viii)	underwriting commitments taken up by banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market		3,511,297	3,957,083

Point (ii) above includes loans to investment companies amounting to ₹ 2,000,000 thousands (Previous year: ₹ 2,000,000 thousands) secured by bank deposits.

NOTES TO ACCOUNTS

(b) Exposure to real estate sector

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
(a) Direct exposure		
(i) Residential mortgages (fully secured)		
Of which housing loan responsible for inclusion in priority sector advances.	9,879,665	9,372,132
Others	35,815,376	28,845,866
(ii) Commercial real estate		
Fund Based	13,463,954	13,837,847
Non-Fund Based	848,496	385,346
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	391,943	576,483
b. Commercial real estate	-	-
(b) Indirect exposure		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	12,213,008	6,268,899
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1,000,000	1,000,000
Total	73,612,442	60,286,573

18.6.17 Prudential exposure limits – quantitative disclosures

- During the year ended 31 March 2013, the Bank has complied with the Reserve Bank of India guidelines on single borrower and group borrower limit. As per the exposure limits permitted under the extant RBI regulation, the Bank with the approval of the Board of Directors can enhance exposure to a single borrower or group borrower by a further 5% of capital funds, subject to the borrower consenting to the Bank making appropriate disclosures in the Annual Report.
- During the year ended 31 March 2013, with the prior approval of Board of Directors, the Bank exceeded the single borrower limit of 20% of Capital Funds to Unitech Wireless (Tamilnadu) Pvt. Ltd., Dishnet Wireless Ltd and Telewings Communications Services Pvt. Ltd. The exposure during the year to Unitech Wireless (Tamilnadu) Pvt. Ltd., Dishnet Wireless Ltd and Telewings Communications Services Pvt. Ltd as a percentage of capital funds stood at 22.73% (Previous year: 24.95%), 24.19% and 24.75%, respectively. However, this was within the additional 5% permitted by RBI as per para (a) above.

18.6.18 Risk category wise country exposure

As per the RBI guidelines, the country exposure of the Bank is categorized into various risk categories and depending on the risk category, banks are required to make provision where net funded exposure to any country exceeds 1% of bank's assets. As on the 31 March 2013, the net funded exposure did not exceed 1% of the total assets of the Bank for any country (Previous year – Nil).

18.6.19 Concentration of Deposits

(₹ in thousands)

Particulars	31 March 2013	31 March 2012
Total deposits of twenty largest depositors *	97,348,674	77,895,001
Percentage of Deposits of twenty largest depositors to Total deposits of the Bank	23.55%	22.13%

* Including Certificate of Deposits issued by the Bank.

NOTES TO ACCOUNTS

18.7 Leases

18.7.1 Operating Leases

The Bank has commitments under long-term non-cancellable operating leases primarily for premises. The terms of renewal / purchase options and escalation clauses are consistent with those normally prevalent in such agreements. Following is a summary of future minimum lease rental commitments for such non-cancellable operating leases:

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
Not later than one year	60,874	54,623
Later than one year and not later than five years	78,487	104,145
Later than five years	-	-
Total minimum lease rental commitments	139,361	158,768

Additionally, the Bank also leases of office / branch premises under cancellable operating lease agreements. Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit and Loss Account in the current year is ₹ 800,996 thousands (Previous year: ₹ 717,529 thousands).

18.7.2 Finance leases

The Bank has not taken any assets under finance leases / hire purchase.

18.8 Deferred taxes

In accordance with Accounting Standard 22 "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India (ICAI) and notified by Companies Accounting Standard Rules, 2006, provision for taxation for the year is arrived at after considering deferred tax charge of ₹ 113,183 thousands (Previous year deferred tax charge of ₹ 128,950 thousands) for the current year.

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
Deferred tax assets		
on account of provisions	833,872	744,083
on leave encashment	252,757	218,834
on investments	454,478	664,052
on pension fund	40,403	80,806
Total deferred tax asset	1,581,510	1,707,775
Deferred tax liabilities		
on depreciation on fixed assets	142,118	155,201
on bad debts claim	153,432	153,431
Total deferred tax liability	295,550	308,632
Net deferred tax assets	1,285,960	1,399,143

18.9 Intangibles

(₹ in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block
	As at 1 April 2012	Additions	Deletions	As at 31 March 2013	As at 1 April 2012	Charge for the year	Deletions	As at 31 March 2013	As at 31 March 2013
Intangible assets									
Application software*	1,009,422	129,025	-	1,138,447	875,396	102,793	-	978,189	160,258
Total	1,009,422	129,025	-	1,138,447	875,396	102,793	-	978,189	160,258
Previous year	898,985	110,437	-	1,009,422	766,257	109,139	-	875,396	134,026

*forms part of "Other fixed assets" in Schedule 10 to the financial statements.

18.10 Capital (Tier I) raised during the year 2011-12

- a) During the year 2011-12, the Bank raised Tier I capital of ₹ 9,694,932 thousands by way of Qualified Institutions Placement (QIP) and preferential allotment. Pursuant to the resolution passed by the Shareholders of the Bank through postal ballot, as per the results declared on 8 June 2011, the Bank allotted 15,000,014 equity shares of face value of ₹ 10/- each by way of Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIBs) for cash at a price of ₹ 342.09/- and 13,257,349 equity shares of face value of ₹ 10/- each by way of preferential allotment to ING Group for cash at a price of ₹ 344.23/-, to augment the capital adequacy ratio of the Bank.

In relation to this capital raising, the Bank incurred expenses of ₹ 62,282 thousands towards payment of commission to the Book Running Lead Managers which has been adjusted against the Securities Premium Account. However, on account of the restrictions placed by Section 13 of the Banking Regulation Act, 1949 on the quantum of commission that can be paid, the Bank has sought RBI's approval, which is awaited.

- b) During the year 2011-12, dividend appropriation of ₹ 86,562 thousands and dividend tax thereon of ₹ 11,559 thousands represent, dividend and related dividend distribution tax for 2010-11 on the shares issued to Qualified Institutional Buyers and ING Group in June 2011 and shares issued under Employee Stock Options Schemes prior to the record date. This has been appropriated from carried forward profits relating to the previous year as per the shareholder's approval dated 7 September 2011.

18.11 Details of provisions

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	403,265	405,389
Additions during the year	39,808	86,977
Reversals during the year	8,810	88,863
Amounts utilised	3,258	238
Closing Balance	431,005	403,265

The above provisions include provisions made on account of frauds, legal claims, operational losses and other items of similar nature. These provisions would be utilized/released upon settlement.

18.12 Off Balance Sheet Items

18.12.1 Derivative contracts

Forward Rate Agreement / Interest Rate Swaps

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
The notional principal of swap agreements	197,961,370	207,217,331
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	753,329	963,545
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with banks (74.36%)	Predominantly with banks (74%)
The fair value of the swap book [asset / (liabilities)]	(405,024)	(181,615)

MTM netted off counterparty wise.

Currency Swaps

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
The notional principal of swap agreements	48,766,912	67,443,022
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	1,490,518	4,131,000
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks (49.1%)	Predominantly with Banks (73%)
The fair value of the swap book [asset / (liabilities)]	999,204	623,138

MTM netted off counter party wise.

The Bank enters into derivative contracts such as Interest Rate Swaps ("IRS"), Forward Rate Agreements ("FRA"), Currency Swaps ("CS") and option agreements. Notional amounts of principal outstanding in respect of IRS, FRA and CS as at 31 March 2013 is ₹ 246,728,281 thousands (Previous year ₹ 274,660,352 thousands).

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2013

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	82	32,949,902	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	80	33,404,324	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	24	7,000,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	50	17,500,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	90,854,226		

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2012

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	106	44,914,673	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	93	36,673,960	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	27	9,250,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	44	17,000,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	107,838,633		

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2013

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	85	52,649,908	LIBOR	Fixed Payable vs Floating Receivable
Trading	89	42,062,480	LIBOR	Fixed Receivable vs Floating Payable
Trading	22	12,680,635	LIBOR	Floating Receivable vs Floating Payable
Trading	23	4,884,841	Principal	Fixed Payable
Trading	7	1,767,952	Principal	Fixed Receivable
Trading	20	6,434,459	Principal	Fixed Received vs Fixed Paid
Trading	79	7,848,853	Principal	Principal only Swaps
Hedging	2	3,448,145	LIBOR	Floating Receivable vs Floating Payable
Hedging	4	4,223,877	LIBOR	Fixed Payable vs Floating Receivable
Hedging	2	2,675,713	Principal	Fixed Received vs Fixed Paid
	Total	138,676,863		

NOTES TO ACCOUNTS

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2012

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	83	52,721,065	LIBOR	Fixed Payable vs Floating Receivable
Trading	95	51,044,008	LIBOR	Fixed Receivable vs Floating Payable
Trading	34	29,985,995	LIBOR	Floating Receivable vs Floating Payable
Trading	28	5,581,004	Principal	Fixed Payable
Trading	13	1,185,304	Principal	Fixed Receivable
Trading	15	5,769,865	Principal	Fixed Received vs Fixed Paid
Trading	41	5,276,664	Principal	Principal only Swaps
Hedging	2	3,909,510	LIBOR	Floating Receivable vs Floating Payable
Hedging	4	4,527,991	LIBOR	Fixed Payable vs Floating Receivable
Hedging	7	6,820,315	Principal	Fixed Received vs Fixed Paid
	Total	166,821,721		

Foreign currency – Cap & Floor for the year ended 31 March 2013

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	4	5,884,345	LIBOR	Buy Cap
Trading	3	3,170,095	LIBOR	Sell Cap
Trading	1	2,714,250	LIBOR	Sell Floor
Trading	2	5,428,500	LIBOR	Buy Floor
	Total	17,197,191		

Foreign currency – Cap & Floor for the year ended 31 March 2012

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	3	5,329,470	LIBOR	Buy Cap
Trading	2	2,785,720	LIBOR	Sell Cap
Trading	1	2,543,750	LIBOR	Sell Floor
Trading	2	5,087,500	LIBOR	Buy Floor
	Total	15,746,440		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2013 is ₹ 594,180 thousands (Previous year ₹ 441,523 thousands), which represents the net mark to market profit/(loss) on swap contracts. As at 31 March 2013 the exposure to IRS, CS and FRA contracts is spread across industries. However based on notional principal amount the maximum single industry exposure lies with Banks at 80.50% (Previous year: 80.97%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of ₹ 223,149 thousands (Previous year: ₹ 241,456 thousands) on total Interest Rate Swap trading book including Rupee IRS, FX IRS, CS and FRA. Agreements are with Banks/ Financial Institutions and corporate under approved credit lines.

The fair value of the Option Book as at 31 March 2013 on a net basis is ₹ 117,297 thousands (Previous Year: ₹ 145,778 thousands). As at 31 March 2013 notional outstanding for outstanding option contracts is ₹ 51,731,643 thousands (Previous year: ₹ 33,150,105 thousands).

The fair value of the Exchange traded Options as at 31 March 2013 on a net basis is ₹ (1,638) thousands (Previous year: ₹ (1,250) thousands). As at 31 March 2013 notional outstanding for outstanding Exchange traded option contracts is ₹ 819,135 thousands (Previous year: ₹ 1,634,578 thousands).

As at 31 March 2013 notional outstanding for outstanding Exchange traded currency futures is ₹ 162,855 thousands (Previous year: ₹ 5,606,476 thousands).

18.12.2 Exchange Traded Interest Rate Derivatives, Forward Rate Agreements and Currency Swaps

Exchange Traded Interest Rate Derivatives entered during the year ended 31 March 2013 amounts to ₹ NIL (Previous year: ₹ 510,000 thousands). There were no Exchange Traded Forward Rate Agreements and Currency Swaps during the year ended 31 March 2013 (Previous year: Nil).

(₹ in thousands)

S. No.	Particulars	March 31, 2013	March 31, 2012
I	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year, (instrument-wise) (a) 91 days Treasury bill	-	510,000
II	The total notional principal amount of exchange traded interest rate derivatives outstanding as of Year end, (instrument-wise)	-	-
III	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective', as of Year end, (instrument-wise)	-	-
IV	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective', as of Year end, (instrument-wise)	-	-

18.12.3 Risk exposure on derivatives

The Bank currently deals in various derivative products, i.e., Rupee and Foreign Currency Interest Rate Swaps, Currency Swaps and Currency and Cross-currency options. These products are offered to the Bank's customers to enable them to manage their exposure towards movement in foreign exchange rates or in Indian / foreign currency interest rates. The Bank also enters in to these derivative contracts (i) to cover its own exposures resulting either from the customer transactions or own foreign currency assets and liabilities or (ii) as trading positions.

The derivative contracts, as above, expose the Bank to risks such as credit risk and market risk. Credit risk implies probable financial loss the Bank may ultimately incur, if the counter parties fail to meet their obligations. Market risk deals with the probable loss the Bank may ultimately incur as a result of movements in exchange rates, benchmark interest rates, credit spreads etc., to the extent that the exposures are not fully covered by the Bank on a back-to-back basis or as hedge positions.

The Bank has established an organization structure to manage these risks that operates independent of investment and trading activities. Management of these risks is governed by respective policies approved by the Board of Directors. While expanding relationship-banking activities, the Bank has put in place a credit policy by defining the internal risk controls. The policy incorporates the guidelines issued by the RBI from time to time. ISDA agreements are entered into with counterparties. The Bank has evolved a similar policy for managing market risks through specific product mandates, limits on book sizes, stop loss limits, Value at Risk limits (VaR), Event Risk Analysis, counter party limits etc.

The Bank has also set up a Asset-Liability Management Committee ("ALCO") and a Risk Management Review Committee ("RMRC"), which monitor the risk on an integrated basis. The market risk and credit risk management teams monitor compliance with the policies on a continuous basis and there is a clearly defined procedure of reporting and ratification of any limit breaches for derivative products.

Quantitative disclosure:

(₹ in thousands)

Sl. No	Particulars	Currency derivatives		Interest rate derivatives	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
(i)	Derivatives (Notional Principal Amount) *				
	a) For hedging	10,347,735	15,257,816	-	-
	b) For trading	38,419,176	52,185,206	197,961,370	207,217,331
(ii)	Marked to Market Positions				
	a) Asset (+)	1,725,924	4,239,004	1,289,484	1,942,242
	b) Liability (-)	726,719	3,615,866	1,694,508	2,123,858
(iii)	Credit Exposure	5,823,898	8,763,270	2,804,032	3,624,795

NOTES TO ACCOUNTS

Sl. No	Particulars	Currency derivatives		Interest rate derivatives	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #				
	a) on hedging derivatives	-	-	182,047	206,487
	b) on trading derivatives	32,323	2,690	8,779	32,279
(v)	Maximum and Minimum of 100*PV01 #				
	a) on hedging				
	- Maximum	-	-	210,427	207,612
	- Minimum	-	-	181,083	150,346
	b) on trading				
	- Maximum	59,061	76,697	32,408	86,420
	- Minimum	413	9.82	46	9.74

Amounts stated are inclusive of impact of Currency swaps and Interest Rate Swaps and are stated at absolute values

* Does not include notional of Forward contracts and Currency options, trading or hedging.

18.12.4 Credit Default Swaps

The Bank did not deal in any credit default swaps during the year ended 31 March 2013 (Previous Year – NIL).

18.13 Related party transactions

List of related parties

Related parties where control exists

ING Vysya Financial Services Limited – wholly owned subsidiary of the Bank.

Related parties with significant influence and with whom there are transactions during the year

ING Bank N.V. and its branches

ING Mauritius Holdings

ING Mauritius Investments

ING Vysya Bank Staff Provident Fund

ING Vysya Bank Staff Gratuity Fund

ING Vysya Bank Superannuation Fund

ING Vysya Bank (Employees) Pension Fund

Key Management Personnel – Mr. Shailendra Bhandari – Managing Director & Chief Executive Officer (MD & CEO)

Relatives of Key Management Personnel – Rina Bhandari, Shiv Bhandari and Shirin Bhandari.

In accordance with para 5 of AS 18 – Related Party Disclosures, transactions in the nature of banker – customer relationship are not disclosed in respect of Key Management Personnel and relatives of Key Management Personnel.

(₹ in thousands)

Items / Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Deposits accepted by the Bank	Maximum 52,506 (87,027) Outstanding 47,338 (45,405)	Maximum 1,219,956 (602,740) Outstanding 548,704 (127,953)	- (-) - (-)	Maximum 1,272,462 (689,767) Outstanding 596,042 (173,358)

NOTES TO ACCOUNTS

Items / Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Borrowing	Maximum - (-) Outstanding - (-)	Maximum 29,351,899 (23,088,850) Outstanding 28,198,181 (22,132,611)	- (-) - (-)	Maximum 29,351,899 (23,088,850) Outstanding 28,198,181 (22,132,611)
Borrowing - Tier I Bonds	Maximum - (-) Outstanding - (-)	Maximum 1,502,486 (1,451,852) Outstanding 1,206,843 (1,296,446)	- (-) - (-)	Maximum 1,502,486 (1,451,852) Outstanding 1,206,843 (1,296,446)
Borrowing - Tier II Bonds	Maximum - (-) Outstanding - (-)	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)	- (-) - (-)	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)
Borrowing - Upper Tier II Bonds	Maximum - (-) Outstanding - (-)	Maximum 4,530,836 (4,378,147) Outstanding 3,639,307 (3,909,510)	- (-) - (-)	Maximum 4,530,836 (4,378,147) Outstanding 3,639,307 (3,909,510)
Deposit kept with other banks	Maximum - (-) Outstanding - (-)	Maximum 944,642 (1,360,043) Outstanding 182,711 (78,043)	- (-) - (-)	Maximum 944,642 (1,360,043) Outstanding 182,711 (78,043)
Investment	Maximum 20,988 (20,988) Outstanding 20,988 (20,988)	Maximum - (-) Outstanding - (-)	- (-) - (-)	Maximum 20,988 (20,988) Outstanding 20,988 (20,988)
Lending	Maximum - (-) Outstanding - (-)	Maximum 4,058,000 (4,070,000) Outstanding 2,062,830 (4,070,000)	- (-) - (-)	Maximum 4,058,000 (4,070,000) Outstanding 2,062,830 (4,070,000)
Interest paid	3,367 (1,992)	2,657,983 (2,378,824)	- (-)	2,661,350 (2,380,815)
Interest received	- (-)	1,807,769 (1,121,361)	- (-)	1,807,769 (1,121,361)
Charges Paid	- (-)	- (58)	- (-)	- (58)
Interest accrued but not due (payable)	2,199 (1,474)	177,069 (84,672)	- (-)	179,268 (86,146)

NOTES TO ACCOUNTS

Items / Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Interest accrued but not due (receivable)	- (-)	34 (14)	- (-)	34 (14)
Dividend Received	2,211 (2,211)	- (-)	- (-)	2,211 (2,211)
Dividend Paid	- (-)	262,817 (197,113)	20 (-)	262,837 (197,113)
Purchase of securities	- (-)	533,154 (528,465)	- (-)	533,154 (528,465)
Sale of securities	- (-)	501,964 (2,703,830)	- (-)	501,964 (2,703,830)
Reimbursement received	- (-)	9,371 (16,495)	- (-)	9,371 (16,495)
Rendering of services	- (-)	9,355 (-)	- (-)	9,355 (-)
Reimbursement paid	- (-)	7,131 (12,755)	- (-)	7,131 (12,755)
Receiving of services	141,474 (231,219)	16,067 (-)	- (-)	157,541 (231,219)
Receiving of services – outstanding	21,022 (20,762)	- (-)	- (-)	21,022 (20,762)
Contribution to employee welfare funds - Paid	- (-)	1,018,833 (1,052,104)	- (-)	1,018,833 (1,052,104)
Contribution to employee welfare funds- Payable	- (-)	1,383,995 (1,465,570)	- (-)	1,383,995 (1,465,570)
Managerial remuneration	- (-)	- (-)	22,048 (20,076)	22,048 (20,076)
Letter of Credit / LUTs issued	- (-)	308,358 (-)	- (-)	308,358 (-)
Bank guarantees- Issued	- (-)	5,352,338 (9,011,724)	- (-)	5,352,338 (9,011,724)
Derivative transactions - notional outstanding	Maximum - (-) Outstanding - (-)	Maximum 96,267,976 (96,105,121) Outstanding 79,645,129 (96,105,121)	- - (-) - (-)	Maximum 96,267,976 (96,105,121) Outstanding 79,645,129 (96,105,121)
Forward transactions	Maximum - (-) Outstanding - (-)	Maximum 6,500,085 (15,351,981) Outstanding 1,735,311 (227,542)	- - (-) - (-)	Maximum 6,500,085 (15,351,981) Outstanding 1,735,311 (227,542)
Premium paid	- (-)	- (400)	- (-)	- (400)
Commission received	- (-)	78,118 (24,745)	- (-)	78,118 (24,745)
Commission paid	- (-)	2,308 (-)	- (-)	2,308 (-)
Loss on Liquidation	- (-)	8,709 (11,625)	- (-)	8,709 (11,625)

During the year 2012-13, 115 thousands (previous year : 128 thousands) number of stock options under 'ESOS 2010' scheme have been issued to the MD & CEO.

(Previous year's figures have been given in parentheses).

18.14 Key Ratios

18.14.1 Capital Adequacy Ratio

The Bank's Capital to Risk-weighted Asset Ratio ('Capital Adequacy Ratio') is calculated in accordance with the RBI's 'Prudential Guidelines on Capital Adequacy and Market Discipline – Implementation of the New Capital Adequacy Framework' ('Basel II'). Under the Basel II framework, the Bank is required to maintain a minimum capital adequacy ratio of 9% on an ongoing basis for credit risk, market risk and operational risk, with a minimum Tier I capital ratio of 6%. Further, the minimum capital maintained by the Bank as on 31 March 2013 is subject to a prudential floor, which is the higher of the following amounts:

- Minimum capital required as per the Basel II framework.
- 80% of the minimum capital required to be maintained under the Basel I framework.

The Bank's capital adequacy ratio, calculated in accordance with the RBI guidelines under Basel II frameworks, is as follows:

Particulars	As at 31 March 2013	As at 31 March 2012
Tier I capital (₹ in thousands)	44,525,780	38,498,314
Tier II capital (₹ in thousands)	11,658,782	9,460,844
Total capital	56,184,562	47,959,157
Risk weighted assets	424,215,463	342,672,768
Capital ratios		
Tier I capital (%)	10.49%	11.23%
Tier II capital (%)	2.75%	2.77%
Total capital (%)	13.24%	14.00%
Percentage of shareholding of the Government of India	-	-
Amount of Innovative Perpetual Debt Instrument (₹ in thousands)	1,206,843	1,296,446
Amount of subordinated debt outstanding as Tier II capital (₹ in thousands)	9,715,307	7,549,510

18.14.2 Business ratios and other information are set out below:

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Interest Income as a percentage to working funds \$	9.98%	9.24%
Non-interest income as a percentage to working funds	1.49%	1.60%
Operating profit as a percentage to working funds \$	2.04%	1.84%
Return on assets @	1.26%	1.09%
Business (Deposits plus advances) per employee # (₹ in thousands)	64,433	55,977
Profit per employee # (₹ in thousands)	628	456

\$ Working funds are reckoned as average of total assets as reported to RBI in Form X.

@ Return on assets is with reference to average working funds as reported to RBI in Form X.

Productivity ratios are based on year-end employee numbers.

18.14.3 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

Particulars	As at 31 March 2013	As at 31 March 2012
Earnings for the year (₹ in thousands)	6,129,576	4,563,040
Basic weighted average number of shares (Nos)	151,884,592	143,275,876
Basic EPS (₹)	40.36	31.85
Dilutive effect of stock options (Nos)	4,122,079	1,395,734
Diluted weighted average number of shares (Nos)	156,006,671	144,671,610
Diluted EPS (₹)	39.29	31.54
Nominal value of shares (₹)	10.00	10.00

NOTES TO ACCOUNTS

18.15 Segmental Reporting:

Segment Results for the year ended 31 March 2013

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2013	Year ended 31 March 2013	Year ended 31 March 2013	Year ended 31 March 2013	Year ended 31 March 2013
Result	1,779,049	4,781,479	2,453,887	-	9,014,415
Unallocated expenses					-
Operating Profit					9,014,415
Taxes					2,884,839
Extraordinary profit/loss					-
Net Profit					6,129,576
Other Information	As at 31 March 2013	As at 31 March 2013	As at 31 March 2013	As at 31 March 2013	As at 31 March 2013
Segment Assets	189,956,891	211,678,500	141,071,199	-	542,706,590
Unallocated Assets					5,657,848
Total Assets					548,364,438
Segment Liabilities	57,068,023	168,913,390	245,857,265	-	471,838,678
Unallocated Liabilities					30,257,765
Capital and Reserve & Surpluses					46,267,995
Total Liabilities					548,364,438

Information is collected as per the MIS available for internal reporting purposes. The methodology adopted in compiling and reporting the segmental information on the above basis has been relied upon by the auditors.

Segment Results for the year ended 31 March 2012

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012
Result	1,044,033	2,973,570	2,524,092	-	6,541,695
Unallocated expenses					-
Operating Profit					6,541,695
Taxes					1,978,655
Extraordinary profit/loss					-
Net Profit					4,563,040
Other Information	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012
Segment Assets	164,183,823	177,687,993	122,461,282	-	464,333,098
Unallocated Assets					5,504,444
Total Assets					469,837,542
Segment Liabilities	52,461,546	138,139,692	215,175,082	-	405,776,320
Unallocated Liabilities					24,263,286
Capital and Reserve & Surpluses					39,797,936
Total Liabilities					469,837,542

Information is collected as per the MIS available for internal reporting purposes. The methodology adopted in compiling and reporting the segmental information on the above basis has been relied upon by the auditors.

18.16 Other Disclosures

18.16.1 Customer complaints and awards passed by Banking Ombudsman

1. Customer complaints:

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
No. of complaints pending at the beginning of the year	139	44
No. of complaints received during the year	35,240	20,977
No. of complaints redressed during the year	34,970	20,882
No. of complaints pending at the end of the year	409	139

The above details are as certified by the management.

2. Awards passed by Banking Ombudsman:

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
No. of unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by Banking Ombudsman during the year	2	-
No. of Awards implemented during the year	1	-
No. of unimplemented Awards at the end of the year	1	-

The above details are as certified by the management.

18.16.2 The Bank on 3 April 2013 received a communication from a governmental agency alleging conversion of cheques totaling to ₹ 242,400 thousands into a customer account over the last three years. The Bank has initiated an internal enquiry into the alleged matter, which is pending. However, so far there is no claim on the Bank in this regard.

18.16.3 Penalties levied by RBI on the Bank

During the year 2012-13 RBI imposed an aggregate penalty of ₹ 5,500 thousands vide its letter DBS.CO.Pvt.SBMD.No. 4527/15.01.077/2012-13 dated 9 October 2012 for inadequate adherence to guidelines issued by RBI in respect of KYC norms. The Bank paid the penalty on 16 October 2012.

During the year 2011-12, RBI imposed an aggregate penalty of ₹ 1,000 thousands vide its letter DBS.CO. FBMD.14714/ 17.04.009 / 2010.11 dated 26 April 2011 for non adherence to directions / guidelines issued by RBI while carrying out derivative transactions during 2006-07 and 2007- 08. The Bank paid the penalty on 3 May 2011.

18.16.4 Maturity profile of assets and liabilities

Maturity profile of assets and liabilities as at 31 March 2013 is set out below:

(₹ in thousands)

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	5,236,771	26,074,560	23,562,234	35,226,750	90,627,386	50,440,913	60,647,881	58,182,054	39,379,309	23,962,100	413,339,958
Advances	7,900,261	22,726,485	20,738,133	27,519,570	33,223,217	31,102,390	46,371,553	52,710,669	28,050,944	47,377,048	317,720,270
Investments	6,371,922	28,878,946	5,519,602	11,034,856	28,465,160	13,357,205	21,004,661	28,685,158	21,836,579	17,628,175	182,782,264
Borrowings	8,095	2,106,127	40,780	4,328,013	16,019,775	15,025,490	3,687,577	6,928,783	6,961,792	10,006,150	65,112,582
Foreign Currency assets	858,185	2,490,452	773,177	2,741,552	8,328,118	5,213,281	43,620	-	130,284	-	20,578,669
Foreign Currency liabilities	42,850	2,485,054	122,700	4,205,857	13,037,987	9,334,338	4,090,690	951,018	375,859	4,987,058	39,633,411

Classification of assets and liabilities under the different maturity buckets are compiled by management on the same estimates and assumptions as used by the Bank for compiling the return (DSB 8 and 9) submitted to the RBI.

NOTES TO ACCOUNTS

Maturity profile of assets and liabilities as at 31 March 2012 is set out below:

(₹ in thousands)

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	4,276,702	15,897,672	26,186,434	32,399,385	78,784,519	37,129,696	51,992,993	43,514,045	39,855,868	21,916,874	351,954,188
Advances	4,586,970	20,375,381	13,424,907	25,401,477	37,233,218	25,874,082	49,244,889	47,053,154	22,147,783	41,872,104	287,213,965
Investments	6,319,330	3,232,736	6,324,811	7,782,395	22,353,761	8,574,027	18,774,041	17,838,295	21,606,113	14,349,488	127,154,997
Borrowings	24,686	4,075,367	-	-	7,153,371	17,611,543	12,636,608	6,057,353	2,100,000	7,305,956	56,964,884
Foreign Currency assets	829,984	4,343,370	421,143	1,259,938	6,133,063	3,699,042	24,872	-	122,100	67,118	16,900,630
Foreign Currency liabilities	70,057	214,549	187,117	30,424	7,393,068	7,970,304	7,957,265	2,164,353	552,656	5,423,576	31,963,369

Classification of assets and liabilities under the different maturity buckets are compiled by management on the same estimates and assumptions as used by the Bank for compiling the return (DSB 8 and 9) submitted to the RBI.

18.16.5 Letters of comforts issued by the Bank

The Bank has 886 (Previous year: 641) letter of comforts/ undertaking issued and outstanding as on 31 March 2013 amounting to ₹ 19,395,750 thousands (Previous year: ₹ 17,652,630 thousands).

18.16.6 Draw down from Reserves

The Bank has utilized ₹ NIL (Previous year ₹ 73,339 thousands) from the securities premium account for meeting direct expenses relating to the QIP issue in 2011-12, as per the RBI mail box clarification dated 9 October 2007.

18.16.7 Fees/remuneration received from Bancassurance business:

(₹ in thousands)

Sr. No.	Nature of Income	Year ended 31 March 2013	Year ended 31 March 2012
1	For selling life insurance policies	415,266	741,837
2	For selling non life insurance policies	39,743	28,009
3	For selling mutual fund products	282,225	288,410
4	Others	140	31,416
	TOTAL	737,374	1,089,672

18.16.8 Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October 2006 certain disclosures are required to be made relating to micro, small and medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

18.16.9 Disclosures on Remuneration

Qualitative Disclosures

Information relating to the composition and mandate of the Remuneration Committee:

Remuneration Committee includes members of the Board of Directors of the Bank of whom at least one member is from Risk Management and Review Committee of the Board. The majority of members of the Committee are independent non-executive directors. The Chairman of such meeting is an Independent Director to comply with the non mandatory requirement of Clause 49 Annexure I D (2) of the Listing Agreement.

Mandate of the Remuneration Committee (RC):

- a) to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the board,
- b) to work in close coordination with Risk Management and Review Committee of the Bank, in order to achieve effective alignment between remuneration and risks.
- c) to determine/review the Bank's policy on specific remuneration packages for the Whole time Directors/CEO/Other Risk takers and Control function staff whose professional activities have a material impact on the Bank's risk profile.
- d) to ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio
- e) to undertake overall supervision and administration of the compensation structure and policies with a view to attract and retain the right talent.

Key features and objectives of Remuneration policy:

All Remuneration can be divided into either Fixed Remuneration which would mean and include all payments like basic pay, perquisites, allowances or benefits without consideration of any performance criteria and Variable Remuneration which would include all additional awards, payments or benefits depending on performance or, in certain cases other contractual criteria, whether discretionary or non discretionary.

Objectives of the Remuneration Policy:

- Performance management and remuneration is aligned with the business strategy, company values and risk appetite of the Bank with a focus on the long term interests of the Bank as a whole and its customers in order to ensure a strong risk alignment as well as protection of a sound capital base
- Align employee compensation to market benchmarks to support sustainable attraction, motivation and retention of staff
- Balance of fixed and variable remuneration
- Build long term stakes through long term incentive plans like ESOP.

Features of the Remuneration Policy:

The remuneration is adjusted for all types of risk that is measured through the Company Performance Matrix (CPM) at an organization level and the performance rating at the individual level. The methodologies for adjusting remuneration to risk and performance are consistent with general risk management and corporate governance framework.

- Individual ratings are arrived basis actual performance against goals set at the beginning of the financial year. The goals are set on dimensions like financial, process & control (includes parameters like NPA, audit rating), customer and people
- Fixed pay is reasonable and aligned to market/industry benchmarks and individual ratings
- Payouts under the variable pay plan are determined based on the Company Performance Matrix (CPM) and individual performance ratings as determined by the performance management guidelines on an annual basis.
- The drivers of the CPM are approved by the Remuneration Committee and may be subject to changes based on the priorities of the organization from time to time. Presently it includes business parameters, productivity and internal standards of control, which measures organization wide risks & control parameters. Variable pay is paid out as a percentage of the fixed compensation.
- The minimum gate condition for payout of variable pay on the basis of company performance is approved by the Remuneration Committee annually after consideration of factors like business/market conditions.
- ESOP does not form part of the variable remuneration and are selectively granted to attract and retain employees. The grants are based on the grade of employee, criticality of position and performance track of the employee.
- The Malus arrangement will be applied post disbursement of the variable pay from the financial year 2013-14, where the unpaid deferred variable remuneration is held back in the event where the capital adequacy is insufficient/ on account of misbehavior or where the business line has suffered a loss on account of significant failure of risk management.

Whole time directors/ CEO & Other Risk Takers:

- In respect to the above, the policy provides for reasonable increase in fixed compensation in line with industry practice and market benchmarks. The increments are linked to individual rating.
- Variable pay is in the form of cash at present. The individual variable pay will not exceed 70% of the fixed pay in a year . Variable payouts are subject to Deferral Scheme, where it exceeds threshold limits ie 50% or more of Fixed Pay then 40 % of the variable pay will be deferred in cash over a three year period in equal proportion.
- The policy does not provide for guaranteed bonus or sign on bonus in cash. The guaranteed bonus for the level of CEO / Whole Time Directors will be in the form of ESOPs only and restricted to the first year of employment.
- Severance pay will not be granted to any staff, except to extent any severance payments need to be paid under applicable law. Terminal benefits in the form of pension, provident fund and gratuity are in line with policies and as per the statutory norms.
- In the specific case of the Whole time Directors and MD &CEO, the Bank has the right to claw back any whole/portion of the paid and vested variable remuneration in the event of performance of acts which are considered malfeasance or fraud or specific conduct which has led to the material re-statement of the Bank's annual accounts and/or significant (reputational) harm to the Bank or any of its subsidiaries or affiliates

Control Function Staff:

For staff belonging to Control Functions (defined as employees in Risk, Compliance, Finance and Audit function who by virtue of their role have the ability to substantially alter and /or influence the risk impact for the Bank) the management of ING Vysya adopts the following general principles of remuneration:

- the level of fixed remuneration of the Control functions is sufficiently high to ensure qualified and experienced staff can be employed;
- the ratio of fixed remuneration to variable remuneration is weighted in favour of fixed remuneration.
- the variable remuneration is predominantly based on function-specific objectives that include qualitative criteria, but is not based on the financial performance of the business level directly monitored by the Control functions; and
- at least 50% of the function specific objectives should be met in order to be considered eligible for variable remuneration.

Quantitative Disclosures**

(₹ in thousands)

		Year ended 31 March 2013
a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members. Number of Meetings held Remuneration paid to members (Sitting Fee of Rs. 20000 per meeting for each independent director only)	4 120
b)	i. Number of employees having received a variable remuneration award during the financial year.	5
	ii. Number and total amount of sign-on awards made during the financial year.	Nil
	iii. Details of guaranteed bonus, if any, paid as joining / sign on bonus.	Nil
	iv. Details of severance pay, in addition to accrued benefits, if any.	Nil
c)	i. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil
	ii. Total amount of deferred remuneration paid out in the financial year	Nil
d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non- deferred.	Fixed - ₹ 48,521 Variable - ₹ 29,056 (Non- deferred)
e)	i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil
	ii. Total amount of reductions during the financial year due to ex-post explicit adjustments.	Nil
	iii. Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil

** The Quantitative disclosures only cover whole time Directors/Chief Executive Officer/Other Risk takers.

NOTES TO ACCOUNTS

The remuneration policy as detailed above under qualitative disclosures will be effective from 2012-13. The quantitative disclosures on remuneration as detailed above pertain to the payments made in 2012 -13 for the year 2011-12. Payments in the year 2013-14 for the year 2012-13 would be in line with the new policy guidelines as detailed above.

18.16.10 Previous year's figures

Previous year's figures have been regrouped / reclassified, where necessary, to conform to current year's presentation.

Signatures to Schedules 1 to 18

Arun Thiagarajan
Chairman

Shailendra Bhandari
Managing Director

Sanjeev Aga
Director

Vaughn Richtor
Director

Place : Mumbai

Date : 29 April 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in thousands)

PARTICULARS	31 March 2013	31 March 2012
A) Cash Flow from Operating Activities		
Net Profit before Tax and Extraordinary Items	9,014,416	6,541,695
Adjustments for :		
Depreciation charges	530,150	518,530
Employee compensation expense (ESOS)	(473)	(565)
Provision/write off of Advances	843,100	807,382
(Profit)/Loss on revaluation of investment	394,032	548,958
Provision for Standard Assets	37,300	289,100
Other Provisions	(55,055)	37,641
Lease Adjustment Account	(20,455)	(20,455)
(Profit)/Loss on Sale of Assets (net)	1,347	(8,239)
Dividend received from subsidiary	(2,211)	(2,211)
	10,742,151	8,711,836
	10,742,151	8,711,836
Adjustments for :		
Decrease / (Increase) in Advances	(31,349,406)	(52,152,741)
Decrease / (Increase) in Other assets	3,923,723	(4,353,257)
Decrease/ (Increase) in Investments	(56,021,300)	(17,121,232)
Increase / (Decrease) in Deposits	61,385,770	50,011,695
Increase / (Decrease) in Other liabilities	2,347,294	200,304
Less: Direct Taxes Paid	(3,184,776)	(2,502,481)
Net Cash flow used in Operating Activities	(12,156,544)	(17,205,876)
B) Cash Flow from Investing Activities		
Purchase of Fixed assets / leased assets	(517,200)	(496,998)
Sale of Fixed assets/ Leased assets	11,432	19,662
Dividend received from subsidiary	2,211	2,211
Net Cash flow used in Investing Activities	(503,557)	(475,125)
C) Cash Flow from Financing Activities		
Proceeds from issue of shares	47,296	291,371
Share premium collected	1,290,195	9,505,181
Dividend Paid	(796,031)	(519,962)
Increase/(Decrease) in Borrowings	8,147,698	15,495,771
Net Cash Flow from Financing Activities	8,689,158	24,772,361
Net Increase/ (Decrease) in Cash and Cash Equivalents	(3,970,943)	7,091,360
Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)	32,305,603	25,214,243
Cash and Cash equivalents as at the end of the year (Including Money at Call and Short Notice) (Refer Schedule 6 & 7)	28,334,660	32,305,603

As per our report of even date

For B S R & Co.
Firm Registration No. 101248W
Chartered Accountants

Zubin Shekary
Partner
Membership No: 048814

Place : Mumbai
Date : 29 April 2013

For and on behalf of the Board

Arun Thiagarajan
Chairman

Sanjeev Aga
Director

Place : Mumbai
Date : 29 April 2013

Shailendra Bhandari
Managing Director

Vaughn Richtor
Director

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1	Name of the Subsidiary Company	ING Vysya Financial Services Limited
2	Financial year of the Subsidiary company ended on	31 March 2013
3	Number of Equity Shares held by ING Vysya Bank Ltd. and/or its nominees in the subsidiary as on 31 March 2013	88,45,100 equity shares of ₹ 2.50 each fully paid up
4	Extent of interest of ING Vysya Bank Ltd. in the Capital of the Subsidiary	100%
5	Net Aggregate amount of profits / (Losses) of the Subsidiary so far as it concerns Members of the ING Vysya Bank Limited and is not dealt with in the Accounts of ING Vysya Bank Limited	
	a) for the financial year ended on 31 March 2013	₹ 43.90 lakhs
	b) for the previous financial years of the subsidiary since it became a subsidiary	₹ 606.97 lakhs
6	Net Aggregate amount of profits/(losses) of the Subsidiary so far as it concerns Members of the ING Vysya Bank Limited dealt with or provided for in the Accounts of ING Vysya Bank Limited	
	a) for the financial year ended on 31 March 2013	₹ 33.17 lakhs
	b) for the previous financial years of the Subsidiary since it became a Subsidiary	₹ 1,361.71 lakhs
7	Changes in interest of ING Vysya Bank Limited in the Subsidiary between the end of the Financial Year of the subsidiary and that of ING Vysya Bank Limited	Not applicable

For and on behalf of the Board

Arun Thiagarajan
Chairman

Shailendra Bhandari
Managing Director

Sanjeev Aga
Director

Vaughn Richtor
Director

Place : Mumbai
Date : 29 April 2013

BOARD OF DIRECTORS

Ashok Rao B
Managing Director and Chief Executive Officer

M V S Appa Rao
Director (up to Apr 22, 2013)

Uday Sareen
Director (up to December 31, 2012)

Meenakshi A
Director

Brett Morgan
Director (from February 13, 2013)

Mahesh Dayani
Director (from April 22, 2013)

Mayank Verma
Company Secretary (up to July 27, 2012)

Ellroy Furtado
Company Secretary (from July 28, 2012)

Statutory Auditors
M/s. B S R & Co.
Chartered Accountants,
Maruthi Info – Tech Centre,
11-12/1 Inner Ring Road,
Koramangala, Bangalore - 560 071

Bankers
ING Vysya Bank Limited
Infantry Road,
Bangalore

ING Vysya Financial Services Limited

Registered Office:
“ING Vysya House”
No. 22, M. G. Road,
Bangalore – 560 001

Registrars & Share Transfer (R&T) Agents

Karvy Computershare Private Limited
Unit : ING Vysya Financial Services Limited
17-24, Vittal Rao Nagar, Madhapur,
Hyderabad – 500 081
Ph : 040-4465 5000

DIRECTORS' REPORT

To

The Shareholders

The Board of Directors have pleasure in presenting the Twenty Sixth Annual Report of your Company together with the audited Statement of Accounts for the year ended March 31, 2013 and Auditors' Report thereon.

PERFORMANCE

Financial results of your Company for the year ended March 31, 2013 are as under:

(₹ in Lakh)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
GROSS INCOME	1457.68	2343.92
Administrative Expenses	1394.14	2297.99
Depreciation	-	0.01
OPERATING PROFIT (Profit before tax)	63.54	45.93
PROVISION FOR TAX	19.03	14.26
Deferred Tax Charge / (Credit)	0.60	3.59
PROFIT AFTER TAX	43.90	28.08

During the year under report, your company recorded a total income of ₹ 1457.68 Lakh as against ₹ 2343.92 Lakh in the previous year. The company has posted Net Profit of ₹ 43.90 Lakh after providing ₹ NIL for depreciation and ₹ 19.63 Lakh for taxation.

DIVIDEND

The Board of Directors are pleased to recommend dividend at the rate of 15% i.e. ₹ 0.375 per equity share of ₹ 2.50 on all the fully paid-up equity shares of the Company to the Shareholders for their approval at the ensuing Annual General Meeting. The outflow on account of the proposed dividend, including the dividend tax, would be ₹ 38.55 lakhs.

PERSONNEL

There are no employees whose particulars are required to be furnished under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

HUMAN RESOURCE

During the year Induction programme was introduced for the sales teams. Employees were trained on Compliance, Product

features and basics of selling skills. Rewards and recognition events were organized for performing employees.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The operations of the Company do not involve any manufacturing or processing activities. Hence, the requirement to disclose the particulars as per the Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption is not applicable to the company.

FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no foreign exchange earnings or outflow during the year under report.

DIRECTORS

- The Board of Directors at its meeting held on April 22, 2013 re-appointed Mr. Ashok Rao B as the Managing Director & Chief Executive Officer of the Company, without remuneration, for a period of one year effective April 30, 2013. A proposal to re-appoint Mr. Ashok Rao B as Managing Director & CEO, is being placed before the shareholders at the ensuing AGM.
- Ms. Meenakshi A, Director retires by rotation and is eligible for re-appointment.

During the year, the composition of the Board of Directors of the Company was changed with Mr. Uday Sareen resigning as Director effective December 31, 2012 and Mr. Brett Morgan being appointed as Additional Director to hold office until the ensuing Annual General Meeting. Mr. M V S Appa Rao resigned as Director effective conclusion of the meeting of the Board on April 22, 2013 and Mr. Mahesh Dayani was appointed as Additional Director to hold office until the ensuing Annual General Meeting. As on date, the composition of the Board of Directors of the Company is as follows:

Managing Director & Chief Executive Officer

Mr. Ashok Rao B

Non-Executive Directors

Ms. Meenakshi A
Mr. Brett Morgan
Mr. Mahesh Dayani

During the year 2012-13, four Board Meetings were held. The dates of the Board meetings held were: April 22, 2012, July 18, 2012, October 16, 2012 and January 24, 2013.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956, the Directors hereby state that –

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) they had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year March 31, 2013 and of the profit of the Company for the year under review;
- (iii) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they had prepared the accounts for the financial year ended March 31, 2013 on a going concern basis.

AUDITORS

M/s. B S R & Co, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment

Subject to the approval of the shareholders, it is proposed to appoint M/s. BSR & Co, Chartered Accountants as Statutory Auditors of the Company for the financial year 2013–14, for the third consecutive year. Shareholders are requested to appoint the said auditors and authorize the Board of Directors to fix their remuneration.

REGISTRARS AND SHARE TRANSFER (R&T) AGENTS

Karvy Computer Share Private Limited continues to be the Registrar and Share Transfer Agents for the shares of the company.

OUTLOOK

The main object of the Company is to carry on business of non-fund/ fee based activities of marketing and distribution of various financial products/ services of IVBL/ other companies, apart from recovery of the old lease rentals due to the Company. The Wealth Management Services of the Company were transferred to its holding Company, ING Vysya Bank Limited, from April, 2007. Further, your Company continues to provide the services to the parent company, ING Vysya Bank Limited, as may be required from time to time on a non-exclusive contract basis.

ACKNOWLEDGEMENT

Your Directors thank all the customers, advisors, auditors and advocates for their continued valuable support.

Your Directors place on record their appreciation of the devotion and contribution of the employees at all levels.

Your Directors place on record their gratitude for the overall support extended by the parent company, ING Vysya Bank Limited.

For and on behalf of the Board

Ashok Rao B
Managing Director &
Chief Executive Officer

Meenakshi A
Director

Place : Bangalore
Date : April 22, 2013

To

**The Members of
ING Vysya Financial Services Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of ING Vysya Financial Services Limited ('the Company'), which comprise the balance sheet as at 31 March 2013, the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the balance sheet, statement of profit and loss, and cash flow statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - e. on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For B S R & Co.

Chartered Accountants

Firm registration number: 101248W

Zubin Shekary

Partner

Membership No. 048814

Place : Bangalore

Date : 22 April 2013

Annexure to the Auditor's report

Annexure referred to in the Auditors' report to the members of ING Vysya Financial Services Limited ('the Company') for the year ended 31 March 2013. We report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No fixed assets have been disposed-of during the year.
- ii. The Company is a service company primarily rendering non-fund / fee based activities of marketing and distribution of various financial products / services. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act').
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventories and sale of goods. We have not observed any major weakness in the internal control system during the course of audit.
- v. In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- vi. The Company has not accepted any deposits from the public.
- vii. The Company has an internal audit system commensurate with the size and nature of its business.
- viii. The Central government has not prescribed maintenance of cost records under section 209(1) (d) of the Act for the services rendered by the Company.
- ix. (a) According to the information and explanations given to us and on the basis of examination of records of

the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including, Provident Fund, Employees' State Insurance, Income-tax, Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales-tax, Wealth tax, Custom duty, Excise Duty and Investor Education and Protection Fund during the year.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employee State Insurance, Income-tax, Sales -Tax and other material statutory dues were in arrears as at 31 March 2013 for a period of more than 6 months from the date they become payable.

- (b) According to the information and explanations given to us, the following dues of Service tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Non-payment of service tax under Business Ancillary Services	2,333,991	2003-04	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Non-payment of service tax under Business Ancillary Services	1,702,793	2004-05	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Irregular availment of CENVAT credit of service tax	144,391	2006-07	Commissioner (Appeal)
Finance Act, 1994	Irregular availment of CENVAT credit of service tax	94,602	2007-08	Commissioner (Appeal)
Finance Act, 1994	Irregular availment of CENVAT credit of service tax	91,560	2007-08	Commissioner (Appeal)
Finance Act, 1994	Irregular availment of CENVAT credit of service tax	38,358	2008-09	Commissioner (Appeal)
Finance Act, 1994	Irregular availment of CENVAT credit of service tax	23,174	2009-10	Commissioner (Appeal)

INDEPENDENT AUDITORS' REPORT

- x. The Company does not have any accumulated losses at the end of the financial year . The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company did not have any term loans outstanding during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to companies /firms /parties covered in the register required to be maintained under Section 301 of the Act.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of the audit.

For B S R & Co.
Chartered Accountants
Firm's registration number: 101248 W

Bangalore
22 April 2013

Zubin Shekary
Partner
Membership number: 048814

BALANCE SHEET AS AT 31 MARCH 2013

		(Amount in ₹)	
	Note	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share capital	3.1	22,112,750	22,112,750
Reserves and surplus	3.2	61,232,587	60,697,147
		83,345,337	82,809,897
NON CURRENT LIABILITIES			
Long-term provisions	3.3	810,137	588,733
		810,137	588,733
CURRENT LIABILITIES			
Trade payables	3.4	839,637	1,805,180
Other current liabilities	3.5	7,526,137	7,921,040
Short-term provisions	3.6	4,397,186	3,170,904
		12,762,960	12,897,124
TOTAL		96,918,434	96,295,754
ASSETS			
NON CURRENT ASSETS			
Fixed assets	3.7		
Tangible assets			-
Intangible assets			-
Deferred tax asset	3.8	1,045,428	1,105,407
Long-term loans and advances	3.9	25,068,616	26,208,106
		26,114,044	27,313,513
CURRENT ASSETS			
Trade receivables	3.10	21,022,254	20,761,895
Cash and bank balance	3.11	47,480,972	45,727,851
Other current assets	3.12	2,301,164	2,492,495
		70,804,390	68,982,241
TOTAL		96,918,434	96,295,754
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

Zubin Shekary
Partner
Membership No: 048814

Place : Bangalore
Date : 22 April 2013

For ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Meenakshi A
Director

Elroy Furtado
Company Secretary

Place : Bangalore
Date : 22 April 2013

STATEMENT OF PROFIT AND LOSS

(Amount in ₹)			
	Note	For the year ended 31 March 2013	For the year ended 31 March 2012
Revenue from operations	3.13	141,474,322	231,219,092
Other income	3.14	4,293,488	3,173,199
Total revenue		145,767,810	234,392,291
EXPENSES			
Employee benefit expenses	3.15	136,730,721	222,579,230
Depreciation and amortization expense	3.7	-	628
Other expenses	3.16	2,683,343	7,219,180
Total expenses		139,414,064	229,799,038
Profit before tax		6,353,746	4,593,253
Tax expense:			
- Current tax		1,903,328	1,426,141
- Deferred tax		59,979	358,971
Profit for the year		4,390,439	2,808,141
Earning per equity share:			
Equity shares of par value of ₹ 2.50 each			
Basic		0.50	0.32
Diluted		0.50	0.32
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

Zubin Shekary
Partner
Membership No: 048814

Place : Bangalore
Date : 22 April 2013

For ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Meenakshi A
Director

Ellroy Furtado
Company Secretary

Place : Bangalore
Date : 22 April 2013

CASH FLOW STATEMENT

		(Amount in ₹)	
		For the year ended 31 March 2013	For the year ended 31 March 2012
Cash flow from operating activities			
Profit before tax		6,353,746	4,593,253
Adjustments:			
Depreciation		-	628
Interest income		(4,293,488)	(3,173,199)
Operating profit before working capital changes		2,060,258	1,420,682
Adjustments for :			
Long term loans and advances		21,869	21,720
Other current assets		1,842,400	304,558
Trade receivables		(260,359)	26,798,436
Trade payables		(965,543)	(4,078,111)
Other current liabilities and short term provisions		(232,217)	(3,948,389)
Cash generated from operations		2,466,408	20,518,896
Add: Net Income tax refund / (paid)		(785,707)	(4,418,935)
Net cash flow used in operating activities	a	1,680,701	16,099,961
Cash flow from investing activities			
Interest received		2,642,420	1,562,446
Net cash flow from investing activities	b	2,642,420	1,562,446
Cash flow from financing activities			
Dividend paid to shareholders		(2,211,275)	(2,211,275)
Tax on dividend paid		(358,724)	(358,724)
Net cash flow used in financing activities	c	(2,569,999)	(2,569,999)
Net increase/ (decrease) in cash and cash equivalents	a+b+c	1,753,121	15,092,408
Cash and bank balance as at the beginning of the year		45,727,851	30,635,443
Cash and bank balance as at the end of the year (Refer note 3.11)		47,480,972	45,727,851

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

Zubin Shekary
Partner
Membership No: 048814

Place : Bangalore
Date : 22 April 2013

For ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Elroy Furtado
Company Secretary

Place : Bangalore
Date : 22 April 2013

Meenakshi A
Director

1. Company overview

ING Vysya Financial Services Limited ('the Company') is a 100% subsidiary of ING Vysya Bank Limited ('the Bank'). The Company was incorporated on 4 February 1987 as a public limited company under the Companies Act, 1956 ('the Act') in the name of 'The Vysya Bank Leasing Limited'. In 2002, consequent to discontinuance of leasing business, the Company changed its name to 'Vysya Bank Financial Services Limited' with the object of carrying on business as brokers and agents for marketing and distribution of insurance products and mutual fund units on commission basis. Further in the year 2003, the Company changed its name to 'ING Vysya Financial Services Limited'. At present, the Company is engaged in the business of non-fund / fee based activities of marketing and distribution of various financial products / services of the Bank. The registered office of the Company is situated at Bangalore, Karnataka. The operations of the Company are primarily carried out at Bangalore.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

2.1 Basis of preparation of financial statements

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, the relevant provisions of the Companies Act, 1956 as other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest rupee.

2.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, incomes and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

2.3 Current – non – current classification

All assets and liabilities are classified into current and non-current

Assets

An asset is classified as current when it satisfies any of the following criteria:

- It is expected to be realized in, or is intended for sale or consumption in, the company's normal operation cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realized within 12 months after the reporting date; or
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- It is expected to be settled in the company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is due to be settled within 12 months after the reporting date; or
- The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

2.4 Fixed assets

Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and

any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Depreciation is provided on the straight-line method, except in the case of vehicles where the written down value method is used, over the estimated useful life of each asset as determined by the management. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation on computers and vehicles has been provided at the following rates which are higher than the corresponding rates prescribed in Schedule XIV:

Asset category	Rates (SLM)
Office Equipment	20%
Computers & Software	33.33%

Depreciation is provided on a pro-rata basis i.e. from the date on which asset is ready for use.

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognized in the statement of profit and loss.

2.5 Impairment

The Company assesses, at each balance sheet date, whether there is any indication that an asset may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying

amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined if no impairment loss had been recognised.

2.6 Revenue recognition

Income received on outsourcing services is recognized based on contractual terms and rates on an accrual basis.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

2.7 Income taxes

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The Company offsets, on a year on year basis, current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

2.8 Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share, issued by the Institute of Chartered Accountants of India. Basic earnings per share is calculated by dividing the net profit or

loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year . Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year , except where the results are anti-dilutive.

2.9 Employee benefits

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The company makes specified monthly contributions towards employee provident fund to government administered provident fund scheme which is a defined contribution plan. The company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit plans

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation of the Company's obligation is performed annually by a qualified actuary using the projected unit credit method.

The company recognises all actuarial gains and losses arising from defined benefit plans immediately in the statement of profit and loss. All expenses related to defined benefit plans are recognised in employee benefits expense in the statement of profit and loss. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in statement of profit and loss on a straight-line basis over the average period until the benefits become vested.

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Compensated Absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since compensated absence do not fall due wholly within twelve months after the end of period in which the employees render the related service and also are not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified a long – term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

2.10 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.11 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

3.1 Share capital

Particulars	(Amount in ₹)	
	As at 31 March 2013	As at 31 March 2012
Authorised capital		
40,000,000 (Previous year: 40,000,000) equity shares of ₹ 2.50 each	100,000,000	100,000,000
Issued, subscribed and paid-up capital		
8,845,100 (Previous year: 8,845,100) equity shares of ₹ 2.50 each	22,112,750	22,112,750
	22,112,750	22,112,750

Rights, preferences and restrictions attached to equity shares:

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The voting rights of equity shareholders are in proportion to their share in the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. Failure to pay any amount called up on shares may lead to forfeiture of the shares. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company in proportion to the number of equity shares held after distribution of all preferential amounts. However, no such preferential amounts exist currently.

The reconciliation of the number of shares outstanding as at 31 March 2013 is set out below:

Particulars	As at 31 March 2013	As at 31 March 2012
At beginning of the period	8,845,100	8,845,100
Issued during the period	-	-
At the end of the period	8,845,100	8,845,100

Particulars	As at 31 March 2013		As at 31 March 2012	
	No of Shares	% of Holding	No of Shares	% of Holding
All the above shares are held by the holding company, ING Vysya Bank Limited and its nominees	8,845,100	100%	8,845,100	100%

3.2 Reserves and surplus

Particulars	(Amount in ₹)	
	As at 31 March 2013	As at 31 March 2012
General reserve		
Opening balance	23,928,718	23,858,514
Add: Transfer from surplus	219,522	70,204
Closing balance	24,148,240	23,928,718
Surplus		
Opening balance	36,768,429	36,600,491
Add:- Net profit for the year	4,390,439	2,808,141
Less:- Appropriations		
a) Proposed dividend	3,316,913	2,211,275
b) Tax on proposed dividend	538,086	358,724
c) Transfer to reserves	219,522	70,204
Balance carried to balance sheet	37,084,347	36,768,429
	61,232,587	60,697,147

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

3.3 Long term provisions

Particulars	(Amount in ₹)	
	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits:		
Leave encashment	131,284	195,740
Gratuity	678,853	392,993
	810,137	588,733

3.4 Trade payables

Particulars	(Amount in ₹)	
	As at 31 March 2013	As at 31 March 2012
Due to micro, small and medium enterprise*	-	-
Provision for expenses	839,637	1,805,180
	839,637	1,805,180

* Refer Note 3.20

3.5 Other current liabilities

Particulars	(Amount in ₹)	
	As at 31 March 2013	As at 31 March 2012
Other payables		
- Salary payable	4,661,331	4,407,656
Other liabilities		
- Contingency deposit	900,681	900,681
- Audit fees payable	314,985	300,000
- Others	46,772	248,197
- Statutory liabilities	1,602,368	2,064,506
	7,526,137	7,921,040

3.6 Short term provisions

Particulars	(Amount in ₹)	
	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits:		
Leave encashment	178,826	184,539
Gratuity	363,361	416,366
Provision others:		
Provision for dividend	3,316,913	2,211,275
Tax on proposed dividend	538,086	358,724
	4,397,186	3,170,904

3.7 Fixed assets

Particulars	Gross block				Accumulated depreciation and amortisation				Net block	
	As at 1 April 2012	Additions	Deletions	As at 31 March 2013	As at 1 April 2012	For the year	Deductions	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
Tangible assets:										
Computers	882,782	-	-	882,782	882,782	-	-	882,782	-	-
Office equipment	198,156	-	-	198,156	198,156	-	-	198,156	-	-
	1,080,938	-	-	1,080,938	1,080,938	-	-	1,080,938	-	-
Intangible assets:										
Computer software	41,548	-	-	41,548	41,548	-	-	41,548	-	-
	41,548	-	-	41,548	41,548	-	-	41,548	-	-
Total	1,122,486	-	-	1,122,486	1,122,486	-	-	1,122,486	-	-
Previous year	1,122,486	-	-	1,122,486	1,121,858	628	-	1,122,486	-	-

3.8 Deferred tax asset

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Leave encashment	95,824	117,506
Gratuity	322,044	250,092
Depreciation on Fixed assets	627,560	737,809
	<u>1,045,428</u>	<u>1,105,407</u>

3.9 Long term loans and advances

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Unsecured and considered good		
- Security deposits	274,890	274,890
Other loans and advances		
- Loans to employees	115,197	137,066
- Advance income taxes (net of provision for taxes)	24,678,529	25,796,150
	<u>25,068,616</u>	<u>26,208,106</u>

3.10 Trade receivables (Unsecured, considered good)

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Trade receivables outstanding for a period exceeding six months	-	-
Other debts*	21,022,254	20,761,895
	<u>21,022,254</u>	<u>20,761,895</u>

* Represents amount receivable from the holding company ING Vysya Bank Limited.

3.11 Cash and bank balance

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Cash and cash equivalents		
- Balance with banks on current accounts	12,480,972	5,727,851
Bank deposit to mature within 12 months	35,000,000	40,000,000
	<u>47,480,972</u>	<u>45,727,851</u>

3.12 Other current assets

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Interest receivable on bank deposit	2,198,893	1,473,903
Income tax refund receivables	-	577,083
Others	102,271	441,509
	<u>2,301,164</u>	<u>2,492,495</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

3.13 Revenue from operations

	(Amount in ₹)	
Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Outsourcing income	141,474,322	231,219,092
	141,474,322	231,219,092

3.14 Other income

	(Amount in ₹)	
Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Interest income	4,293,488	3,173,199
	4,293,488	3,173,199

3.15 Employee benefit expenses

	(Amount in ₹)	
Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Salaries and bonus	124,429,507	201,399,642
Contribution to provident fund and other funds	11,879,381	20,022,966
Gratuity and compensated absence	376,719	1,085,920
Staff welfare expenses	45,114	70,702
	136,730,721	222,579,230

3.16 Other expenses

	(Amount in ₹)	
Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Professional charges	1,913,751	4,542,262
Auditor's remuneration	330,000	300,000
Insurance	141,262	427,069
Printing and stationery	91,151	206,701
Postage and telegram	63,902	57,492
Telephone	61,365	215,659
Rates and taxes	30,573	40,457
Travelling and conveyance	21,637	533,620
Repairs and maintenance - Others	8,850	8,153
Boarding and lodging charges	3,887	444,780
Training expenses	-	426,286
Interest on tax	-	9,780
Miscellaneous	16,965	6,921
	2,683,343	7,219,180

3.17 Contingent liabilities and commitments

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Income tax demand for which appeals are pending	856,696	856,696
Service tax demand for which appeals are pending	4,428,870	4,428,870
	5,285,566	5,285,566

3.18 Segment Reporting

The Company's sole business segment is 'outsourcing activities' and only geographical segment is 'India'. The Company considers business segment as the primary segment and geographical segment based on location of customers as a secondary segment. Since the Company has a single business segment and a single geographical segment, disclosures pertaining to the primary and secondary segments have not been presented.

3.19 Related party transaction

Names of related parties	Nature of relationship
ING Vysya Bank Ltd.	Holding company

Transactions with the related party

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Revenue from operations	141,474,322	231,219,092
Interest income	3,367,410	1,991,695
Dividend paid	2,211,275	2,211,275

Balances receivable from related party

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
Trade Receivables	21,022,254	20,761,895
Interest accrued on bank deposits	2,198,893	1,473,903

Cash and bank balance with the related party

	(Amount in ₹)	
Particulars	As at 31 March 2013	As at 31 March 2012
In current account	12,338,289	5,404,838
In deposit account	35,000,000	40,000,000

3.20 The Company has no dues to Micro and Small Enterprises based on information received and available with the Company.

3.21 Earnings per share ('EPS')

Reconciliation of the number of shares used in the computation of basic and diluted earnings per share:

Particulars	As at 31 March 2013	As at 31 March 2012
Weighted average number of equity shares outstanding during the year for computation of basic earnings per share	8,845,100	8,845,100
Weighted average number of equity shares outstanding during the year for computation of diluted earnings per share	8,845,100	8,845,100
Basic and Diluted earnings per share of face value ₹ 2.50 each	0.50	0.32

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

3.22 Auditors' remuneration (excluding service taxes)

(Amount in ₹)

Particulars	As at 31 March 2013	As at 31 March 2012
As auditor		
Statutory audit	250,000	250,000
Tax audit	50,000	50,000
Reimbursement of expenses	30,000	-
	330,000	300,000

3.23 Gratuity and leave benefit plans:

The Company has a defined benefit plan for gratuity and leave. Every employee who has completed five years or more of service gets gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. Further, in the case of leave, unutilized leave gets accumulated during the years of service upto 60 days.

The following set out the status of the gratuity plan as required under AS 15 Employee Benefits:

Details of provision for gratuity and leave benefits

(Amount in ₹)

Particulars	Gratuity		Leave	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Present value of obligation	1,042,214	809,359	310,110	380,279
Fair value of plan assets	-	-	-	-
Liabilities (assets)	1,042,214	809,359	310,110	380,279
Unrecognised past service cost	-	-	-	-
Liability (asset) recognized in the balance sheet	1,042,214	809,359	310,110	380,279

Changes in the present value of the defined benefit obligation are as follows:

(Amount in ₹)

Particulars	Gratuity		Leave	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Present value of obligation beginning of the period	809,359	1,042,029	380,279	558,953
Interest cost on benefit obligation	58,856	92,741	31,791	49,747
Current service cost	97,082	54,958	30,386	57,777
Benefits paid	(214,033)	-	-	-
Actuarial (gain) / loss on obligation	290,950	(380,369)	(132,346)	(286,198)
Present value of obligation at end of the period	1,042,214	809,359	310,110	380,279

Net employee benefit expense (recognised in Employee cost)

(Amount in ₹)

Particulars	Gratuity		Leave	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Current service cost	97,082	54,958	30,386	57,777
Interest cost on benefit obligation	58,856	92,741	31,791	49,747
Expected return on plan assets	-	-	-	-
Net actuarial (gain)/ loss recognised in the year	290,950	(380,369)	(132,346)	(286,198)
Net benefit expense	446,888	(232,670)	(70,169)	(178,674)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

3.24 Experience adjustments

(Amount in ₹)

Particulars	Gratuity			Leave		
	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-13	31-Mar-12	31-Mar-11
Experience adjustment	380,708	(456,256)	(92,947)	(129,201)	(265,361)	226,002
Assumption change	(89,758)	75,888	14,650	(3,145)	(20,837)	22,476
Total	290,950	(380,368)	(78,297)	(132,346)	(286,198)	248,478

The details of experience adjustments for earlier years as required by paragraph 120(n)(ii) of AS 15 (Revised) on "Employee Benefits" are provided to the extent available in the valuation reports.

Assumptions for gratuity and leave benefits

Particulars	As at 31 March 2013	As at 31 March 2012
Discount rate per annum		
Gratuity-CTC	8.36%	8.90%
Gratuity-Others	8.38%	8.94%
Leave-CTC	8.36%	8.90%
Expected return on plan assets	N/A	N/A
Mortality	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (1994 -96) (modified) Ultimate
Future salary increases per annum	5%	10%
Disability	Nil	Nil
Attrition per annum		
Gratuity-CTC	31%	19%
Gratuity-Others	97%	75%
Leave-CTC	31%	19%
Retirement	58 years	58 years

3.25 Previous year figure have been regrouped / reclassified to conform to the current year classification.

As per our Report of even date attached.

For B S R & Co.

Chartered Accountants

Firm Registration No.: 101248W

Zubin Shekary

Partner

Membership No: 048814

For ING Vysya Financial Services Limited

Ashok Rao

Managing Director & CEO

Meenakshi A

Director

Ellroy Furtado

Company Secretary

Place : Bangalore

Date : 22 April 2013

Place : Bangalore

Date : 22 April 2013

INDEPENDENT AUDITOR'S REPORT

Auditor's report on the Consolidated Financial Statements of ING Vysya Bank Limited and its Subsidiary

To

The Members of
ING Vysya Bank Limited

Report on the consolidated financial statements

1. We have audited the accompanying consolidated financial statements of ING Vysya Bank Limited ('the Bank') and its subsidiary (collectively known as 'the Group'), which comprise the consolidated Balance Sheet as at 31 March 2013 and the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2. Management is responsible for preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.
4. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. We report that the consolidated financial statements have been prepared in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated financial statements', notified pursuant to the Companies (Accounting Standards) Rules, 2006.
7. Based on our audit and to the best of our information and according to the explanations given to us, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India and guidelines issued by Reserve Bank of India in relation to preparation of consolidated financial statements:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;
 - (b) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

8. We draw attention to Note 18.16 to the consolidated financial statements, which describes deferment of pension liability relating to existing employees of the Bank arising out of the opening of the II Pension Option, to the extent of Rs. 372,004 thousands pursuant

INDEPENDENT AUDITOR'S REPORT

to the exemption granted by the Reserve Bank of India to the Bank from application of the provisions of Revised Accounting Standard (AS) 15, Employee Benefits vide its letter to the Bank dated 8 April 2011 regarding Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

9. The consolidated Balance Sheet, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

For B S R & Co.

Chartered Accountants

Firm's Registration No.: 101248W

Zubin Shekary

Partner

Membership No.: 048814

Mumbai

29 April 2013

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2013

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2013	31 March 2012
CAPITAL AND LIABILITIES			
Capital	1	1,548,535	1,501,238
Employees' Stock Options Outstanding (Net)		8,850	15,865
Reserves and Surplus	2	44,778,673	38,347,255
Deposits	3	413,290,420	351,908,782
Borrowings	4	65,112,581	56,964,884
Other Liabilities and Provisions	5	23,633,140	21,109,575
TOTAL		548,372,199	469,847,599
ASSETS			
Cash and Balances with Reserve Bank of India	6	19,447,202	19,823,682
Balance with Banks and Money at call and short notice	7	8,887,601	12,482,244
Investments	8	182,761,276	127,134,009
Advances	9	317,720,271	287,213,965
Fixed Assets	10	4,998,407	5,010,356
Other Assets	11	14,557,442	18,183,343
TOTAL		548,372,199	469,847,599
Contingent Liabilities	12	1,215,671,585	1,224,053,246
Bills for Collection		64,384,812	53,798,305
Significant Accounting Policies	17		
Notes to Accounts	18		

The schedules referred to above and the notes to accounts form an integral part of the Balance sheet

As per our report of even date

For B S R & Co.

Firm Registration No. 101248W

Chartered Accountants

Zubin Shekary

Partner

Membership No: 048814

For and on behalf of the Board

Arun Thiagarajan

Chairman

Sanjeev Aga

Director

Place : Mumbai

Date : 29 April 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2013	31 March 2012
INCOME			
Interest Earned	13	48,616,696	38,569,256
Other Income	14	7,266,581	6,695,354
TOTAL		55,883,277	45,264,610
EXPENDITURE			
Interest Expended	15	33,226,170	26,482,583
Operating Expenses	16	12,726,102	11,100,661
Provisions and Contingencies		3,799,251	3,117,726
TOTAL		49,751,523	40,700,970
PROFIT/(LOSS)			
Net Profit/(Loss) for the period		6,131,754	4,563,640
Consolidated Net Profit / (Loss) for the year attributable to the Group		6,131,754	4,563,640
Add: Brought forward consolidated profit / (loss) attributable to the Group		7,695,423	5,215,331
TOTAL		13,827,177	9,778,971
APPROPRIATIONS			
Transfer to Statutory Reserve		1,532,394	1,140,760
Transfer to Capital Reserves		16,289	4,174
Transfer to Revenue and Other Reserves		220	70
Transfer to / (from) Investment Reserve		(2,154)	2,154
Transfer to Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)		160,000	140,000
Dividend Paid (Refer Note No.18.15.b)		-	86,562
Proposed Dividend		851,694	600,495
Dividend Tax (Refer Note No.18.15.b)		138,704	109,333
Balance Carried to Consolidated Balance Sheet		11,130,030	7,695,423
TOTAL		13,827,177	9,778,971
Earnings Per Share (₹ Per Equity Share of ₹ 10 each)			
Basic		40.37	31.85
Diluted		39.30	31.55
Significant accounting policies	17		
Notes to Accounts	18		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

For B S R & Co.

Firm Registration No. 101248W

Chartered Accountants

Zubin Shekary

Partner

Membership No: 048814

For and on behalf of the Board

Arun Thiagarajan

Chairman

Sanjeev Aga

Director

Place : Mumbai

Date : 29 April 2013

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2013

(₹ in thousands)

PARTICULARS	31 March 2013	31 March 2012
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
350,000,000 (Previous year 350,000,000) Equity shares of ₹ 10 each	3,500,000	3,500,000
100,000,000 (Previous year 100,000,000) Preference shares of ₹ 10 each	1,000,000	1,000,000
ISSUED CAPITAL		
155,141,130 (Previous Year 150,411,637)		
Equity shares of ₹ 10 each	1,551,411	1,504,116
SUBSCRIBED AND CALLED UP CAPITAL		
154,853,474 (Previous Year 150,123,831)		
Equity shares of ₹ 10 each fully called and paid up (Refer Note No. 18.15.a)	1,548,535	1,501,238
TOTAL	1,548,535	1,501,238
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVE		
Opening balance	5,637,222	4,496,462
Additions during the year	1,532,394	1,140,760
TOTAL (A)	7,169,616	5,637,222
II. CAPITAL RESERVE		
(a) Revaluation Reserve		
Opening balance	1,034,384	1,042,271
Less: Revaluation reserve reversed consequent to sale of assets/ transfer of assets	-	(1,180)
Less: Depreciation transferred to Consolidated Profit and Loss Account	(6,674)	(6,707)
TOTAL (B)	1,027,710	1,034,384
(b) Capital Reserve on Consolidation		
Opening balance	1,125	1,125
Less: Deduction on disinvestment of Associate	-	-
TOTAL (C)	1,125	1,125
(c) Others		
Opening balance	1,248,502	1,244,328
Add: Transfer from Consolidated Profit and Loss Account	16,289	4,174
TOTAL (D)	1,264,791	1,248,502
TOTAL CAPITAL RESERVE (B+C+D)	2,293,626	2,284,011
III. SECURITIES PREMIUM		
Opening balance	21,561,730	12,054,183
Add: Additions during the year	1,296,736	9,580,886
Less: Deductions during the year	-	(73,339)
TOTAL (E)	22,858,466	21,561,730
IV. REVENUE AND OTHER RESERVES		
(a) SPECIAL RESERVE (u/s 36 (1) (viii) of Income Tax Act, 1961)		
Opening balance	587,000	447,000
Add: Additions during the year	160,000	140,000
TOTAL (F)	747,000	587,000

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2013

(₹ in thousands)

PARTICULARS	31 March 2013	31 March 2012
(b) Revenue Reserves		
Opening Balance	579,715	579,645
Add: Additions on consolidation of subsidiary	220	70
TOTAL (G)	579,935	579,715
(c) Investment Reserve		
Opening Balance	2,154	-
Add: Additions during the year	-	2,154
Less: Deductions during the year	(2,154)	-
TOTAL (H)	-	2,154
TOTAL (IV) (F+G+H)	1,326,935	1,168,869
V. BALANCE IN CONSOLIDATED PROFIT AND LOSS ACCOUNT (I)	11,130,030	7,695,423
TOTAL (I to V)	44,778,673	38,347,255
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From banks	4,491,822	3,543,838
ii. From others	68,664,500	60,654,285
II. Savings Bank Deposits	61,182,730	56,429,076
III. Term Deposits		
i. From banks	97,835,495	75,954,140
ii. From others	181,115,873	155,327,443
TOTAL (I to III)	413,290,420	351,908,782
B. Deposits of branches in India	413,290,420	351,908,782
C. Deposits outside India	-	-
TOTAL	413,290,420	351,908,782
SCHEDULE 4 - BORROWINGS*		
I. Borrowings in India		
i. Reserve Bank of India	1,000,000	-
ii. Other banks	2,234,839	4,403,344
iii. Other institutions and agencies	25,576,311	23,696,723
II. Borrowings outside India	36,301,431	28,864,817
TOTAL (I to II)	65,112,581	56,964,884

Secured Borrowings included in (I) & (II) above is NIL (Previous Year : NIL)

* Includes Subordinated Debt (IPDI, Upper Tier II and Tier II Bonds) of ₹ 13,906,150 thousands as on 31 March 2013 (Previous year ₹ 11,205,956 thousands).

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2013

(₹ in thousands)

PARTICULARS	31 March 2013	31 March 2012
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	5,603,073	3,681,163
II. Inter office adjustments (net)	69,213	173,880
III. Interest accrued	2,205,059	1,703,197
IV. Provision against Standard Assets	1,491,500	1,454,200
V. Others (including provisions)	14,264,295	14,097,135
TOTAL (I to V)	23,633,140	21,109,575
SCHEDULE 6- CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	5,710,747	3,864,699
II. Balances with Reserve Bank of India		
i. In current account	13,736,455	15,958,983
ii. In other accounts	-	-
TOTAL (I to II)	19,447,202	19,823,682
SCHEDULE 7- BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
a) In current accounts	1,588,608	1,671,386
b) In other deposit accounts	67,118	319,568
ii) Money at Call and Short Notice		
a) With banks	500,000	600,000
b) With other institutions	3,997,667	4,996,879
TOTAL (i to ii)	6,153,393	7,587,833
II. Outside India		
i) Balances with Banks		
a) In current accounts	649,121	800,500
b) In other deposit accounts	-	-
ii) Money at Call and Short Notice		
a) With Banks	2,085,087	4,093,911
b) With Others	-	-
TOTAL (i to ii)	2,734,208	4,894,411
GRAND TOTAL (I to II)	8,887,601	12,482,244
SCHEDULE 8 - INVESTMENTS (NET OF PROVISIONS)		
I. Investments in India		
i) Government securities * \$ ^	125,117,201	89,688,804
ii) Other approved securities	-	-
iii) Shares	589,848	590,018
iv) Debentures and bonds	2,711,637	1,875,804
v) Others @	54,342,590	34,979,383
TOTAL	182,761,276	127,134,009

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2013

(₹ in thousands)		
PARTICULARS	31 March 2013	31 March 2012
II. Investments outside India	-	-
GRAND TOTAL	182,761,276	127,134,009
GROSS INVESTMENTS	183,198,270	127,483,899
Less: Depreciation/Provision for Investments	(436,994)	(349,890)
NET INVESTMENTS	182,761,276	127,134,009

- * Includes Repo lending of ₹ 22,050,000 thousands (Previous year NIL) and Net of Repo borrowings of ₹ 42,452,581 thousands (Previous year ₹ 38,476,901 thousands) under the liquidity adjustment facility in line with Reserve Bank of India requirements.
- \$ Includes securities costing ₹ 1,723,054 thousands (Previous year ₹ 1,365,054 thousands) pledged for margin requirement.
- ^ Includes securities costing NIL (Previous year ₹ 1,053,174 thousands) utilised for market repurchase transaction.
- @ Includes deposits with NABARD, NHB and SIDBI of ₹ 31,945,026 thousands (Previous year ₹ 31,489,763 thousands), PTCs of ₹ 18,085,084 thousands (Previous year ₹ 557,707 thousands), Commercial paper of ₹ 1,586,673 thousands (Previous year NIL) and Certificate of deposit of ₹ 2,725,807 thousands (Previous year ₹ 2,931,913 thousands).

SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)

A.	i) Bills purchased and discounted	12,316,548	12,238,089
	ii) Cash credits, overdrafts and loans repayable on demand	148,683,489	112,556,686
	iii) Term loans	156,720,234	162,419,190
	TOTAL	317,720,271	287,213,965
B.	i) Secured by tangible assets*	294,454,707	253,325,468
	ii) Covered by Bank/Government guarantees	1,157,054	1,585,707
	iii) Unsecured	22,108,510	32,302,790
	TOTAL	317,720,271	287,213,965
* Includes advances secured against book debts			
C. I. ADVANCES IN INDIA			
	i) Priority sector	109,523,775	94,939,939
	ii) Public sector	367,817	35,697
	iii) Banks	42,923	28,411
	iv) Others	207,785,756	192,209,918
II. ADVANCE OUTSIDE INDIA			
	i) Due from Banks	-	-
	ii) Due from Others		
	(a) Bills purchased & discounted	-	-
	(b) Syndicate loans	-	-
	(c) Others	-	-
	TOTAL (I to II)	317,720,271	287,213,965

SCHEDULE 10 - FIXED ASSETS

I. Premises			
	i) At cost as on 31 March of preceding year (Including Revaluation)	4,096,694	4,089,653
	ii) Additions during the year	-	9,326
		4,096,694	4,098,979
	iii) Deductions during the year	-	(2,284)
	iv) Depreciation to date	(439,104)	(384,120)
I. A. Capital work in progress		-	-
	TOTAL (I)	3,657,590	3,712,575

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2013

(₹ in thousands)		
PARTICULARS	31 March 2013	31 March 2012
II. Other Fixed Assets (Including Furniture and Fixtures)		
i) At cost as on 31 March of the preceding year	5,039,064	4,572,853
ii) Additions during the year	464,394	517,686
	<u>5,503,458</u>	<u>5,090,539</u>
iii) Deductions during the year	(75,612)	(51,475)
iv) Depreciation to date	(4,402,635)	(4,004,083)
II. A. Capital work in progress	158,622	105,816
TOTAL (II)	<u>1,183,833</u>	<u>1,140,797</u>
III. Lease Fixed Assets		
i) At cost as on 31 March of the preceding year	1,540,585	1,540,585
ii) Additions during the year	-	-
	<u>1,540,585</u>	<u>1,540,585</u>
iii) Deductions during the year	-	-
iv) Depreciation to date	(1,456,245)	(1,435,791)
v) Add: Lease adjustment account	310,293	289,838
vi) Less: Provision/ Write off of NPAs	(237,649)	(237,648)
TOTAL (III)	<u>156,984</u>	<u>156,984</u>
GRAND TOTAL (I to III)	<u>4,998,407</u>	<u>5,010,356</u>

SCHEDULE 11 - OTHER ASSETS

i) Inter-office adjustment (net)	-	-
ii) Interest accrued	2,652,950	2,248,027
iii) Tax paid in advance and tax deducted at source (net)	1,666,377	1,366,439
iv) Stationery and stamps	14,226	8,794
v) Non banking assets acquired in satisfaction of claims (net)	-	-
vi) Others #	10,223,889	14,560,083
TOTAL	<u>14,557,442</u>	<u>18,183,343</u>

Includes deferred tax assets of ₹ 1,287,007 thousands (previous year ₹ 1,400,249 thousands).
Refer Note No. 18.10

SCHEDULE 12 - CONTINGENT LIABILITIES

i) Claims against the bank not acknowledged as debts	-	1,986
ii) Liability for partly paid investments	-	-
iii) Liability on account of outstanding Forward Exchange contracts*	814,215,910	834,727,705
iv) Liability on account of Outstanding Derivative Contracts* @	299,279,059	306,172,778
v) Guarantees given on behalf of constituents		
a) In India	76,139,332	54,538,671
b) Outside India	6,164,382	9,744,137
vi) Acceptances, Endorsements and Other Obligations	18,885,797	17,801,381
vii) Other items for which the bank is contingently liable	987,105	1,066,588
TOTAL	<u>1,215,671,585</u>	<u>1,224,053,246</u>

* Represent notional amounts

@ Longterm forward exchange contracts amounting to ₹ 8,598,044 thousands (Previous year ₹ 7,459,634 thousands) are managed as derivatives and accordingly reflected under liability on account of derivative contracts.

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	(₹ in thousands)	
PARTICULARS	31 March 2013	31 March 2012
SCHEDULE 13 - INTEREST EARNED		
i. Interest/Discount on advances/bills	35,498,112	28,678,177
ii. Income on investments	13,065,663	9,818,651
iii. Interest on balances with RBI and other inter bank funds	18,242	5,800
iv. Others	34,679	66,628
TOTAL	48,616,696	38,569,256
SCHEDULE 14 - OTHER INCOME		
i. Commission, Exchange and Brokerage	4,793,706	4,689,755
ii. Profit/ (Loss) on sale of investments (net)	308,153	122,523
iii. Profit on revaluation of investments (net)	-	-
iv. Profit/ (Loss) on sale of land, buildings and other assets (net)	(1,347)	8,239
v. Profit on Exchange / Derrivative transactions (net)	1,680,052	1,471,404
vi. Income earned by way of dividends from subsidiaries / companies and joint ventures abroad/in India	7,029	7,629
vii. Lease income	-	-
viii. Miscellaneous income #	478,988	395,804
TOTAL	7,266,581	6,695,354
# Includes recovery from written off accounts amounting to ₹ 123,526 thousands (Previous year ₹ 256,110 thousands)		
SCHEDULE 15 - INTEREST EXPENDED		
i. Interest on Deposits	25,787,884	21,528,260
ii. Interest on Reserve Bank of India/Inter-Bank borrowings	3,926,654	2,466,927
iii. Others (including interest on Tier II Bonds)	3,511,632	2,487,396
TOTAL	33,226,170	26,482,583
SCHEDULE 16 - OPERATING EXPENSES		
i. Payments and Provisions for Employees	7,643,650	6,732,886
ii. Rent, Taxes and Lighting	1,099,978	978,321
iii. Printing and Stationery	133,832	130,500
iv. Advertisement and Publicity	58,138	44,167
v. Depreciation on Bank's Property	509,695	498,076
vi. Director's Fees, Allowances & Expenses	5,127	4,957
vii. Auditors' Fees and Expenses (Including Branch Auditors Fees and Expenses)	7,297	6,425
viii. Law Charges	29,226	30,841
ix. Postage, Telegrams, Telephones	235,383	213,978
x. Repairs and Maintenance	327,048	313,195
xi. Insurance	317,421	305,776
xii. Other Expenditure	2,359,307	1,841,539
TOTAL	12,726,102	11,100,661

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

1 BACKGROUND

ING Vysya Bank Limited ("IVB" or "the Bank") was incorporated on 29 March 1930 and is headquartered in Bangalore. Subsequent to the acquisition of stake in the Bank by ING Group N.V. in August 2002, the name of the Bank was changed from "Vysya Bank Limited" to "ING Vysya Bank Limited".

The Bank is engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ING Vysya Financial Services Limited ("IVFSL"), a wholly owned subsidiary of the Bank, is engaged in the business of non-fund/ fee based activities of marketing and distribution of various financial products/ services of the bank.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank and its wholly owned subsidiary (hereinafter referred to as "the Group") are prepared under the historical cost convention, on accrual basis of accounting, unless otherwise stated and in accordance with generally accepted accounting principles ("GAAP") in India, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies (Accounting Standards) Rules, 2006, to the extent applicable and current practices prevailing within the banking industry in India. The accounting policies have been consistently applied except for the changes in accounting policies disclosed in these consolidated financial statements, if any.

The consolidated financial statements are presented in Indian Rupees rounded off to the nearest thousand, unless otherwise stated.

3 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, incomes and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and

underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

4 BASIS OF CONSOLIDATION

- a. The consolidated financial statements include the financial statements of the Bank and its subsidiary.
- b. The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21- 'Consolidated Financial Statements' issued by the ICAI and notified by the Companies (Accounting Standards) Rules, 2006.
- c. The audited financial statements of the Bank and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra-group balances, material intra-group transactions and resulting unrealized profits are eliminated in full and unrealized losses resulting from intra-group transactions are eliminated unless cost cannot be recovered.
- d. The cost of investment of Bank in subsidiary is eliminated. The excess or shortfall of such cost over the Bank's portion of equity of subsidiary is treated as Goodwill or Capital Reserve.
- e. The reporting date for the subsidiary is 31 March 2013. For the purposes of preparation of the consolidated financial statements, the audited financial statements of subsidiary have been considered.

5 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

- a. Income and expenditure is accounted for on an accrual basis except as stated below:

Interest on advances, securities and other assets classified as Non-Performing Assets is recognized on realization in accordance with the guidelines issued by the RBI.

Processing fees collected on loans disbursed, along with related loan acquisition costs are recognized at the inception of the loan.

b. Income on assets given on lease

Finance income in respect of assets given on lease is accounted based on the interest rate implicit in the lease in accordance with the guidance note issued by the ICAI in respect of leases given up to 31 March 2001 and in accordance with AS 19 – “Leases” in respect of leases given from 1 April 2001.

c. Sale of investments

Realized gains on investments under Held To Maturity (“HTM”) category are recognized in the profit and loss account and subsequently appropriated to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve.

d. Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.

e. Interest income on investments in PTCs is recognized at their effective interest rate

f. Commission on guarantees and letters of credit issued are amortised on a straight-line basis over the period of the respective guarantees/ letters of credit.

g. Arrangership/ syndication fee is accounted for on completion of the agreed service and when right to receive is established.

h. Dividend is accounted on an accrual basis when the right to receive the dividend is established.

6 FOREIGN EXCHANGE TRANSACTIONS

a. Transactions denominated in foreign currencies are translated at the exchange rates prevailing on the date of the transaction.

b. Monetary assets and liabilities denominated in foreign currencies are translated into Indian Rupees at the rates of exchange prevailing at the balance sheet date as notified by Foreign Exchange Dealers Association of India (“FEDAI”) and resulting gains/ losses are recognised in the profit and loss account.

c. Outstanding foreign exchange contracts and bills are revalued on the balance sheet date at the rates notified by FEDAI and the resultant gain/ loss

on revaluation is included in the profit and loss account.

d. Contingent liabilities denominated in foreign currencies are disclosed at the balance sheet date at the rates notified by FEDAI.

7 DERIVATIVE TRANSACTIONS

Derivative transactions comprise long term forward contracts, interest rate swaps, currency swaps, currency and cross currency options to hedge on-balance sheet assets and liabilities or to take trading positions.

Derivative transactions designated as “Trading” are Marked to Market (“MTM”) with resulting gains/ losses included in the profit and loss account. Derivative transactions designated as “Hedge” are accounted for on an accrual basis.

Pursuant to RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter -parties are reversed through the profit and loss account.

8 INVESTMENTS

For presentation in the Balance sheet, investments (net of provisions) are classified under the following heads – Government securities, Other approved securities, Shares, Debentures and Bonds and Others, in accordance with the Third Schedule to the Banking Regulation Act, 1949.

Acquisition cost:

In determining acquisition cost of an investment:

- Brokerage, commission, etc. paid at the time of acquisition, are charged to profit and loss account.
- Cost of investments is based on the weighted average cost method.

Valuation of Investments:

Valuation of investments is undertaken in accordance with the “Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks” issued by the RBI. For the purpose of the valuation, the Bank’s investments are classified into three categories, i.e. ‘Held to Maturity’, ‘Held for Trading’ and ‘Available for Sale’ at the time of their purchase:

a. “Held to Maturity” (HTM) comprises securities acquired by the Bank with the intention to hold them upto maturity. With the issuance of RBI Circular No. DBOD.

BP.BC.37/21.04.141/2004-05 dated 2 September 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities.

- b. "Held for Trading" (HFT) comprises securities acquired by the Bank principally for resale within 90 days from the date of purchase i.e. to benefit from short-term price/interest rate movements.
- c. "Available for Sale" (AFS) securities are those, which do not qualify for being classified in either of the above categories.
- d. Transfer of securities between categories of investments is accounted for at the acquisition cost / book value / market value on the date of transfer whichever is lower, and the depreciation, if any, on such transfer is fully provided for.

Valuation of investments is undertaken as under:

- a. For investments classified as HTM, excess of cost over face value is amortized over the remaining period of maturity on a straight line basis. The discount, if any, being unrealised is ignored. Provisions are made for diminutions other than temporary in the value of such investments.
- b. Investments classified as HFT and AFS are revalued at monthly intervals as per RBI and FIMMDA valuation norms. These securities are valued scrip-wise and any resultant depreciation or appreciation is aggregated for each category. The net depreciation for each category is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.
- c. In the event provisions created on account of depreciation in the "Available for sale" or "Held for trading" categories are found to be in excess of the required amount in any year, such excess is recognised in the profit and loss account and subsequently appropriated, from profit available for appropriation, if any, to Investment Reserve account in accordance with RBI guidelines after adjusting for income tax and appropriation to statutory reserve.
- d. The valuation of other unquoted fixed income securities (viz. State government securities, Other approved securities, Bonds and debentures) wherever linked to the YTM rates, is computed with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by

FIMMDA. Special bonds such as Oil bonds, Fertiliser bonds etc. which are directly issued by Government of India ('GOI') that do not qualify for SLR are also valued by applying the mark up above the corresponding yield on GOI securities. Unquoted equity shares are valued at the break-up value, if the latest Balance Sheet is available or at ₹ 1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, Commercial papers and Certificate of Deposits being discounted instruments, are valued at carrying cost.

REPO and Reverse REPO transactions conducted under LAF with RBI are accounted for on an outright sale and outright purchase basis respectively in line with RBI guidelines. The cost/income of the transactions upto the year end is accounted for as interest expense/income. However, in case of reverse REPO, the depreciation in value of security compared to original cost is provided for Market REPO and Reverse REPO transactions are accounted as collateralised borrowings and lending respectively.

The Bank follows settlement date method of accounting for purchase and sale of investments.

Disposal of investments:

Profit / loss on sale of investments under the aforesaid three categories is taken to the profit and loss account. The profit from sale of investment under HTM category, net of taxes and transfers to statutory reserve is appropriated from profit and loss account to "Capital Reserve" in accordance with the RBI Guidelines.

9 ADVANCES

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs and provisions in lieu of diminution in the fair value of restructured assets. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI.

Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made in accordance with the RBI guidelines which prescribe minimum provision levels and also encourage banks to make a higher provision based on sound commercial judgement. Non-performing advances are identified by periodic appraisals of the loan portfolio by management. In case of consumer

SIGNIFICANT ACCOUNTING POLICIES

loans, provision for NP As is made based on the inherent risk assessed for the various product categories, and the provisioning done is higher than the minimum prescribed under RBI guidelines.

As per RBI guidelines, a general provision at the rate of 0.40% is made on all the standard advances except for the following where provision is made at different rates

- a) at 0.25% for loans to Small and Micro Enterprises and direct agricultural advances; and
- b) at 1.00% on Commercial Real Estate (CRE) sector.
- c) at 2.00% on Housing loans granted at teaser rates.
- d) at 2.75% on restructured advances in the first two years from date of restructuring.

Provision towards standard assets is shown separately in the Balance Sheet under Schedule-5 – “Other liabilities and Provisions”.

For restructured/rescheduled assets, provision is made for diminution in the fair value of the assets in accordance with the guidelines issued by RBI.

10 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation, with the exception of premises, which were revalued as at 31 December 1999, based on values determined by approved valuers.

Cost includes cost of purchase of the asset and all other expenditure in relation to its acquisition and installation and includes taxes (excluding service tax), freight and any other incidental expense incurred on the asset before it is ready for commercial use.

Office Equipment (including Electrical and Electronic equipment, Computers, Vehicles and other Office Appliances) are grouped under Other Fixed Assets

- a. Depreciation on Premises is charged on straight line basis at the rate of 1.63% upto 31 March 2002 and at 2% with effect from 1 April 2002.
- b. Additional depreciation on account of revaluation of assets is deducted from the current year's depreciation and adjusted in the Revaluation Reserve account.

Depreciation on the following items of Fixed Assets is charged over the estimated useful life of the assets on a straight line basis. The rates of depreciation are:

- i. Electrical and Electronic equipment – 20%
- ii. Furniture and Fixtures – 10%
- iii. Vehicles – 20%
- iv. Computers and Software – 33.33%
- v. ATMs and VSAT equipment – 16.66%
- vi. Improvements to leasehold premises – amortised over the shorter of primary period of lease or estimated useful life of such assets, which is currently estimated at 6 years.

Depreciation on leased assets is provided on WDV method at the rates stipulated under Schedule XIV to the Companies Act, 1956.

Software whose actual cost does not exceed ₹ 100,000 and other items whose actual cost does not exceed ₹ 10,000 are fully depreciated in the year of purchase.

Assets purchased during the year are depreciated on the basis of actual number of days the asset has been put to use in the year. Assets disposed of during the year are depreciated upto the date of disposal.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Profits on sale of fixed assets is first credited to profit and loss account and then appropriated to capital reserve, net of taxes and appropriation to statutory reserve.

11 IMPAIRMENT OF ASSETS

In accordance with AS 28 – Impairment of Assets, the Group assesses at each balance sheet date whether there is any indication that an asset (comprising a cash generating unit) may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the cash generating unit. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. If such recoverable amount of the cash generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is

reassessed and the asset is reflected at the revised recoverable amount, subject to a maximum of depreciated historical cost.

12 NON-BANKING ASSETS

Non-Banking assets acquired in settlement of debts/ dues are accounted at the lower of their cost of acquisition or net realisable value.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India, balances with other banks/ institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

14 EMPLOYEES' STOCK OPTION SCHEME

The Employee Stock Option Schemes provide for the grant of equity shares of the Bank to its employees. The Schemes provide that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Scheme is in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Bank follows the intrinsic value method to account for its stock-based employee compensation plans as per the Guidance Note on 'Accounting for Employee Share-based Payments' issued by the ICAI. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. The fair market price is the latest closing price, immediately prior to the date of the Board of Directors meeting in which the options are granted, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

15 EMPLOYEE BENEFITS

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Bank makes specified monthly contributions towards employee provident fund and employee superannuation fund, which are defined contribution plans, to the funds set up by the Bank for the purpose and administered by a board of trustees. The Bank's contribution is recognised as an expense in the profit and loss account during the period in which the employee renders the related service.

IVFSL makes specified monthly contributions towards employee provident fund to government administered provident fund scheme which is a defined contribution plan. The IVFSL's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Defined benefit plans

The Bank's pension and gratuity benefit schemes are defined benefit plans. In IVFSL, gratuity benefit scheme is a defined benefit plan. The net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation of the obligation is performed annually by a qualified actuary using the projected unit credit method.

All actuarial gains and losses arising from defined benefit plans are immediately recognized in the profit and loss account. All expenses related to defined benefit plans are recognised in employee benefits expense in the profit and loss account. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit and loss account on a straight-line basis over the average period until the benefits become vested.

Gains and losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Compensated Absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since compensated absence do not fall due wholly within twelve months after the end of period in which the employees render the related service and also are not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified a long – term employee benefit. An obligation for such compensated absences is recorded in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

16 LEASE TRANSACTIONS

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss Account on a straight line basis over the lease term in accordance with the AS-19, Leases, issued by the ICAI.

17 TAXES ON INCOME

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The Group offsets, on a year on year basis, current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

18 NET PROFIT/ (LOSS)

Net profit / (loss) disclosed in the consolidated profit and loss account is after considering the following:

- Provision/ write off of non-performing assets as per the norms prescribed by RBI;
- Provision for income tax and wealth tax;
- Depreciation/ write off of investments; and
- Other usual, necessary and mandatory provisions, if any.

19 EARNINGS PER SHARE (“EPS”)

The Group reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share, issued by the ICAI. Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflects the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In accordance with AS 29 - Provisions, Contingent Liabilities and Contingent Assets, the Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Such provisions are not discounted to present value. A disclosure for a contingent liability is made when there is a possible obligation, or a present obligation where outflow of resources is not probable. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resource would be required to settle the obligation, the provision is reversed. The Group does not account for or disclose contingent assets, if any.

21 SEGMENT INFORMATION

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organization structure, the internal business reporting system and the guidelines prescribed by RBI (vide DBOD.No.BP .BC.81/21.01.018/2006-07 dated April 18 2007). The Bank operates in the following segments:

(a) Treasury

The treasury segment includes the net interest earnings on investments of the Bank in sovereign bonds, corporate debt, mutual funds, etc, income from trading, income from derivative and foreign exchange operations and the central funding unit.

(b) Retail banking

The retail banking segment constitutes the business with individuals and small businesses through the branch network and other delivery channels like ATM, Internet banking, etc. This segment raises deposits from customers, makes loans and provides fee based services to such customers. Exposures are classified under retail banking broadly taking into account the orientation criterion, the nature of product and exposures which are not exceeding ₹ 5 crores and in respect of customers where average turnover in the last 3 years does not exceed ₹ 50 crores. Revenue of the retail banking segment includes interest earned on retail loans, fees and commissions for banking and advisory services, ATM Fees, etc. Expenses of this segment primarily comprise interest expense on the retail deposits, personnel costs, premises and infrastructure expenses of the branch network and other delivery channels, other direct overheads and allocated expenses.

(c) Wholesale banking

The Wholesale banking segment provides loans and transaction services to large corporate, emerging corporate, institutional customers and those not

classified under Retail banking. Revenue of the Wholesale banking segment includes interest and fees earned on loans to customers falling under this segment, fees from trade finance activities and cash management services, advisory fees and income from foreign exchange and derivative transactions. The principal expenses of the segment consist of personnel costs, other direct overheads and allocated expenses.

(d) Other Banking Operations

All Banking operations that are not covered under the above three segments.

(e) Unallocated

All items of which cannot be allocated to any of the above are classified under this segment. This also includes capital and reserves, debt classifying as Tier I or Tier II capital and other unallocable assets and liabilities.

Segment revenue includes earnings from external customers plus earnings from funds transferred to other segments. Segment result includes revenue reduced by interest expense, operating expenses and provisions, if any, for that segment. Inter-segment revenue represents the transfer price paid/ received by the central funding unit. For this purpose, the present internal funds transfer pricing mechanism has been followed which calculates the charge based on yields benchmarked to an internally developed yield curve, which broadly tracks certain agreed market benchmark rates. Segment-wise income and expenses include certain allocations. The Retail banking and Wholesale banking segments allocate costs among them for the use of branch network, etc. Operating costs of the common/ shared segments are allocated based on agreed methodology which estimate the services rendered by them to the above four segments.

Geographic segments

As the Bank operates only in the domestic segment in India, there are no other geographic segments.

18 NOTES TO ACCOUNTS

18.1 List of subsidiary considered for consolidation

Sl. No.	Name	Country of incorporation	Extent of holding as on 31 March 2013	Voting Power
Subsidiary				
1	ING Vysya Financial Services Limited (IVFSL)	India	100%	100%

18.2 Employee stock option scheme

ESOS 2005

The employee stock option scheme ("ESOS 2005" or "the scheme") of the Bank was approved by the Board of Directors in their meeting dated 27 July 2005 and by shareholders at the Annual General Meeting held on 22 September 2005. A total of 893,264 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of four years from the date of grant i.e. 25% at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank. The board level committee in their meeting dated 25 October 2007 approved the grant of options under ESOS 2005 loyalty options scheme.

The movements in ESOS 2005 during the year ended 31 March 2013 and 31 March 2012 are as under:

Particulars	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of Options	Weighted Average exercise Price (In ₹)	Number of Options	Weighted Average exercise Price (In ₹)
Options outstanding at the beginning of year	220,059	174.05	263,419	172.98
Add: Granted during the year	-	-	-	-
Less: Exercised during the year	95,308	166.51	35,660	165.15
Less: Forfeited / lapsed during the year	6,893	170.70	7,700	178.70
Options outstanding at the end of year	117,858	180.34	220,059	174.05

ESOS 2007

The employee stock option scheme ("ESOS 2007" or "the scheme") of the Bank was approved by the Board of Directors in their meeting dated 7 March 2007 and by the shareholders through postal ballot meeting held on 11 May 2007. A total of 7,800,000 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30 % in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

The movements in ESOS 2007 during the year ended 31 March 2013 and 31 March 2012 are as under: -

Particulars	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of Options	Weighted Average exercise Price (In ₹)	Number of Options	Weighted Average exercise Price (In ₹)
Options outstanding at the beginning of year	5,088,280	257.43	6,065,000	250.02
Add: Granted during the year	18,000	414.25	70,000	290.50
Less: Exercised during the year	2,955,930	252.65	843,470	200.41
Less: Forfeited / lapsed during the year	49,450	285.21	203,250	284.43
Options outstanding at the end of year	2,100,900	264.84	5,088,280	257.43

ESOS 2010

The employee stock option scheme ("ESOS 2010" or "the scheme") of the Bank was approved by the Board of Directors at their meeting held on 29 April 2010 and by the shareholders at the last AGM held on 1 July 2010. A total of 1,15,00,000 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30% in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

The movements in ESOS 2010 during the year ended 31 March 2013 and 31 March 2012 are as under: -

Particulars	Year ended 31 March 2013		Year ended 31 March 2012	
	Number of Options	Weighted Average exercise Price (In ₹)	Number of Options	Weighted Average exercise Price (In ₹)
Options outstanding at the beginning of year	6,745,225	340.83	3,595,500	358.78
Add: Granted during the year	4,146,000	365.30	3,554,975	323.37
Less: Exercised during the year	1,678,255	342.49	-	-
Less: Forfeited / lapsed during the year	621,590	348.05	405,250	346.95
Options outstanding at the end of year	8,591,380	351.80	6,745,225	340.83

Details of exercise price and remaining contractual life of options

The details of exercise price for stock options outstanding as at 31 March 2013 are:

Scheme	Exercise price (In ₹)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In ₹)
ESOS 2005 Tranche I	124	8,688	1.32	124
ESOS 2005 (Loyalty Options)	184.82	109,170	1.22	184.82
ESOS 2007	134.70 - 568.05	2,100,900	3.00	264.84
ESOS 2010	322.55 - 403.95	8,591,380	5.44	351.80

The details of exercise price for stock options outstanding as at 31 March 2012 are:

Scheme	Exercise price (In ₹)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In ₹)
ESOS 2005 Tranche I	92.59 - 136.47	38,004	2.13	122.45
ESOS 2005 (Loyalty Options)	184.82	182,055	2.10	184.82
ESOS 2007	114.20 - 380.40	5,088,280	3.64	257.43
ESOS 2010	322.55 - 403.95	6,745,225	5.70	340.83

The weighted average share price for all options exercised during the year is ₹ 478 per share (Previous Year: ₹ 323.83).

All options under each scheme when exercised are settled through issue of equity shares.

Employee Compensation Cost

The Bank follows the intrinsic method for valuing the stock options. The difference between employee compensation costs computed based on such intrinsic value and employee compensation cost that would have been recognized if fair value of options had been used is explained below:

Impact on Profit

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Net profit (as reported)	6,131,754	4,563,640
Add : Stock-based employee compensation expense included in net income	(473)	(565)
Less: Stock-based compensation expense determined under fair value based method (proforma)	412,898	330,067
Net profit (proforma)	5,718,383	4,233,008

NOTES TO ACCOUNTS

Impact on Earnings Per Share

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Declared in the financial Statements		
Basic (₹)	40.37	31.85
Diluted (₹)	39.30	31.55
Revised EPS		
Basic (₹)	37.65	29.54
Diluted (₹)	36.65	29.26

Significant assumptions: Weighted average information to estimate the fair value of options

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Risk free interest rate**	6.55% - 6.68%	7.72% - 7.74%	5.35% - 9.25%	6.49% - 8.38%
Expected Life (excluding vesting period)	1 Year	1 Year	1 Year	1 Year
Expected Volatility	31.62%	45.23%	23.68% - 51.58%	23.68% - 38.72%
The price of the underlying share in market at the time of option grant (as per NSE) (₹)	162.60	262.60	134.70 - 568.05	322.55 - 403.95

The Black-Scholes Model is used to calculate a theoretical call price (ignoring dividends paid during the life of the option) using the five key determinants of an option's price: stock price, strike price, volatility, time to expiration, and short-term (risk free) interest rate.

** Risk free interest rate is taken from the rates given by Fixed Income Money Market and Derivatives Association of India (FIMMDA) for Government securities.

The call option values under Black-Scholes Model for option valuation under different schemes for outstanding options as on 31 March 2013 are:

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Option price at the date of grant (₹)	75.42 - 82.58	118.92 - 135.34	54.90 - 187.11	71.29 - 160.94
Weighted average Fair Value of the options at the date of grant (₹)	79.49	129.59	110.43	109.91

18.3 Provisions and contingencies debited to the profit and loss account include

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Provision for income tax (including deferred tax)	2,884,402	1,978,039
Provision for wealth tax	2,400	2,400
Provision/ write off of non performing advances	843,100	807,382
Depreciation/ write off (write back) of investments (net)	87,104	(4,252)
Provision for standard assets	37,300	289,100
Provision for restructured advances	(95,456)	(18,253)
Others *	40,401	63,310
Total	3,799,251	3,117,726

* Includes provision made on account of frauds, legal claims, operational losses and other items of similar nature. These provisions would be utilized/released upon settlement.

NOTES TO ACCOUNTS

18.4 Provisions for income taxes during the year

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Provision for income tax	2,884,402	1,978,040
a) Current tax for the year	2,771,160	1,848,730
b) Deferred tax for the year	113,242	129,310

During the year ended 31 March 2012, the entire Special Reserve amount of ₹ 587,000 thousands created under Section 36 (1) (viii) of the Indian Income Tax Act, 1961 (including ₹ 140,000 thousands transferred during the year ended 31 March 2012) was treated as a deduction in the computation of provision for Income Tax. This resulted in one time reduction in tax expense by ₹ 145,000 thousands for 2011-12.

18.5 Details of provisions

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	403,265	405,389
Additions during the year	39,808	86,977
Reversals during the year	8,810	88,863
Amounts utilised	3,258	238
Closing Balance	431,005	403,265

18.6 Investments

18.6.1 Value of Investments

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Gross value of Investments		
a. In India	183,198,270	127,483,899
b. Outside India	-	-
Provisions for depreciation		
a. In India	136,513	49,409
b. Outside India	-	-
Provision for Non –Performing Investments		
a. In India	300,481	300,481
b. Outside India	-	-
Net value of Investments		
a. In India	182,761,276	127,134,009
b. Outside India	-	-

18.6.2 Movement of provisions held towards depreciation on investments

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	349,890	354,142
Add: Provisions made during the year	110,081	-
Less: Write-off/write-back of excess provisions during the year	22,977	4,252
Closing balance	436,994	349,890

18.6.3 Non-performing non SLR investments

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	300,481	300,481
Additions during the year	-	-
Reduction during the year	-	-
Closing balance	300,481	300,481
Total provisions held	300,481	300,481

18.7 Advances

18.7.1 Information with respect to loan assets subjected to restructuring

(₹ in thousands)

Disclosure of Restructured Accounts																			
Type of Restructuring →			Under CDR Mechanism				Under SME Debt Restructuring Mechanism			Others				Total					
Sl. No	Asset Classification →		Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	Standard	Sub-Standard	Doubtful	Total	
	Details																		
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	11	-	1	12	-	-	-	-	12	2	8	22	23	2	9	34	
		Amount outstanding	3,332,405	-	381,129	3,713,534	-	-	-	-	174,346	64,128	455,869	694,343	3,506,751	64,128	836,998	4,407,877	
		Provision thereon	164,302	-	-	164,302	-	-	-	-	1,829	129	1,591	3,549	166,131	129	1,591	167,852	
2	Fresh restructuring during the year	No. of borrowers	3	-	-	3	-	-	-	-	-	-	-	-	3	-	-	3	
		Amount outstanding	493,431	-	-	493,431	-	-	-	-	-	-	-	-	493,431	-	-	493,431	
		Provision thereon	30,613	-	-	30,613	-	-	-	-	-	-	-	-	30,613	-	-	30,613	
3	Upgradations to restructured standard category during the FY	No. of borrowers	1	-	(1)	-	-	-	-	-	-	-	-	-	1	-	(1)	-	
		Amount outstanding	407,182	-	(381,129)	26,053	-	-	-	-	-	-	-	-	407,182	-	(381,129)	26,053	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	(4)	-	-	(4)	-	-	-	-	(11)	(1)	-	(12)	(15)	(1)	-	(16)	
		Amount outstanding	(1,407,472)	-	-	(1,407,472)	-	-	-	-	(164,114)	(2,586)	-	(166,700)	(1,571,586)	(2,586)	-	(1,574,172)	
		Provision thereon	(92,577)	-	-	(92,577)	-	-	-	-	(1,204)	(129)	-	(1,333)	(93,781)	(129)	-	(93,910)	
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	(1)	1	-	-	(1)	1	-	
		Amount outstanding	-	-	-	-	-	-	-	-	-	(61,542)	61,434	(108)	-	(61,542)	61,434	(108)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	(1)	-	-	(1)	(1)	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(85,583)	(85,583)	-	-	(85,583)	(85,583)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Restructured Accounts as on March 31 of the FY (closing figures*)	No. of borrowers	11	-	-	11	-	-	-	-	1	-	8	9	12	-	8	20	
		Amount outstanding	2,703,871	-	-	2,703,871	-	-	-	-	8,746	-	427,106	435,852	2,712,617	-	427,106	3,139,723	
		Provision thereon	71,423	-	-	71,423	-	-	-	-	437	-	-	437	71,860	-	-	71,860	

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

NOTES TO ACCOUNTS

18.7.2 Movement of Gross Non Performing Advances

(₹ in thousands)

Particulars	31 March 2013	31 March 2012
Opening Gross NPAs*	1,495,129	1,553,873
Additions (fresh NPAs) during the year	1,938,626	1,728,349
Total (A)	3,433,755	3,282,222
Less:-		
(i) Upgradations	1,015,900	31,689
(ii) Recoveries (excluding recoveries made from upgraded accounts)	515,100	1,235,288
(iii) Write-offs (including technical write offs)	688,836	520,116
Total (B)	2,219,836	1,787,093
Closing Gross NPAs* (A-B)	1,213,919	1,495,129

* After considering technical write off of ₹ 5,628,716 thousands. Gross NP As before technical write off of ₹ 5,701,800 thousands (Previous Year – ₹ 5,628,716 thousands).

18.7.3 Movement of Net Non Performing Advances

(₹ in thousands)

Particulars	31 March 2013	31 March 2012
Opening Net NPAs *	524,922	917,856
Additions during the year	97,404	208,555
Reductions (including write offs) during the year	531,326	601,489
Closing Net NPAs*	91,000	524,922
NPAs to advances (%) #	0.03	0.18
Provisioning Coverage Ratio (%)#	98.40	90.67

* After netting of ₹ 599,971 thousands of ECGC claims received and held pending adjustments of ₹ 598,380 thousands (Previous year : ₹ 599,971 thousands).

Provision held against the NPA sold of ₹ 50,500 thousands and ₹ 726 thousands during the year 2006-07 & 2007-08 respectively has not been reversed to profit and loss account in view of RBI Circular No DBOD.No.BP.BC.16/21.04.048/2005 dated 13 July 2005 and is retained as provision for NPA to be utilized to meet the shortfall / loss on account of sale of other non performing financial assets.

18.7.4 Movement in provisions for Non Performing Advances

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Opening balance	370,236	-
Additions during the year	843,100	890,352*
Technical write-offs/write backs during the year	688,836	520,116
Closing Balance *	524,500	370,236

* Inclusive of amount transferred from Suspense Account - Crystallised Receivables on account of crystallised derivative receivables.

18.7.5 Provisions on standard asset

(₹ in thousands)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Provision towards standard assets during the year	37,300	289,100
Cumulative provision for standard assets as at year end	1,491,500	1,454,200

Provisions towards standard assets are included in "Other Liabilities and Provisions" in Schedule 5 to the balance sheet.

NOTES TO ACCOUNTS

18.7.6 Purchase/ sale of non performing assets

The Bank did not purchase any non performing assets during the year ended 31 March 2013 (Previous year: Nil).

Details of non performing financial assets sold:

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
No. of accounts sold	1	17
Aggregate outstanding, net of provisions/ write offs (₹ in thousands)	-	17
Aggregate consideration received (₹ in thousands)	17,200	27,500

18.7.7 Sale of financial assets to Securitisation / Reconstruction Company for Asset Reconstruction:

The Bank did not sell any financial assets to Securitisation / Reconstruction Company during the year ended 31 March, 2013 (Previous Year - NIL).

18.7.8 Off balance sheet SPVs sponsored

There are no off balance sheet SPVs sponsored by the Bank.

18.7.9 (a) Exposure to capital market

(₹ in thousands)

Sl. No.	Particulars	As at 31 March 2013	As at 31 March 2012
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	590,263	590,433
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	2,772,775	2,430,522
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	16,120	16,490
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	132,139	569,638
(vi)	loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	-	350,000
(viii)	underwriting commitments taken up by banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market		3,511,297	3,957,083

Point (ii) above includes loans to investment companies amounting to ₹ 2,000,000 thousands) secured by bank deposits.

₹ 2,000,000 thousands (Previous year:

NOTES TO ACCOUNTS

(b) Exposure to real estate sector

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
(a) Direct exposure		
(i) Residential mortgages (fully secured)		
of which housing loan responsible for inclusion in priority sector advances	9,879,665	9,372,132
Others	35,815,376	28,845,866
(ii) Commercial real estate		
Fund Based	13,463,954	13,837,847
Non- Fund Based	848,496	385,346
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	391,943	576,483
b. Commercial real estate	-	-
(b) Indirect exposure		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	12,213,008	6,268,899
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1,000,000	1,000,000
Total	73,612,442	60,286,573

18.7.10 Prudential exposure limits – quantitative disclosures

- During the year ended 31 March 2013, the Bank has complied with the Reserve Bank of India guidelines on single borrower and group borrower limit. As per the exposure limits permitted under the extant RBI regulation, the Bank with the approval of the Board of Directors can enhance exposure to a single borrower or group borrower by a further 5% of capital funds, subject to the borrower consenting to the Bank making appropriate disclosures in the Annual Report.
- During the year ended 31 March 2013, with the prior approval of Board of Directors, the Bank exceeded the single borrower limit of 20% of Capital Funds to Unitech Wireless (āmilnadu) Pvt. Ltd., Dishnet Wireless Ltd and Elewings Communications Services Pvt. Ltd. The exposure during the year to Unitech Wireless (āmilnadu) Pvt. Ltd., Dishnet Wireless Ltd and Elewings Communications Services Pvt. Ltd as a percentage of capital funds stood at 22.73% (Previous year: 24.95%), 24.19% and 24.75%, respectively. However, this was within the additional 5% permitted by RBI as per para (a) above.

18.8 Leases

18.8.1 Operating leases

The Bank has commitments under long-term non-cancellable operating leases primarily for premises. The terms of renewal / purchase options and escalation clauses are those normally prevalent in similar agreements. Following is a summary of future minimum lease rental commitments for such non-cancellable operating leases:

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
Not later than one year	60,874	54,623
Later than one year and not later than five years	78,487	104,145
Later than five years	-	-
Total minimum lease rental commitments	139,361	158,768

Additionally, the Bank also leases of fice / branch premises under cancellable operating lease agreements. Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit and Loss Account in the current year is ₹ 800,996 thousands (Previous year: ₹ 717,529 thousands).

18.8.2 Finance leases

The Bank has not taken any assets under finance leases / hire purchase.

NOTES TO ACCOUNTS

18.9 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

Particulars	As at 31 March 2013	As at 31 March 2012
Earnings for the year (₹ in thousands)	6,131,754	4,563,640
Basic weighted average number of shares (Nos)	151,884,592	143,275,876
Basic EPS (₹)	40.37	31.85
Dilutive effect of stock options (Nos)	4,122,079	1,395,734
Diluted weighted average number of shares (Nos)	156,006,671	144,671,610
Diluted EPS (₹)	39.30	31.54
Nominal value of shares (₹)	10.00	10.00

18.10 Deferred taxes

In accordance with Accounting Standard 22 "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India (ICAI) and notified by Companies Accounting Standard Rules, 2006, provision for taxation for the year is arrived at after considering deferred tax charge of ₹ 113,242 thousands (Previous year deferred tax charge of ₹ 129,310 thousands) for the current year.

The major components of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
Deferred tax assets		
on account of provisions	833,872	744,083
on leave encashment	252,853	218,952
on investments	454,478	664,052
on pension fund	40,403	80,806
on Gratuity	322	250
Total deferred tax asset	1,581,928	1,708,143
Deferred tax liabilities		
on depreciation on fixed assets	141,490	154,463
on bad debts claim	153,431	153,431
Total deferred tax liability	294,921	307,894
Net deferred tax assets	1,287,007	1,400,249

18.11 Intangibles

(₹ in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block	
	As at 1 April 2012	Additions	Deletions	As at 31 March 2013	As at 1 April 2012	Charge for the year	Deletions	As at 31 March 2013	As at 31 March 2013	
Intangible assets										
Application software*	1,009,422	129,025	-	1,138,447	875,396	102,793	-	978,189	160,258	
Total	1,009,422	129,025	-	1,138,447	875,396	102,793	-	978,189	160,258	
Previous year	898,985	110,437	-	1,009,422	766,257	109,139	-	875,396	134,026	

*forms part of "Other fixed assets" in Schedule 10.

18.12 Related party transactions

Related parties with significant influence and with whom there are transactions during the year

ING Bank N.V. and its branches

ING Mauritius Holdings

ING Mauritius Investments

ING Vysya Bank Staff Provident Fund

ING Vysya Bank Staff Gratuity Fund

ING Vysya Bank Superannuation Fund

ING Vysya Bank (Employees) Pension Fund

Key Management Personnel – Mr. Shailendra Bhandari - Managing Director & Chief Executive Officer (MD & CEO).

Relatives of Key Management Personnel - Rina Bhandari , Shiv Bhandari and Shirin Bhandari.

In accordance with para 5 of AS 18 – Related Party Disclosures, transactions in the nature of banker – customer relationship are not disclosed in respect of Key Management Personnel and relatives of Key Management Personnel.

NOTES TO ACCOUNTS

(₹ in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Deposits accepted by the Bank	Maximum 1,219,956 (602,740) Outstanding 548,704 (127,953)	- (-) - (-)	Maximum 1,219,956 (602,740) Outstanding 548,704 (127,953)
Borrowings	Maximum 29,351,899 (23,088,850) Outstanding 28,198,181 (22,132,611)	- (-) - (-)	Maximum 29,351,899 (23,088,850) Outstanding 28,198,181 (22,132,611)
Borrowing - Tier I Bonds	Maximum 1,502,486 (1,451,852) Outstanding 1,206,843 (1,296,446)	- (-) - (-)	Maximum 1,502,486 (1,451,852) Outstanding 1,206,843 (1,296,446)
Borrowing - Tier II Bonds	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)	- (-) - (-)	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)
Borrowing - Upper Tier II Bonds	Maximum 4,530,836 (4,378,147) Outstanding 3,639,307 (3,909,510)	- (-) - (-)	Maximum 4,530,836 (4,378,147) Outstanding 3,639,307 (3,909,510)
Deposit kept with other banks	Maximum 944,642 (1,360,043) Outstanding 182,711 (78,043)	- (-) - (-)	Maximum 944,642 (1,360,043) Outstanding 182,711 (78,043)
Lending	Maximum 4,058,000 (4,070,000) Outstanding 2,062,830 (4,070,000)	- (-) - (-)	Maximum 4,058,000 (4,070,000) Outstanding 2,062,830 (4,070,000)
Interest paid	2,657,983 (2,378,823)	- (-)	2,657,983 (2,378,823)
Interest received	1,807,769 (1,121,361)	- (-)	1,807,769 (1,121,361)
Charges Paid	- (58)	- (-)	- (58)
Interest accrued but not due (payable)	177,069 (84,672)	- (-)	177,069 (84,672)
Interest accrued but not due (receivable)	34 (14)	- (-)	34 (14)
Dividend Paid	262,817 (197,113)	20 (-)	262,837 (197,113)

NOTES TO ACCOUNTS

(₹ in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Purchase of securities	533,154 (528,465)	- (-)	533,154 (528,465)
Sale of securities	501,964 (2,703,830)	- (-)	501,964 (2,703,830)
Reimbursement received	9,371 (16,495)	- (-)	9,371 (16,495)
Rendering of services	9,355 (-)	- (-)	9,355 (-)
Reimbursement paid	7,131 (12,755)	- (-)	7,131 (12,755)
Receiving of services	16,067 (-)	- (-)	16,067 (-)
Contribution to employee welfare funds - Paid	1,018,833 (1,052,104)	- (-)	1,018,833 (1,052,104)
Contribution to employee welfare funds- Payable	1,383,995 (1,465,570)	- (-)	1,383,995 (1,465,570)
Managerial remuneration	- (-)	22,048 (20,076)	22,048 (20,076)
Letter of Credit / LUTs issued	308,358 (-)	- (-)	308,358 (-)
Bank guarantees- Issued	5,352,338 (9,011,724)	- (-)	5,352,338 (9,011,724)
Derivative transactions - notional outstanding	Maximum 96,267,976 (96,105,121) Outstanding 79,645,129 (96,105,121)	- (-) - (-)	Maximum 96,267,976 (96,105,121) Outstanding 79,645,129 (96,105,121)
Forward transactions	Maximum 6,500,085 (15,351,981) Outstanding 1,735,311 (227,542)	- (-) - (-)	Maximum 6,500,085 (15,351,981) Outstanding 1,735,311 (227,542)
Premium paid	- (400)	- (-)	- (400)
Commission received	78,118 (24,745)	- (-)	78,118 (24,745)
Commission paid	2,308 (-)	- (-)	2,308 (-)
Loss on Liquidation	8,709 (11,625)	- (-)	8,709 (11,625)

During the year 2012-13, 115 thousands (Previous Year: 128 thousands) number of stock options under "ESOS 2010" scheme have been issued to the MD & CEO.

(Previous year's figures are given in parentheses)

NOTES TO ACCOUNTS

18.13 Segmental Reporting:

Segment Results for the year ended 31 March 2013

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2013	Year ended 31 March 2013	Year ended 31 March 2013	Year ended 31 March 2013	Year ended 31 March 2013
Result	1,779,049	4,781,479	2,458,028	-	9,018,556
Unallocated expenses					-
Operating Profit					9,018,556
Taxes					2,886,802
Extraordinary profit/loss					-
Net Profit					6,131,754
Other Information	As at 31 March 2013	As at 31 March 2013	As at 31 March 2013	As at 31 March 2013	As at 31 March 2013
Segment Assets	189,935,903	211,678,500	141,099,948	-	542,714,351
Unallocated Assets					5,657,848
Total Assets					548,372,199
Segment Liabilities	57,068,023	168,913,390	245,807,728	-	471,789,141
Unallocated Liabilities					30,247,000
Capital and Reserve & Surpluses					46,336,058
Total Liabilities					548,372,199

Information is collected as per the MIS available for internal reporting purposes. The methodology adopted in compiling and reporting the segmental information on the above basis has been relied upon by the auditors.

Segment Results for the year ended 31 March 2012

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012
Result	1,044,033	2,973,570	2,526,476	-	6,544,079
Unallocated expenses					-
Operating Profit					6,544,079
Taxes					1,980,439
Extraordinary profit/loss					-
Net Profit					4,563,640
Other Information	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012
Segment Assets	164,162,835	177,687,993	122,492,327	-	464,343,155
Unallocated Assets					5,504,445
Total Assets					469,847,599
Segment Liabilities	52,461,546	138,139,692	215,129,677	-	405,730,915
Unallocated Liabilities					24,252,326
Capital and Reserve & Surpluses					39,864,358
Total Liabilities					469,847,599

Information is collected as per the MIS available for internal reporting purposes. The methodology adopted in compiling and reporting the segmental information on the above basis has been relied upon by the auditors.

NOTES TO ACCOUNTS

18.14 Off Balance Sheet Items

18.14.1 Derivative contracts

Forward rate Agreements \ Interest Rate Swaps

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
The notional principal of swap agreements	197,961,370	207,217,331
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	753,329	963,545
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with bank (74.36%)	Predominantly with banks (74%)
The fair value of the swap book [asset / (liabilities)]	(405,024)	(181,615)

MTM netted off counterparty wise

Currency Swaps

(₹ in thousands)

Particulars	As at 31 March 2013	As at 31 March 2012
The notional principal of swap agreements	48,766,912	67,443,022
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	1,490,518	4,131,000
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks(49.1%)	Predominantly with Banks (73%)
The fair value of the swap book [asset / (liabilities)]	999,204	623,138

MTM netted off counterparty wise.

The Bank enters into derivative contracts such as Interest Rate Swaps ("IRS"), Forward Rate Agreements ("FRA"), Currency Swaps ("CS") and option agreements. Notional amounts of principal outstanding in respect of IRS, FRA and CS as at 31 March 2013 is ₹ 246,728,281 thousands (Previous year ₹ 274,660,352 thousands).

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2013

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	82	32,949,902	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	80	33,404,324	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	24	7,000,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	50	17,500,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	90,854,226		

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2012

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	106	44,914,673	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	93	36,673,960	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	27	9,250,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	44	17,000,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	107,838,633		

NOTES TO ACCOUNTS

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2013

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	85	52,649,908	LIBOR	Fixed Payable vs Floating Receivable
Trading	89	42,062,480	LIBOR	Fixed Receivable vs Floating Payable
Trading	22	12,680,635	LIBOR	Floating Receivable vs Floating Payable
Trading	23	4,884,841	Principal	Fixed Payable
Trading	7	1,767,952	Principal	Fixed Receivable
Trading	20	6,434,459	Principal	Fixed Received vs Fixed Paid
Trading	79	7,848,853	Principal	Principal only Swaps
Hedging	2	3,448,145	LIBOR	Floating Receivable vs Floating Payable
Hedging	4	4,223,877	LIBOR	Fixed Payable vs Floating Receivable
Hedging	2	2,675,713	Principal	Fixed Received vs Fixed Paid
	Total	138,676,863		

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2012

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	83	52,721,065	LIBOR	Fixed Payable vs Floating Receivable
Trading	95	51,044,008	LIBOR	Fixed Receivable vs Floating Payable
Trading	34	29,985,995	LIBOR	Floating Receivable vs Floating Payable
Trading	28	5,581,004	Principal	Fixed Payable
Trading	13	1,185,304	Principal	Fixed Receivable
Trading	15	5,769,865	Principal	Fixed Received vs Fixed Paid
Trading	41	5,276,664	Principal	Principal only Swaps
Hedging	2	3,909,510	LIBOR	Floating Receivable vs Floating Payable
Hedging	4	4,527,991	LIBOR	Fixed Payable vs Floating Receivable
Hedging	7	6,820,315	Principal	Fixed Received vs Fixed Paid
	Total	166,821,721		

Foreign currency – Cap & Floor for the year ended 31 March 2013

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	4	5,884,345	LIBOR	Buy Cap
Trading	3	3,170,096	LIBOR	Sell Cap
Trading	1	2,714,250	LIBOR	Sell Floor
Trading	2	5,428,500	LIBOR	Buy Floor
	Total	17,197,191		

Foreign currency – Cap & Floor for the year ended 31 March 2012

Nature	Number	Notional Principal (₹ in thousands)	Benchmark	Terms
Trading	3	5,329,470	LIBOR	Buy Cap
Trading	2	2,785,720	LIBOR	Sell Cap
Trading	1	2,543,750	LIBOR	Sell Floor
Trading	2	5,087,500	LIBOR	Buy Floor
	Total	15,746,440		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2013 is ₹ 594,180 thousands (Previous year ₹ 441,523 thousands), which represents the net mark to market profit/(loss) on swap contracts. As at 31 March 2013 the exposure to IRS, CS and FRA contracts is spread across industries. However based on notional principal amount the maximum single industry exposure lies with Banks at 80.50% (Previous year: 80.97%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of ₹ 223,149 thousands (Previous year: ₹ 241,456 thousands) on total Interest Rate Swap trading book including Rupee IRS, FX IRS, CS and FRA. Agreements are with Banks/ Financial Institutions and corporate under approved credit lines.

The fair value of the Option Book as at 31 March 2013 on a net basis is ₹ 117,297 thousands (Previous Year: ₹ 145,778 thousands). As at 31 March 2013 notional outstanding for outstanding option contracts is ₹ 51,731,643 thousands (Previous year: ₹ 33,150,105 thousands).

The fair value of the Exchange traded Options as at 31 March 2013 on a net basis is ₹ (1,638) thousands (Previous year: ₹ (1,250) thousands). As at 31 March 2013 notional outstanding for outstanding Exchange traded option contracts is ₹ 819,135 thousands (Previous year: ₹ 1,634,578 thousands).

As at 31 March 2013 notional outstanding for outstanding Exchange traded currency futures is ₹ 162,855 thousands (Previous year: ₹ 5,606,476 thousands).

18.14.2 Exchange Traded Interest Rate Derivatives, Forward Rate Agreements and Currency Swaps

Exchange Traded Interest Rate Derivatives entered during the year ended 31 March 2013 amounts to ₹ NIL (Previous year: ₹ 510,000 thousands). There were no Exchange Traded Forward Rate Agreements and Currency Swaps were entered during the year ended 31 March 2013 (Previous year: Nil).

(₹ in thousands)

S. No.	Particulars	March 31, 2013	March 31, 2012
I	The total notional principal amount of exchange traded interest rate derivatives undertaken during the year, (instrument-wise) (a) 91 days Treasury bill	-	510,000
II	The total notional principal amount of exchange traded interest rate derivatives outstanding as of Year end, (instrument-wise)	-	-
III	The notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective', as of Year end, (instrument-wise)	-	-
IV	Mark-to-market value of exchange traded interest rate derivatives outstanding and not 'highly effective', as of Year end, (instrument-wise)	-	-

18.14.3 Risk exposure on derivatives

The Bank currently deals in various derivative products, i.e., Rupee and Foreign Currency Interest Rate Swaps, Currency Swaps and Currency and Cross-currency options. These products are offered to the Bank's customers to enable them to manage their exposure towards movement in foreign exchange rates or in Indian / foreign currency interest rates. The Bank also enters into these derivative contracts (i) to cover its own exposures resulting either from the customer transactions or own foreign currency assets and liabilities or (ii) as trading positions.

The derivative contracts, as above, expose the Bank to risks such as credit risk and market risk. Credit risk implies probable financial loss the Bank may ultimately incur, if the counter parties fail to meet their obligations. Market risk deals with the probable loss the Bank may ultimately incur as a result of movements in exchange rates, benchmark interest rates, credit spreads etc., to the extent that the exposures are not fully covered by the Bank on a back-to-back basis or as hedge positions.

The Bank has established an organization structure to manage these risks that operates independent of investment and trading activities. Management of these risks is governed by respective policies approved by the Board of Directors. While expanding relationship-banking activities, the Bank has put in place a credit policy by defining the internal risk controls. The policy incorporates the guidelines issued by the RBI from time to time. ISDA agreements are entered into with counterparties. The Bank has evolved a similar policy for managing market risks through specific product mandates, limits on book sizes, stop loss limits, Value at Risk limits (VaR), Event Risk Analysis, counter party limits etc.

The Bank has also set up a Asset-Liability Management Committee ("ALCO") and a Risk Management Review Committee ("RMRC"), which monitor the risk on an integrated basis. The market risk and credit risk management teams monitor compliance with the policies on a continuous basis and there is a clearly defined procedure of reporting and ratification of any limit breaches for derivative products.

Quantitative disclosure:

(₹ in thousands)

Sl. No	Particulars	Currency derivatives		Interest rate derivatives	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
(i)	Derivatives (Notional Principal Amount) *				
1.1	a) For hedging	10,347,735	15,257,816	-	-
	b) For trading	38,419,176	52,185,206	197,961,370	207,217,331
(ii)	Marked to Market Positions				
1.2	a) Asset (+)	1,725,924	4,239,004	1,289,484	1,942,242
	b) Liability (-)	726,719	3,615,866	1,694,508	2,123,858
(iii)	Credit Exposure	5,823,898	8,763,270	2,804,032	3,624,795
(iv)	Likely impact of one percentage change in interest rate (100 * PV01) #				
1.3	a) on hedging derivatives	-	-	182,047	206,487
	b) on trading derivatives	32,323	2,690	8,779	32,279
(v)	Maximum and Minimum of 100 * PV01 #				
1.4	a) on hedging				
	- Maximum	-	-	210,427	207,612
	- Minimum	-	-	181,083	150,346
1.5	b) on trading				
	- Maximum	59,061	76,697	32,408	86,420
	- Minimum	413	9.82	46	9.74

Amounts stated are inclusive of impact of Currency swaps and Interest Rate Swaps and are stated at absolute values.

* Does not include notional of Forward contracts and Currency options, trading or hedging.

18.14.4 Credit Default Swaps

The Bank did not deal in any credit default swaps during the year ended 31 March 2013 (Previous Year –NIL).

18.15 Capital (Tier I) raised during the year 2011-12

- a) During the year 2011-12, the Bank raised Tier I capital of ₹ 9,694,932 thousands by way of Qualified Institutions Placement (QIP) and preferential allotment. Pursuant to the resolution passed by the Shareholders of the Bank through postal ballot, as per the results declared on 8 June 2011, the Bank allotted 15,000,014 equity shares of face value of ₹ 10/- each by way of Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIBs) for cash at a price of ₹ 342.09/- and 13,257,349 equity shares of face value of ₹ 10/- each by way of preferential allotment to ING Group for cash at a price of ₹ 344.23/-, to augment the capital adequacy ratio of the Bank.

In relation to this capital raising, the Bank incurred expenses of ₹ 62,282 thousands towards payment of commission to the Book Running Lead Managers which has been adjusted against the Securities Premium Account. However, on account of the restrictions placed by Section 13 of the Banking Regulation Act, 1949 on the quantum of commission that can be paid, the Bank has sought RBI's approval, which is awaited.

- b) During the year 2011-12, dividend appropriation of ₹ 86,562 thousands and dividend tax thereon of ₹ 11,559 thousands represent, dividend and related dividend distribution tax for 2010-11 on the shares issued to Qualified Institutional Buyers and ING Group in June 2011 and shares issued under Employee Stock Options Schemes prior to the record date. This has been appropriated from carried forward profits relating to the previous year as per the shareholder's approval dated 7 September 2011.

18.16 Employee benefits
Provident fund plan

The Bank has a defined contribution plan in respect of provident fund. The contribution to the employees provident fund amounted to ₹ 141,813 thousands for the year ended 31 March 2013 (Previous year ₹ 124,180 thousands).

Gratuity, Pension and Leave Benefit plans

The Bank has defined benefit plans in respect of Gratuity, Pension and Leave Encashment. The Gratuity and Pension schemes are funded out of Trust fund set up separately for this purpose.

Reopening of Pension Option and amendment to the Payment of Gratuity Act, 1972

During the year 2010-2011, the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result, the Bank incurred an additional liability of ₹ 1,217,310 thousands being ₹ 287,300 thousands on account of II Pension Option to retired/ separated employees and ₹ 930,010 thousands on account of II Pension Option to existing employees.

In terms of Revised Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹ 1,217,310 thousands was required to be charged to the profit and loss Account. However, the Reserve Bank of India vide their letter dated 8 April 2011 ("the RBI Letter") on Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment, permitted the Bank to amortise the additional liability on account of re-opening of pension option for existing employees who had not opted for pension earlier over a period of five years beginning with the financial year ending 31 March 2011 subject to a minimum of 1/5th of the total amount involved every year.

Accordingly, the Bank during the year 2010-11 charged the full impact of ₹ 287,300 thousands on account of II Pension Option to retired/ separated employees and ₹ 186,002 thousands representing one-fifth of the full impact of II Pension Option to the existing employees as required by the RBI letter.

During the current year, the Bank has provided ₹ 186,002 thousands (Previous year ₹ 186,002 thousands) representing one-fifth of the full impact of II Pension Option to the existing employees. In terms of the requirements of the RBI Letter, the balance impact of ₹ 372,004 thousands on account of II Pension Option to existing employees shall be provided over the next two years.

Had the RBI Letter not been issued, the profit of the Bank in the current year would have been lower by ₹ 372,004 (Previous year ₹ 558,006 thousands) pursuant to application of the requirements of Revised AS 15.

Disclosures under AS -15

The following tables summarize the components of net benefit expense recognized in the profit and loss account and the funded status and amount recognized in the balance sheet for the respective plans.

Profit and Loss account: - Net employee benefit expense (recognized in Employee Cost)

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
1. Current service cost	68,070	98,080	251,933	258,990
2. Interest cost on benefit obligation	88,942	80,724	276,710	299,920
3. Expected return on plan assets	(97,610)	(73,123)	(240,282)	(217,265)
4. Net actuarial (gain)/ loss recognized in the year	51,604	76,012	396,497	44,187
5. Past service cost	-	-	-	-
6. Net expenses (1+2+3+4+5)	111,006	181,693	684,858**	385,832**
Actual return on plan assets	95,115	84,085	238,905	231,336

** Excludes ₹ 186,002 thousands representing one-fifth of the full impact of ₹ 930,010 thousands on account of II Pension Option to the existing employees.

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
1. Current service cost	28,274	27,525	30,465	28,690
2. Interest cost on benefit obligation	35,207	38,876	20,679	19,585
3. Net actuarial (gain)/ loss recognized in the year	(4,913)	(75,539)	(5,227)	(19,196)
4. Past service cost	-	-	-	-
5. Net expenses recognised in profit and loss (1+2+3+4)	58,568	(9,138)	45,917	29,079

Balance Sheet - Details of Provision for Gratuity, Pension and Leave

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Present value of obligation	1,235,117	1,114,155	3,973,341	3,642,317
Fair value of plan assets	(1,123,517)	(931,421)	(2,699,905)	(2,358,671)
Liability (Assets)	111,600	182,734	1,273,436	1,283,646
Liability (Asset) recognized in the Balance Sheet	111,600	182,734	1,273,436	1,283,646

NOTES TO ACCOUNTS

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Present value of obligation	484,291	425,722	295,050	249,132
Fair value of plan assets	-	-	-	-
Liability (Assets)	484,291	425,722	295,050	249,132
Liability (Asset) recognized in the Balance Sheet	484,291	425,722	295,050	249,132

Changes in the present value of the defined benefit obligation are as follows:

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Opening defined benefit obligation	1,114,155	965,628	3,642,317	3,684,462
Interest cost	88,941	80,724	276,710	299,920
Current service cost	68,070	98,080	251,933	258,990
Past service cost	-	-	-	-
Benefits paid	(85,159)	(117,250)	(592,738)	(659,313)
Actuarial (gains) / losses on obligation	49,110	86,973	395,119	58,258
Closing defined benefit obligation	1,235,117	1,114,155	3,973,341	3,642,317

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Opening defined benefit obligation	425,722	434,860	249,133	220,053
Interest cost	35,207	38,876	20,679	19,585
Current service cost	28,274	27,525	30,465	28,690
Benefits paid	-	-	-	-
Actuarial (gains) / losses on obligation	(4,913)	(75,539)	(5,227)	(19,196)
Closing defined benefit obligation	484,290	425,722	295,050	249,132

The Changes in the fair value of plan assets are as follows:

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Opening fair value of plan assets	931,422	608,017	2,358,671	2,215,334
Expected return	97,610	73,123	240,282	217,265
Contributions by employer	182,138	356,569	695,067	571,314
Benefits paid	(85,159)	(117,250)	(592,738)	(659,313)
Actuarial gains / (losses)	(2,494)	10,962	(1,377)	14,071
Closing fair value of plan assets	1,123,517	931,421	2,699,905	2,358,671

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows: -

Particulars	Gratuity		Pension	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Investments with insurer	100%	100%	100%	100%
Investment in Government/ PSU bonds/securities	-	-	-	-

Experience Adjustments

(₹ in thousands)

Particulars	Gratuity		
	31 March 2013	31 March 2012	31 March 2011
Defined benefit obligations	1,235,117	1,114,155	965,628
Plan assets	(1,123,517)	931,421	608,017
(Surplus) / deficit	111,600	182,734	357,611
Experience adjustments on plan liabilities	(2,055)	101,481	84,928
Experience adjustments on plan assets	(2,494)	10,962	(5,393)

NOTES TO ACCOUNTS

(₹ in thousands)

Particulars	Pension		
	31 March 2013	31 March 2012	31 March 2011
Defined benefit obligations	3,973,341	3,642,317	3,684,462
Plan assets	2,699,905	2,358,671	2,215,334
(Surplus) / deficit	1,273,436	1,283,646	1,469,128
Experience adjustments on plan liabilities	117,549	257,991	2,257,216
Experience adjustments on plan assets	(1,377)	14,071	907,893

(₹ in thousands)

Particulars	Leave Encashment and availment		
	31 March 2013	31 March 2012	31 March 2011
Defined benefit obligations	779,341	674,475	654,914
Plan assets	-	-	-
(Surplus) / deficit	779,341	674,475	654,914
Experience adjustments on plan liabilities	(23,842)	(62,820)	36,761
Experience adjustments on plan assets	-	-	-

The above data on experience adjustments is disclosed to the extent of the relevant information is available in the valuation reports.

Principal assumptions used in determining gratuity , pension & leave encashment obligations for the Company' s plans are shown below: -

Particulars	Gratuity			
	31 March 2013		31 March 2012	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.30 (IBA, CTC), 9.5 (Others)	8.36(CTC) 8.38(Others)	8.90 (IBA, CTC), 8.95 (Others)	8.90(CTC) 8.94(Others)
Expected rate of return on assets (%)	9.50	-	9.50	-
Employee turnover (%) p.a.	1 (IBA), 25(CTC) 71 (Others)	31 (CTC), 97 (Others)	1 (IBA), 28(CTC) 55 (Others)	19 (CTC), 75 (Others)
Salary Escalation Rate (%) p.a	3.5(IBA), 9 (CTC) 9 (Others)	5	3 (IBA), 12 (CTC) 12 (Others)	10

Particulars	Pension			
	31 March 2013		31 March 2012	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.27	-	8.94	-
Expected rate of return on assets (%)	9.50	-	9.50	-
Employee turnover (%) p.a.	1(IBA)	-	1 (IBA)	-
Salary Escalation Rate (%) p.a	3.5	-	3.00	-

Particulars	Leave Encashment			
	31 March 2013		31 March 2012	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.27	-	8.94	-
Expected rate of return on assets (%)	N.A	-	N.A	-
Employee turnover (%) p.a.	1 (IBA)	-	1 (IBA), 28 (CTC)	-
Salary Escalation Rate (%) p.a	3.5(IBA)	-	3 (IBA) 12 (CTC)	-

NOTES TO ACCOUNTS

Particulars	Leave Availment			
	31 March 2013		31 March 2012	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.30	8.36	8.90	8.90
Expected rate of return on assets (%)	N.A	N.A	N.A	N.A
Employee turnover (%) p.a.	1 (IBA), 25 (CTC)	31.00	1 (IBA), 28 (CTC)	19.00
Salary Escalation Rate (%) p.a	3.5(IBA) 9 (CTC)	5.00	3 (IBA) 12 (CTC)	10.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

With respect to defined benefit plans, the Bank is yet to determine the contributions expected to be paid to the plans during the annual period beginning 1 April 2013.

18.17 Additional Disclosure

Additional statutory information disclosed in separate financial statements of the parent and subsidiaries having no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

18.18 Other Disclosures

18.18.1 Draw down from Reserves

The Bank has utilized ₹ NIL (Previous year ₹ 73,339 thousands) from the securities premium account for meeting direct expenses relating to the QIP issue, as per the RBI mail box clarification dated 9 October 2007.

18.18.2 Fees/remuneration received from Bancassurance business:

(₹ in thousands)

Sr. No.	Nature of Income	31 March 2013	31 March 2012
1	For selling life insurance policies	415,266	741,837
2	For selling non life insurance policies	39,743	28,009
3	For selling mutual fund products	282,225	288,410
4	Others	140	31,416
	TOTAL	737,374	1,089,672

18.18.3 The Bank on 3 April 2013 received a communication from a governmental agency alleging conversion of cheques totaling to ₹ 242,400 thousands into a customer account over the last three years. The Bank has initiated an internal enquiry into the alleged matter, which is pending. However, so far there is no claim on the Bank in this regard.

18.18.4 Penalties levied by RBI on the Bank

During the year 2012-13 RBI imposed an aggregate penalty of ₹ 5,500 thousands vide its letter DBS.CO.Pvt.SBMD. No.4527/15.01.077/2012-13 dated 9 October 2012 for inadequate adherence to guidelines issued by RBI in respect of KYC norms. The Bank paid the penalty on 16 October 2012.

During the year 2011-12, RBI imposed an aggregate penalty of ₹ 1,000 thousands vide its letter DBS.CO. FBMD.14714 / 17.04.009 / 2010.11 dated 26 April 2011 for non adherence to directions / guidelines issued by RBI while carrying out derivative transactions during 2006-07 and 2007- 08. The Bank paid the penalty on 3 May 2011.

18.18.5 Letters of Comforts issued by the Bank

The Bank has 886 (Previous year: 641) letter of comforts/ undertaking issued and outstanding as on 31 March 2013 amounting to ₹ 19,395,750 thousands (Previous year: ₹ 17,652,630 thousands).

18.18.6 Disclosures on Remuneration***Qualitative Disclosures***

Information relating to the composition and mandate of the Remuneration Committee:

Remuneration Committee includes members of the Board of Directors of the Bank of whom at least one member is from Risk Management and Review Committee of the Board. The majority of members of the Committee are independent non-executive directors. The Chairman of such meeting is an Independent Director to comply with the non mandatory requirement of Clause 49 Annexure I D (2) of the Listing Agreement.

Mandate of the Remuneration Committee (RC):

- a) to oversee the framing, review and implementation of compensation policy of the Bank on behalf of the board,
- b) to work in close coordination with Risk Management and Review Committee of the Bank, in order to achieve effective alignment between remuneration and risks.
- c) to determine/review the Bank's policy on specific remuneration packages for the Whole time Directors/CEO/Other Risk takers and Control function staff whose professional activities have a material impact on the Bank's risk profile.
- d) to ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio
- e) to undertake overall supervision and administration of the compensation structure and policies with a view to attract and retain the right talent.

Key features and objectives of Remuneration policy:

All Remuneration can be divided into either Fixed Remuneration which would mean and include all payments like basic pay, perquisites, allowances or benefits without consideration of any performance criteria and Variable Remuneration which would include all additional awards, payments or benefits depending on performance or, in certain cases other contractual criteria, whether discretionary or non discretionary.

Objectives of the Remuneration Policy:

- Performance management and remuneration is aligned with the business strategy, company values and risk appetite of the Bank with a focus on the long term interests of the Bank as a whole and its customers in order to ensure a strong risk alignment as well as protection of a sound capital base
- Align employee compensation to market benchmarks to support sustainable attraction, motivation and retention of staff
- Balance of fixed and variable remuneration.
- Build long term stakes through long term incentive plans like ESOP.

Features of the Remuneration Policy:

The remuneration is adjusted for all types of risk that is measured through the Company Performance Matrix (CPM) at an organization level and the performance rating at the individual level. The methodologies for adjusting remuneration to risk and performance are consistent with general risk management and corporate governance framework.

- Individual ratings are arrived basis actual performance against goals set at the beginning of the financial year. The goals are set on dimensions like financial, process & control (includes parameters like NPA, audit rating), customer and people
- Fixed pay is reasonable and aligned to market/industry benchmarks and individual ratings
- Payouts under the variable pay plan are determined based on the Company Performance Matrix (CPM) and individual performance ratings as determined by the performance management guidelines on an annual basis.
- The drivers of the CPM are approved by the Remuneration Committee and may be subject to changes based on the priorities of the organization from time to time. Presently it includes business parameters, productivity and internal standards of control, which measures organization wide risks & control parameters. Variable pay is paid out as a percentage of the fixed compensation.
- The minimum gate condition for payout of variable pay on the basis of company performance is approved by the Remuneration Committee annually after consideration of factors like business/market conditions.
- ESOP does not form part of the variable remuneration and are selectively granted to attract and retain employees. The grants are based on the grade of employee, criticality of position and performance track of the employee.
- The Malus arrangement will be applied post disbursement of the variable pay from the financial year 2013-14, where the unpaid deferred variable remuneration is held back in the event where the capital adequacy is insufficient/ on account of misbehavior or where the business line has suffered a loss on account of significant failure of risk management.

Whole time directors/ CEO & Other Risk Takers:

- In respect to the above, the policy provides for reasonable increase in fixed compensation in line with industry practice and market benchmarks. The increments are linked to individual rating.
- Variable pay is in the form of cash at present. The individual variable pay will not exceed 70% of the fixed pay in a year . Variable payouts are subject to Deferral Scheme, where it exceeds threshold limits ie 50% or more of Fixed Pay then 40 % of the variable pay will be deferred in cash over a three year period in equal proportion.
- The policy does not provide for guaranteed bonus or sign on bonus in cash. The guaranteed bonus for the level of CEO / Whole Time Directors will be in the form of ESOPs only and restricted to the first year of employment.
- Severance pay will not be granted to any staff, except to extent any severance payments need to be paid under applicable law. Terminal benefits in the form of pension, provident fund and gratuity are in line with policies and as per the statutory norms.
- In the specific case of the Whole time Directors and MD &CEO, the Bank has the right to claw back any whole/portion of the paid and vested variable remuneration in the event of performance of acts which are considered malfeasance or fraud or specific conduct which has led to the material re-statement of the Bank's annual accounts and/or significant (reputational) harm to the Bank or any of its subsidiaries or affiliates

Control Function Staff:

For staff belonging to Control Functions (defined as employees in Risk, Compliance, Finance and Audit function who by virtue of their role have the ability to substantially alter and /or influence the risk impact for the Bank) the management of ING Vysya adopts the following general principles of remuneration:

- the level of fixed remuneration of the Control functions is sufficiently high to ensure qualified and experienced staff can be employed;
- the ratio of fixed remuneration to variable remuneration is weighted in favour of fixed remuneration.
- the variable remuneration is predominantly based on function-specific objectives that include qualitative criteria, but is not based on the financial performance of the business level directly monitored by the Control functions; and
- at least 50% of the function specific objectives should be met in order to be considered eligible for variable remuneration.

Quantitative Disclosures**

(₹ in thousands)

	Year ended 31 March 2013
a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members. Number of Meetings held Remuneration paid to members (Sitting Fee of ₹ 20,000 per meeting for each independent director only)	4 120
b) i. Number of employees having received a variable remuneration award during the financial year. ii. Number and total amount of sign-on awards made during the financial year. iii. Details of guaranteed bonus, if any, paid as joining / sign on bonus. iv. Details of severance pay, in addition to accrued benefits ,if any.	5 Nil Nil Nil
c) i. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. ii. Total amount of deferred remuneration paid out in the financial year	Nil Nil
d) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non- deferred.	Fixed - ₹ 48,521 Variable - ₹ 29,056 (Non- deferred)
e) i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. ii. Total amount of reductions during the financial year due to ex-post explicit adjustments. iii. Total amount of reductions during the financial year due to ex-post implicit adjustments.	Nil Nil Nil

** The Quantitative disclosures only cover whole time Directors/Chief Executive Officer/Other Risk takers.

NOTES TO ACCOUNTS

The remuneration policy as detailed under the qualitative disclosures mentioned above will be effective from 2012-13. The quantitative disclosures above on remuneration pertains to payments made in 2012 -13 for the year 2011-12. Payments in the year 2013-14 for the year 2012-13 would be in line with the new policy guidelines as detailed above.

18.18.7 Previous year's figures

Previous year's figures have been regrouped / reclassified, where necessary, to conform to current year's presentation.

Arun Thiagarajan
Chairman

Sanjeev Aga
Director

Place : Mumbai
Date : 29 April 2013

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in thousands)

PARTICULARS		31 March 2013		31 March 2012	
(A)	Cash Flow from Operating Activities				
	Net Profit before Tax	9,018,559		6,544,077	
	Adjustments for :				
	Depreciation charges	530,150		518,531	
	Employee compensation expense (ESOS)	(473)		(565)	
	Provision/write off of Advances	843,100		807,382	
	(Profit)/Loss on revaluation of investment	394,032		548,958	
	Provision for Standard Assets	37,300		289,100	
	Other Provisions	(59,348)		34,468	
	Lease Adjustment Account	(20,455)		(20,455)	
	(Profit)/Loss on Sale of Assets (net)	1,347		(8,239)	
		10,744,212		8,713,257	
			10,744,212		8,713,257
	Adjustments for :				
	Decrease / (Increase) in Advances	(31,349,406)		(52,152,741)	
	Decrease / (Increase) in Other assets	3,925,326		(4,326,132)	
	Decrease/ (Increase) in Investments	(56,021,300)		(17,121,232)	
	Increase / (Decrease) in Deposits	61,383,837		49,996,726	
	Increase / (Decrease) in Other liabilities	2,346,097		192,277	
	Less: Direct Taxes Paid	(3,185,562)		(2,506,900)	
	Net Cash flow from / (used in) Operating Activities		(12,156,796)		(17,204,745)
(B)	Cash Flow from Investing Activities				
	Purchase of Fixed assets / leased assets	(517,200)		(496,998)	
	Sale of Fixed assets/ Leased assets	11,431		19,662	
	Interest received	2,642		1,562	
	Net Cash flow used in Investing Activities		(503,127)		(475,774)
(C)	Cash Flow from Financing Activities				
	Proceeds from issue of shares	47,296		291,371	
	Share premium collected	1,290,195		9,505,181	
	Dividend Paid	(796,389)		(520,321)	
	Increase/(Decrease) in Borrowings	8,147,698		15,495,771	
	Net Cash Flow from Financing Activities		8,688,800		24,772,002
	Net Increase/ (Decrease) in Cash and Cash Equivalents		(3,971,123)		7,091,483
	Cash and Cash equivalents as at the beginning of the year		32,305,926		25,214,443
	(Including Money At Call and Short Notice)				
	Cash and Cash equivalents as at the end of the year		28,334,803		32,305,926
	(Including Money At Call and Short Notice) - Refer Schedule 6 & 7				

As per our report of even date

For B S R & Co.
Chartered Accountants
Firm's Registration No.: 101248W

Zubin Shekary
Partner
Membership No.: 048814

Place : Mumbai
Date : 29 April 2013

For and on behalf of the Board

Arun Thiagarajan
Chairman

Sanjeev Aga
Director

CONTENTS	Page No.
1. Scope of Application	147
2. Capital Structure	147
3. Capital Adequacy	148
4. Credit risk : General Disclosures for All Banks	149
5. Credit Risk : Disclosures of Portfolios subject to the Standardised approach	153
6. Credit Risk Mitigation : Disclosures for Standardised Approach	154
7. Securitisation : Disclosure for Standardised Approach	154
8. Market Risk in Trading Book	155
9. Operational Risk	157
10. Interest Rate Risk (IRR) in the Banking Book	159

1. Scope of application

ING Vysya Bank is a Commercial Bank, originally incorporated on March 29, 1930 as "The Vysya Bank Ltd." The name of the Bank was changed to "ING Vysya Bank Limited" (IVBL) and fresh certificate of the change in name was given on November 01, 2002. ING Vysya Financial services Limited (IVFSL) is the wholly owned subsidiary of IVBL. The consolidation with the subsidiary ING Vysya Financial Services Limited is as per Accounting Standard 21 (AS-21). Since IVFSL is engaged only in marketing of IVBL products as well as providing referral services for the Bank it is not in the scope of regulatory consolidation. While computing the Bank's Capital to Risk Weighted Assets Ratio (CRAR), the Bank's investment in the equity capital of the wholly owned subsidiary is deducted 50% from Tier 1 capital and 50% from Tier 2 capital. The subsidiary of the Bank is not required to maintain any regulatory capital. The Bank has no interest in any insurance entity.

2. Capital Structure

The authorized equity share capital of the Bank is ₹ 350 Crore consisting of 35 Crore equity shares of ₹ 10/- each. As of March 31, 2013, the issued capital stood at ₹ 155.14 Crore consisting of 15.51 Crore of equity shares of ₹ 10/- each. The subscribed and paid up share capital is ₹ 154.85 Crore consisting of 15.49 Crore equity shares of ₹ 10/- each. The equity share capital of the Bank is as per the provisions of the Companies Act, 1956 and any other applicable laws or regulations.

The debt capital of the Bank includes perpetual debt that qualifies as Tier 1 capital and subordinated and upper tier 2 debt that qualifies for inclusion as Tier 2 capital. The tier 1 perpetual bonds are non-cumulative and perpetual in nature and carry a call option after 10 years with an interest step up of 100 bps. The interest on these bonds is payable quarterly. The Upper tier 2 bonds are cumulative in nature with an original maturity of 15 years and a call option after 10 years. There is an interest step up option after 10 years of 100 bps. The interest on these bonds is payable quarterly.

The repayment of principal and payment of interest on all the types of bonds mentioned above are as per the RBI regulations issued in this regard.

Capital Funds

(₹ in Crs)

Total Capital Funds (unadjusted)	5,786.52
Tier I Capital	
Paid-up Capital	154.85
Reserves and Surplus	4,344.06
Innovative Perpetual Debt Instruments	120.68
Total Tier I Capital (Unadjusted)	4,619.59
Deductions	
Investments in Subsidiaries	1.05
Deferred Tax Asset	128.60

Capital Funds

(₹ in Crs)

Other Intangible Assets	16.03
Illiquidity Adjustment	21.34
<i>Total Deductions</i>	<i>167.02</i>
Total Tier I Capital (Adjusted)	4,452.57
Tier II Capital	
Upper Tier II Bonds	363.93
Subordinated Debt eligible for Lower Tier II	607.60
Revaluation Reserves	46.25
General Provisions and loss Reserves	149.15
Others	0.00
Tier II Capital (Unadjusted)	1,166.93
Deductions	
Investments in Subsidiaries	1.05
Total Deductions	1.05
Total Tier II Capital (Adjusted)	1,165.88
Tier I & Tier II Capital (Adjusted)	5,618.45

Debt capital instruments eligible for inclusion under Tier-1 and Tier-2 capital

(₹ in Crs)

	Tier 1	Upper Tier 2	Lower Tier 2
Total amount outstanding as at 31 March 2013 – INR and Foreign currency	120.68	363.93	906.00
Amount raised during the year – INR and Foreign currency	Nil	Nil	306
Amount eligible to be reckoned as capital funds - INR	120.68	363.93	607.60

Notes:

1. Foreign Currency amounts are reported in INR at the forex rate as at 31 March 2013.
2. For calculating amount to be considered as Capital Funds, value of instruments is discounted at different rates based on residual maturity.

3. Capital adequacy

The Capital adequacy assessment process of the Bank is intended to ensure that adequate level of capital and an optimum mix of the different components of capital is maintained by the Bank to support its strategy. This is integrated with the Bank's annual planning process that takes into consideration the growth assumptions across business segments and mapping of the relevant risk weights to this projected growth so that adequate capital is maintained to cover the minimum regulatory requirement and a reasonable cushion over the regulatory minimum.

Capital is actively managed at an appropriate level of frequency and regulatory ratios are a key factor in the Bank's budgeting and planning process with updates of expected ratios reviewed regularly during the year by Asset and Liability Committee (ALCO). The Bank's ALCO has set internal triggers and target ranges for capital management, and oversees adherence with these on an ongoing basis. The Board also oversees the capital adequacy of the Bank on a quarterly basis.

Summary of the Bank's capital requirement as at March 31, 2013 is presented below:

(₹ in Crs)

Capital requirements for Risk Types		Amount
A	Capital requirements for Credit Risk	3,363.89
	Portfolios subject to standardized approach	3,302.41
	Securitization exposures	61.48
B	Capital requirements for Market Risk	207.60

Capital requirements for Risk Types		Amount
	Standardized duration approach	
	Interest rate risk	167.43
	Foreign exchange risk (including gold)	29.25
	Equity risk	10.92
C	Capital requirements for Operational Risk	
	Basic Indicator approach	246.44
D	Total Capital requirements for above Risk types	3,817.94
E	Total Risk Weighted Assets	4,2421.55
F	Total Available Capital Funds of the Bank	5,618.45
	Capital Adequacy Ratio of the Bank – Total (F / E)	13.24%
G	Total Tier I Capital Available	4,452.57
	Capital Adequacy Ratio of the Bank - Tier I (G / E)	10.49%

4. Credit risk – General disclosures

Credit risk management – Policy framework

For the identification, measurement, mitigation, monitoring and governance of Credit Risk, the Bank has laid down various Policies like Credit Risk Policy, Country Risk Policy, Counterparty Risk Policy, Customer Appropriateness and Suitability Policy, and Break Clause Policy. Other documents related to the New Capital Adequacy Framework implementation in the Bank like Stress Testing Policy, ICAAP Policy, Credit Risk Mitigation and Collateral Management Policy have also been laid down. The policies generally define :

- Exposure Norms,
- Underwriting standards,
- Regulatory requirements, and
- Negative list and restricted exposures.

These policies are reviewed annually or more frequently if required. Exhaustive Credit Risk manuals and guidelines detailing the mode of implementation of the policies have also been put into practice.

Credit risk management – Structural framework

The Bank manages its Credit portfolio strictly within the regulatory guidelines and requirements. The Credit risk management within the Bank is organized as below:

Risk Management and Review Committee (RMRC) of the Board is primarily responsible for owning and managing Credit Risk through Policies, Processes and Controls in the Bank. The committee meets at least once in a quarter and is also responsible for approvals of various Policies.

The Chief Risk Officer (CRO) manages the Risk Policies and Processes, Credit MIS & Infrastructure, Risk & Capital Analytics, Credit Risk Assessment and Credit Approvals. Credit Risk Assessment as well as Credit Approvals are bifurcated Business Unit wise (Wholesale and Retail) to provide specified support oriented towards that line of business. CRO also oversees the Loan Review function (LRD) which is responsible for conducting Portfolio reviews; sample reviews of approvals and Asset classification. Further, Debt Management and Special Loans Management Group (SLMG) which manages irregular accounts also reports into CRO. The CRO is assisted by other executives at Corporate Office and Zonal / Regional Offices to carry out the above mentioned functions.

The organization structure further consists of:

- Credit Policy Committee (CPC) – It reports into RMRC. CPC is involved in formulating all relevant policy guidelines and procedures and ensuring compliance to Reserve Bank of India ('RBI') guidelines on credit related matters;
- Board Credit Committee (BCC) - It approves Credit exposures beyond a particular limit, based on the line of business e.g. Emerging Corporates Group – ₹ 200 Crs, Retail Bank- ₹ 100 Crs;
- Joint Monthly Meeting (JMM) – It is responsible for monitoring and review of health of Portfolio at Corporate Office and Zonal Offices level. However, the JMMs have no credit approval powers;

- Asset Recovery Management Committees (ARMC's) – These committees functioning at the Corporate and Zonal offices are responsible to discuss and take action on irregular accounts. They also monitor delinquencies, identify 'Watch List' accounts, and give guidance on remedial management;
- Operations function – It is responsible to assure high standards of loan documentation, security creation and compliance with pre-disbursal terms and conditions;
- Debt Management and Special Loan Management Group (SLMG) – are involved in recovery and management of delinquent accounts, including enforcement of securities, legal action through Debt Recovery Tribunal (DRT) or other processes etc. SLMG also computes the loan loss provisions as per regulatory requirements.

Credit Approval

The Bank dispensed with the Committee approach except at the highest level and switched over to Signature Approval Process (SAP). Business Units and Credit Approval functions accord sanctions jointly. Credit Risk function deals with the Risk profiling of the Client, provides credit rating for the client, and also suggests mitigants.

Credit Risk Management - Models / Methods / Processes

The Credit Risk Policy is a business oriented statement, within the purview of regulatory requirements. It is one of the core Credit Risk Management documents, and is reviewed at least once in a financial year, or more frequently if necessitated by the changing business environment. The policy describes attributes of an "Acceptable Borrower / Facility" for the Bank. It also defines the financial requirements of the borrower, and specifies the exposure and the lending norms. The exposure norms - prudential, industry, sector are also outlined in this document, which is subjected to review based on the economy and the health of the portfolio.

The "Restricted List" reflects the industries / activities where care is taken while lending which is reflected by the higher level of authority for such sanctions. The 'Negative Lists' of industries / activities reflect those sectors/ line of activities which are not in line with the Risk Appetite of the Bank. Hence, exposures to these segments are not to be approved.

The Bank follows the below mentioned principles to manage credit risk:

- Standard appraisal and underwriting standards for approval of credit exposures. Different rating models, depending upon the type and size of borrower are prescribed. For Corporates, commodity traders, banks & financial institutions, appropriate Basel Compliant Rating Models (developed originally by ING) are followed. For emerging corporate, Business Banking and certain types of Agriculture exposures, an internally developed rating model is in place. Certain template products under Business Banking are put through score card based selection methods.
- Exposure and tenor caps based on risk rating of the borrower as prescribed in Credit policy. Further, individual and Group exposure norms, as per the 'Prudential Norms' of RBI are followed. These guidelines ensure that there is no credit concentration on any individual corporate or group. Apart from this, a Risk-grid has been established, where individual exposure limits and tenors are capped based on risk rating of the company/borrower. To ensure dispersal of credit risk across different industries / segments, the Bank has prescribed specific ceilings on those industries where it has substantial exposures.
- There is emphasis on efficient credit administration, covering obtaining proper legal documentation, follow up on covenant compliance, day-to-day transactions, periodical unit visits /security verification, monitoring & follow-up and recovery.
- Country and Counterparty risks are reviewed by specialized functions and deviations from established procedures or limits are reviewed on a regular basis at JMM, RMRC or other forums.
- Credit Audit is conducted at various offices which act as dispensation points / approval authorities in addition to vertical audit of various credit products. Process Audit is also conducted for processes which are critical. Risk based audit of branches also addresses credit risk aspects at the time of audit of branches / offices.

As a general principle, the Credit Risk Policy stipulates churning of 5% of accounts on a Year-on-Year basis to ensure outward movement of irregular accounts and inward movement of fresh accounts.

Stress testing and scenario analysis

Stress testing framework and a process of stress testing have been elaborated in the Stress testing policy of the Bank. The Policy applicable to the Bank is in accordance with the RBI circular DBOD.No.BP.BC.101/21.04.103/2006-07 on stress testing.

Significant Risk Factors affecting the Bank in the preceding year with respect to default levels and economic conditions and management reactions to the same

CRMD constantly reviews credit growth, portfolio concentrations, delinquencies, NPA accretions, etc., at regular intervals. Based on this, decisions like tightening product norms, discontinuing certain products in specified geographies, moderating sector exposures, exiting potential problem accounts, etc., are taken. These are reviewed at Zonal and Corporate Office levels.

The Executive Asset Recovery Management Committee (EARMC) at the Corporate Office (for outstanding of $\geq$ ₹ 1 crore) and Zonal EARMCs (for outstanding of $<$ ₹ 1 crore) are the acting bodies for reviewing irregular accounts and suggest strategies for recovery. Portfolio / Industry reviews are placed to the Risk Management Committees for their review and feedback. Product reviews/ modifications are placed to Product Approval and Review Process (PARP) Committee. In the current financial year, while the Bank has observed reduced levels of default and additions to NPA as compared to the previous financial year, concerns persist with respect to slow down in business, liquidity problems due to poor recovery of debtors, project delays which has added to the recovery concerns of the financing banks.

Definitions of “past due” and “impaired” within the Bank

Bank follows the prudential norms prescribed by RBI and the definitions of ‘past due’, ‘Out of Order’ and ‘Overdue’ are as under:

- ***Impaired / Non – Performing Assets (NPAs)***

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank. A NPA is a loan or an advance where:

- a) interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan;
- b) the account remains ‘out of order’ for a period of more than 90 days in respect of an overdraft / Cash Credit (OD / CC);
- c) a bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- d) for short duration crop loans, an installment of principal or interest thereon remains overdue for two crop seasons;
- e) For long duration crop loans, an installment of principal or interest thereon remains overdue for one crop season.

- ***Out of order / past due status***

An account is treated as ‘out of order’ if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits for a continuous period of 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are also regarded as ‘out of order’.

- ***Overdue***

Any amount due to the Bank under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the Bank. Overdues greater than 30 days are reviewed at regular intervals. Overdues greater than 60 days are included in ‘Watch List’ / ‘Stressed Accounts’ and monitored on continuous basis.

Details of Credit risk exposure

Gross Credit Risk / Exposures as on 31 March 2013	(₹ in Crs)
Fund based exposure	52,312.66
Non- Fund based exposure	13,902.53
Total	66,215.19

Notes :

- Fund based exposures include Funded Net Advances outstanding of ₹ 31,772.03 cr., Investments of ₹ 18,278.23 cr., Balances with RBI & Banks of ₹ 2,262.40 cr., and excludes Cash in hand, Fixed Assets and Other assets.
- Non fund based exposures include Letter of Credit & Bank Guarantees of ₹ 10,118.95 cr. and the Loan Equivalent Factor (‘LEF’) of ₹ 3,783.58 cr. LEF portion includes positive MTM without benefit of Bilateral netting in line with RBI’s guidelines on Capital Adequacy.
- The above numbers exclude fixed assets, other assets and cash in hand, although they have been reckoned as exposures and capital maintained for the same.

Distribution of credit risk exposure by Industry type

(₹ in Crs)

Industry classification	Total Fund based Outstanding (excluding investments)
Agriculture and allied activities	1,407.00
Industry – Micro, Small, Medium & Large	14,583.20
Services (excluding Trade, CRE & NBFC detailed below)	5,621.30
Trade	3,569.98
Commercial Real Estate	1,208.42
NBFC	806.69
Consumer Finance	5,143.75
Total	32,340.34

Note: The above numbers are the Gross Advances outstanding as reported to RBI as of 31 March 2013.

The Bank has exposures in the domestic segment only.

Residual contractual maturity breakdown of assets

(₹ in Crs)

Maturity Bucket	Cash and Balances with Banks	Investments	Advances	Other Assets including Fixed Assets
1 day	819.04	637.19	790.03	214.07
2 - 7 days	754.77	2,887.89	2,272.65	0.09
8 - 14 days	74.01	551.96	2,073.81	0.14
15 to 28 days	100.28	1,103.49	2,751.96	0.46
29 days to 3 months	330.13	2,846.52	3,322.32	22.38
Over 3 months and up to 6 months	138.28	1,335.72	3,110.24	17.55
Over 6 months and up to 1 year	203.30	2,100.47	4,637.16	463.76
Over 1 year and up to 3 years	158.25	2,868.52	5,271.07	232.86
Over 3 years and up to 5 years	126.89	2,183.66	2,805.09	239.92
Over 5 years	128.52	1,762.82	4,737.70	761.49
Total	2,833.47	18,278.23	31,772.03	1,952.72

Movement of NPAs and Provision for NPAs – net of provision

Amount of NPAs (Gross) :

(₹ in Crs)

	31 Mar 2012	31 Mar 2013
Substandard	54.60	51.00
Doubtful 1	76.41	2.00
Doubtful 2	18.50	68.39
Doubtful 3	0.00	0.00
Loss	0.00	0.00
Gross NPA	149.51	121.39

Net NPAs:

(₹ in Crs)

	31 Mar 2012	31 Mar 2013
Net NPA	52.50	9.10

NPA Ratios:

	31 Mar 2012	31 Mar 2013
Gross NPAs to gross advances	0.52%	0.38%
Net NPAs to net advances	0.18%	0.03%

Movement of NPAs (Gross):

(₹ in Crs)

	31 Mar 2012	31 Mar 2013
Opening balance as on	155.38	149.51
(+) Additions	172.83	193.86
(-) Reductions	178.70	221.98
Closing balance as on	149.51	121.39

Movement of provisions for NPAs:

(₹ in Crs)

	31 Mar 2012	31 Mar 2013
Opening balance as on	Nil	37.02
(+) Provisions made during the period	89.03	84.31
(-) Write-off	52.01	68.88
Closing balance as on	37.02	52.45

Movement of Non-Performing Investments (NPIs) and Provision for depreciation on investments
Amount of provisions held for non-performing investments:

(₹ in Crs)

	31 Mar 2012	31 Mar 2013
Opening balance as on	30.05	30.00
(+) Provisions made during the period	-	-
(-) Write-off/Write-back of excess provisions	0.05	-
Closing balance as on	30.00	30.00

Amount of non-performing investments: ₹ 30.00 cr. as on 31 March 2013
Movement of provisions for depreciation on investments

(₹ in Crs)

	31 Mar 2012	31 Mar 2013
Opening balance as on	35.41	34.99
(+) Provisions made during the period (incl. provision for NPA investments)	-	11.01
(-) Write-off/Write-back of excess provisions	0.42	2.30
Closing balance as on	34.99	43.70

5. Credit Risk: Disclosures for Portfolios subject to the Standardized Approach
Use of rating agencies

RBI has identified six domestic credit rating agencies (CARE, CRISIL, FITCH India, ICRA Limited, Brickwork and SMERA) and three international credit rating agencies (Fitch, Moody's and Standard & Poor) whose rating assessments can be used by the banks for their capital assessment under standardized approach. Bank loan rating spanning facility and borrower ratings available in the public domain are used for the capital adequacy assessments and these ratings are used and applied in accordance with the prevalent regulatory guidelines.

Details of Gross credit exposure based on Risk Weight

(₹ in Crs)

Risk bucket	Amount as on 31 Mar 2013
Below 100% risk weight	39,934.00
100% risk weight	20,349.98
More than 100% risk weight	4,680.80
Deducted	2.10

6. Credit Risk Mitigation: Disclosures for Standardized Approach

Policies & Procedures

The Credit Risk Mitigation and Collateral Management Policy approved by the Board sets the framework for collateral acceptance, valuation and management within the Bank. This covers the types of collateral taken by the Bank and defines the process for valuation and management of these collaterals. This covers collateral management on a Macro level and from the point of view of the new capital adequacy framework (Basel II).

Bank has utilized credit risk mitigation in the case of Bank's own deposits, Government Securities, Debt Oriented Mutual Funds and gold, wherever the Collateral is identifiable, marketable and enforceable and complies with RBI requirements. Sovereign exposures and Sovereign guaranteed exposures are risk weighted as per RBI directives.

A system of physical verification / periodical updation of the valuation of the collateral (within a period not exceeding three years) are followed. For Housing Loans, the frequency of valuation has been decided as once in 5 yrs. Periodicity for unit visits also is prescribed in the Credit Risk Policy and the Credit Risk Manuals. The Bank has set up Credit Operations Team/s (Business Banking and Agri & Rural Banking Operations, General Lending Operations, Consumer Finance Operations) at all important centers to ensure perfection of documentation and to comply with charge registration matters. Electronic filing of Charge Registration with ROC in digital format is ensured by Operations. Insurance of securities is also assured. The Bank complies with RBI requirements for collateral eligibility to be treated as a Credit Risk mitigant.

Types of collateral taken by the Bank

The main types of collateral taken by the Bank are Current Assets, Plant and Machinery, Land and Building, Liquid Assets like gold, cash or fixed deposits with the Bank, Capital Market related collaterals, Guarantees provided by promoters, Central Government, State Government, Banks, Financial Institutions, Other Corporates, or by Export Credit Guarantee Corporation (ECGC).

The exposure (after on- or off-balance sheet netting where applicable) that is fully covered by eligible financial collateral after the application of haircuts - INR 1,250.40 cr.

Type of Guarantor / Counterparty and their Credit Worthiness

The types of guarantees recognized for credit risk mitigation are guarantees by Central Government, State Governments, ECGC, Banks and Corporates. The effect given for these guarantees are in line with RBI stipulations.

For each separately disclosed credit risk portfolio, the total exposure* (after on- or off-balance sheet netting where applicable) that is covered by guarantees / credit derivatives (where specifically permitted by RBI) = INR 2,468.54 Crs.

** exposure in case of non-fund based refers to outstanding adjusted for Credit Conversion factor.*

Concentration risk within the Credit Risk Mitigants taken

The Bank does not face concentration risk arising out of certain types of borrowers/ industries/ tenor as Caps have been set and are monitored. Concentration risk in terms of the mitigation taken also does not arise as the range of collateral taken, the type of borrower offering it, the location of the collateral are varied.

7. Securitization: Disclosure for Standardized Approach

In respect of securitization transactions, the Bank has outstanding investment in Pass through certificates where the Bank's role is limited as an investor. The Bank monitors market risk on the securitization exposures mainly through daily calculation of mark to market and Value at Risk (VaR) measures.

Portfolio buy-outs

In addition to the above, the Bank purchases loans through direct assignments. The main portfolios that are purchased are Road Transport Operator loans, Loan for purchase of Agricultural implements. These buy-outs are as per the Portfolio Buy-out Policy of the Bank.

Quantitative Disclosures – Banking book

Aggregate amount of securitization exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach - Nil

Exposures that have been deducted entirely from Tier 1 capital, credit enhancing Interest Only Strips deducted from total capital, and other exposures deducted from total capital (by exposure type) - Nil

Quantitative Disclosures – Trading book

- a) Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures and which is subject to the market risk approach, by exposure type – NIL
- b) Aggregate amount of securitization exposures retained or purchased as on March 31, 2013 INR 1,821.39 crores

(₹ in Crs)

Sl. No	Type of securitization (Investment in PTC)	Amount (BV)
Securities purchased		
1.	Housing Loan Receivables	39.19
2.	Transport/Commercial Vehicles & Construction Equipments	1,476.56
3.	Others	305.64
	Grand Total	1,821.39

- c) Aggregate amount of securitization exposures retained or purchased separately for:

- Securitisation exposures subject to the securitisation framework for specific risk broken down into different risk weight bands

(₹ in Crs)

Risk Weights	20	30	50	Total
Exposure	596.15	211.79	1,013.45	1,821.39
Capital Charge	10.65	5.88	44.95	61.48

Note: The above mentioned securitized portfolio is classified under Available for Sale (AFS).

8. Market risk in trading book

Market Risk Management – Policy framework

The base for management of Market Risk is the Board approved Investment Policy that lays down the scope. It also reflects the Market Risk appetite of the Bank and lays down adherence to regulatory guidelines. All limit types pertaining to investment or trading activities are detailed in this policy. In addition, product mandates control the type and nature of products invested or traded in.

The Risk Management Review Committee (RMRC) of the Board has approved the Investment Policy for the financial year 2012-13. The policy is reviewed on a half-yearly basis or more frequently, as deemed appropriate.

Market Risk Management – Governance framework

The Market Risk Management Department (MRMD) reports to the CRO. MRMD identifies, measures, reports and controls the market risk exposures in the Bank. The market risk due to the volatility of market variables is managed by active monitoring of Board-approved limits. Further to limit setting and monitoring, the Bank's market risk is monitored through statistical tools like VaR, Basis Points Value (BPV), and Present Value 01 and event risk calculations on all trading portfolios.

The Board and senior management are kept informed of the market risk issues and exposures on a regular basis. The Board approves the objectives, processes and policies of the Market Risk Department. At regular intervals, notes are placed before the senior management and Board to assess the treasury operations and market risks inherent in such operations. The treasury review is placed on a monthly basis and includes a separate section on market risk. Any approval for limit excesses is sent to the appropriate authority (including the Board, if required) as per the Investment Policy on delegated authority.

ALCO actively meets and discusses the investment, interest rate risk and liquidity issues besides looking into Asset Liability Management (ALM) and investment policies related matters. The Financial Markets (FM) function, on behalf of ALCO, manages the day-to-day operations. ALCO reports to the Board through the RMRC.

The Market Risk Management Department in the Bank operates independently, of the treasury dealing room. It monitors the operations of the treasury front office and checks the limits as laid down in the policy. The exposures are reported finally to management.

In order to further strengthen the control environment, Bank has set up Financial Market Mid Office (FM Mid office). It operates independently of the dealing room and involves activities such as analysing exception, Of f-market trade analysis, Monitoring of deal data base with focus on deletions, modification of deals, completeness of deal processing, static data maintenance and for monitoring.

Market Risk Management - Models / Methods/ Processes

The tools used for measuring, monitoring and controlling market risks are commensurate with the nature and composition of the investments and trading activities of the Bank.

Limit checks, revaluation and pricing of securities are independently done on a daily basis through MRMD's own systems. The Bank uses an in-house developed module to capture VaR, and the same is back tested for model effectiveness as well. The variance/covariance method is used for calculating VaR for a 1-day horizon at 99% confidence level. Historical method is used to calculate FX-Options VaR. 250-days historical simulation is applied at 99% confidence. The module also calculates the bpv's and stress scenarios.

FX risk in the books is independently controlled on an overall basis by MRMD through monitoring:

- Day light limits
- Overnight limits
- Nostro limits
- Stop loss limits
- Gap limits
- Overall Position limits

The Investment Policy does not allow any fresh equity positions. The current minor equity positions, are largely illiquid but the Bank explores the possibility of a sale as and when an opportunity arises.

Stress testing and scenario analysis

The framework and scenarios for stress testing have been outlined in detail in the Market Risk Measurement Policy. While the Value at Risk methodology assumes 'normality', reality has shown problems with this assumption. In general, it turns out that extreme scenarios are more likely to happen than what is to be expected under the assumption of normality. In order to be aware of extreme swings, the Bank undertakes stress tests. For event risk, a set of possible combinations is calculated. Based on the outcome of the results, limits may be adjusted and re-approved by competent authority.

There are broadly two categories of stress tests used, viz. sensitivity and scenario tests. Sensitivity tests are normally used to assess the impact of change in one variable on the Bank's position. Scenario tests include simultaneous moves in a number of variables.

As per Basel II, the stress test limits are set in such a way that it never exceeds more than 20% of the Bank's capital. Accordingly, the other risk limits are derived from this principle.

Portfolios covered by standardized duration approach

The following portfolios are covered by the standardized duration approach:

- AFS (available for sale)
- HFT (held for trading) for Money Market, Foreign Exchange and derivatives
- Foreign Exchange from banking books

The market risk positions subject to capital charge requirement are:

- (i) The risks pertaining to interest rate related instruments and equities in the trading book
- (ii) Foreign exchange risk (including open position in precious metals) throughout the Bank (both banking and trading books)

Capital requirements for Market Risk

(₹ in Crs as of 31 March 2013)

Interest Rate (a+b)	167.43
a. General Market Risk	90.40
b. Specific Risk	77.03
Equity (c+d)	10.92
c. General Market Risk	4.85
d. Specific Risk	6.06
Foreign Exchange and Gold	29.25
Total Capital Charge for Market Risk	207.60
RWA for market risks	2,306.72

9. Operational risk

The Bank has defined operational risk as “The Risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events”. This definition includes legal risk, but excludes strategic and business risks.

For effective management of the Bank's Operational Risk, the Bank has developed a comprehensive Operational Risk Management Framework (ORMF), supporting the process of identifying, measuring and monitoring Operational, Information and Security risks. The Bank's Operational Risk Management Framework is well embedded in the day-to-day business management through various policies such as Anti-Fraud, IT Security, Business Continuity, Personal Security, Physical Security, etc. and supporting minimum standards.

In order to make the operational risk management process more effective and integrated for the business units, legal, compliance and operational risk functions in the Bank work in an integrated manner with similar processes for identifying and measuring the risks.

Operational Risk - Management framework

For effective management of the Bank's operational risk exposure, the Bank has set up an independent Operational Risk Management (ORM) function. The function reports to the Chief Risk Officer (CRO) and is responsible for development of specific policies, frameworks, minimum standards and risk management processes for effective management of the Bank's Operational, Information and Security risks.

The Bank's Operational Risk Management Framework is aligned with the COSO Enterprise Risk Management Framework. The framework consists of eight principal components, each of which super-impose the other components for effective management of Operational Risk and aims to integrate the management of operational risk in daily business activity. The framework helps business management by providing enhanced capabilities to factor the risk in their daily business decisions, through aligning strategy and risk appetite, thereby facilitating an effective management of the Bank's operational risks.

The Bank's ORMF is approved and reviewed on a periodic basis by the Board and the Country Non Financial Risk Committee is responsible to ensure uniform implementation of the framework across the Bank.

Operational Risk - Management structure

Within the Bank's overall risk governance, Operational Risk Management forms part of the Bank's Non Financial Risk Governance. Internally, the risks managed under Non Financial Risk include Operational, Legal and Compliance risk. The Bank has a well defined operational risk management structure with Non Financial Risk committees (NFRCs) being set up at Country and Business Line (Retail, Wholesale and Private Banking) level. The core members of the committee include representatives from Business, Operations, IT, HR and Risk Management functions. The business line NFRCs are set up for Wholesale and Retail Banking functions of the Bank and meet periodically to discuss Operational Risk issues, and take necessary steps to mitigate the risks. The Country NFRC is held on a quarterly basis and is chaired by the Managing Director & Chief Executive Officer (MD & CEO).

In addition to the NFRCs, the Risk Management and Review Committee (RMRC) at the Board level meets periodically to analyze and take necessary steps to mitigate the risks that the Bank is exposed to. The Board and senior management are kept informed of operational risk issues on a periodic basis.

Operational Risk - Reporting

The Bank uses the Non-Financial Risk Dashboard (NFRD) as an operational risk reporting tool. The NFRD provides a clear overview to the management on the key operational risk issues along with their risk rating, thereby enabling the management to prioritize and take effective decisions on risk mitigation. The report also provides an overview on the progress of the mitigation plans along with a due date and person to act for the identified operational risks. The NFRDs are published for the Board, Senior Management and Business Managers on a periodic basis, and forms as a key source of information for management discussions at the NFRCs.

Operational Risk - Strategies and Processes

For effective risk management, the Bank has adopted 'three lines of defense' model. The Business forms part of first line of defense and are responsible for execution of IVBL's risk policies, minimum standards and framework set by the second line of defense. The risk management function forms part of the second line of defense and are responsible to partner and support the first line of defense in their risk management activities. The corporate audit service forms part of the third line of defense and are responsible to provide an independent assurance of the design and effectiveness of internal controls over the risks.

The Bank promotes effective management of Operational, Information and Security risk by involving the Business Units in the risk management process. This is achieved by raising operational risk awareness, increasing transparency, improving early warning information system, and allocating risk ownership and responsibilities. While the Operational Risk Management function supports the Business Units in identifying and assessing the operational risk exposure, the Business Units are responsible to take appropriate steps to put controls in place for the operational risks.

The operational risk assessment has been made an integral part of the Bank's risk management process through assessment of outsourced activities, product reviews, product approval, and project risk assessment. The Bank uses various tools and processes for identification, assessment and monitoring of operational risk. The table below gives an overview of the risk management processes and the tools used for effective management of operational risks.

Risk Management Processes	Examples of risk management tools
Risk Governance	- Non Financial Risk Committee
	- Compliance program
	- Product Approval process
	- Risk awareness programs
Risk Identification	- Risk and Control Self Assessments
	- Detailed Risk Assessments
	- Operational Risk events
Risk Measurement	- Incident Reporting and Analysis
	- Scenario Analysis
Risk Monitoring	- Audit Findings Action Tracking
	- Key Risk Indicator reporting
	- Key Control Testing
	- Non Financial Risk Dashboard
Risk Mitigation	- Information Security plans and implementation
	- Crisis management planning
	- Personal and physical security planning

The Bank uses the internal risk footprint for risk rating the operational risk issues. Further the Bank sets and reviews its Operational Risk Appetite and tolerance on an annual basis and monitors its risk profile against the set appetite and tolerance levels.

For the purpose of effective management of all operational events that occur across the Bank, the Bank has set up a robust centralized loss data capture process which ensures that all loss information is adequately captured, communicated and required actions are undertaken.

Operational Risk - Capital

The Bank currently qualifies for the Basic Indicator Approach operational risk capital assessment. The capital requirement for operational risk has been estimated as per the Basel II related regulatory guidelines prescribed by the Reserve Bank of India.

10. Interest Rate Risk (IRR) in the banking book

Changes in interest rates affect a Bank's earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. For the purpose of monitoring and management, interest rate risk is separated into four sources: re-pricing risk, yield curve risk, basis risk, and optionality.

Identification, measurement, mitigation, monitoring and governance of IRR are prescribed in and followed as per the directions in the Market Risk Measurement Policy and the Investment Policy.

Interest rate risk arising due to re-pricing of those assets and liabilities which do not have a maturity date (e.g. Current deposits, Savings Accounts, and Cash Credit/Overdraft products) is managed by distributing these assets into various maturity buckets based on an approved 'replication model'. The model is independently developed by Market Risk and is approved by ALCO as directed by RBI before application. This model is reviewed on a yearly basis (or in case of changing market conditions, as deemed appropriate). The model primarily assumes a core portion of these products as long-term assets/liabilities and replicates the same in higher tenure buckets (versus volatile portion which is replicated in the short term).

Similarly, risk arising due to loan prepayments and/or deposit pre-closures is also managed by levying a penalty on such transactions. Market Risk independently ascertains the cost of such 'optionality' through respective behavioral studies on an annual basis and the same is approved by ALCO on a yearly basis. The cost of optionality in the study is derived using the historical pre-closure values.

Market risk manages the interest rate risk of the banking books by pro-actively and periodically employing the tools as mentioned above. Managing and monitoring the interest rate risk exposure arising out of normal business activity is executed within the following risk limits / framework:

- Mismatch per bucket (cumulative and normal gap limits);
- Earnings at Risk limit;
- VaR limit for ALM book and fraction VaR limit for the Capital book;
- Event risk limit; and
- Duration mismatch.

The type and level of structural and mismatch interest rate risk of the Bank is managed and monitored from two perspectives, being an economic value perspective and an earnings perspective.

Economic Value perspective involves analyzing the impact of changes in interest rates on expected cash flows on assets, minus the expected cash out-flows on liabilities, plus the net cash flows of off-balance sheet items.

Earning perspective involves analyzing the impact of changes in interest rates on accruals or reported earnings in the following year. This is measured by Net Interest Income (NII) or Net Interest Margin (NIM). The Bank combines both methodologies to analyze both effects simultaneously.

Earnings impact perspective

(₹ in Crs as of 31 March 2013)

	TOTAL (INR)	INR	EUR	USD	GBP	JPY
EaR 100 bps parallel (Year 1)	-20.36	-23.63	0.72	2.55	-	-
EaR 100 bps parallel (Year 2)	-37.28	-38.16	0.04	0.84	-	-
EaR 100 bps parallel (Year 3)	-50.60	-50.98	-0.03	0.40	-	-

Economic Value perspective

(₹ in Crs as of 31 March 2013)

NPV Impact	Total	INR	EUR	USD	GBP	JPY
NPV at Risk 50bps	-78.87	-80.84	0.30	1.63	0.03	-
NPV at Risk 100bps	-157.75	-161.68	0.60	3.26	0.07	-

Foreign currency numbers converted to INR have been rounded off to nearest decimal.



ING VYSYA BANK

Regd. & Corporate Office, 'ING VYSYA House', No. 22, M. G. Road, Bangalore 560 001, India.
www.ingvysyabank.com