

79th ANNUAL REPORT
2009-10



Ten years at a glance

(All Figures in Rs. 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
2000-01	8141.11	4316.31	2695.11	1013.14	37.19	22.62	630.12	35	5906	381	103
2001-02	8068.28	4418.33	3597.2	1203.93	68.75	22.62	663.72	35	5647	380	96
2002-03	9186.62	5611.61	3640.54	1262.83	86.35	22.62	684.35	40	5334	379	64
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	2246.04	25*	6249	482	13

* Subject to approval of shareholders



BOARD OF DIRECTORS

K R Ramamoorthy
Chairman

Shailendra Bhandari
Managing Director and CEO
(from 06-Aug-2009)

OTHER DIRECTORS

Aditya Krishna
Arun Thiagarajan
Lars Kramer (from 28-Apr-2010)
Meleveetil Damodaran
Philippe Damas
Ramakrishnan Subramanian (till 04-Sep-2009)
Richard Cox
Ryan Padgett
Santosh Ramesh Desai
Vaughn Nigel Richtor (from 01-Jun-2009)
Peter Staal (from 21-Jan-2010)
Wilfred Nagel (till 27-Jan-2010)

OFFICER IN-CHARGE

Jayant Mehrotra (till 06-Aug-2009)

CORPORATE SECRETARY

M V S Appa Rao

STATUTORY AUDITORS

M/s S R Batliboi & Co.,
Chartered Accountants,
Kolkata

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

79th ANNUAL GENERAL MEETING

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

Day/Date : Thursday, 01-Jul-2010

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	19
6.	Corporate Governance Report	21
7.	Auditors' Report	39
8.	Financial Statements	40
9.	Cash Flow Statement	79
10.	Statement pursuant to Section 212	80
11.	ING Vysya Financial Services Limited	81
12.	Consolidated Auditors' Report	98
13.	Consolidated Financial Statements of ING Vysya Bank Limited and its Subsidiary	99
14.	Consolidated Cash Flow Statement	132
15.	Basel II - Pillar 3 disclosures	133



SENIOR MANAGEMENT TEAM

Shailendra Bhandari
Managing Director & CEO (from 06-Aug-2009)

Ashok Rao B
Chief of Staff – Legal, Compliance & Vigilance

Bishwajit Mazumder
Chief Audit Executive (upto 06-Feb-2010)

Janak Desai
Country Head – Wholesale Banking

Jayant Mehrotra
Chief Financial Officer
and officer in-charge (till 06-Aug-2009)

Jan Van Wellen
Chief Risk Officer

Meenakshi A
Head – Operations

Manjunatha M S R
Chief Audit Executive (from 06-Feb-2010)

Prasad C V G
Chief Information Officer

Prasad J M
Chief – Human Resources

Samir Bimal
Country Head – Private Banking

Uday Sareen
Country Head – Retail Banking

M V S Appa Rao
Corporate Secretary

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the Seventy Ninth Annual Report of the Bank together with the Audited Statements of Accounts for the year ended 31-Mar-2010, Auditors' Report thereon and other documents and statements as are required.

Financial and Business Performance

For the year ended March 2010 the Bank posted a net profit of Rs. 242 Crore compared to Rs. 189 Crore for 2008-09. The pre-tax profit improved to Rs. 372 Crore compared to Rs. 295 Crore during the previous year. The **Net Interest Income** for the year 2009-10 increased to Rs. 830 Crore registering an increase of 28%.

The aggregate business of the Bank reached Rs. 44,372 Crore as at 31-Mar-2010 compared to Rs. 41,646 Crore as at 31-Mar-2009. The **Total Deposits** of the Bank increased to Rs. 25,865 Crore registering a growth of 4%. The **Net Advances** increased to Rs. 18,507 Crore by March 2010 compared from Rs. 16,756 Crore at the end of the previous year recording a growth of 10%.

The Bank has exceeded the regulatory target of 40% of adjusted net bank credit for priority sector lending, having achieved a level of 41.8% (previous year 42.9%). Export advances declined to Rs. 1,062.92 Crore from Rs. 1,211.87 Crore at the end of the previous year. The export credit as a percentage of net bank credit stood at 5.74%. As of 31-Mar-2010, the outstanding credit to Scheduled Castes / Scheduled Tribes borrowers stood at Rs. 50.60 Crore and the percentage of recovery to demand as on 31-Mar-2010 was 26.31% (previous year 48.45%) of the amounts fallen due. The Net NPA Ratio as of 31-Mar-2010 is same as that of 31-Mar-2009 i.e. 1.20%.

Paid up-capital and Capital Adequacy Ratio

The paid up capital of the Bank stood at Rs. 119.97 Crore as at 31-Mar-2010 as compared to Rs. 102.60 Crore, as at 31-Mar-2009.

The Bank has adopted the New Capital Adequacy Framework (Basel II) from 31-Mar-2009. Under this framework, the Capital Adequacy Ratio (CAR) stood at 14.91% as at 31-Mar-2010 as against the Reserve Bank of India's (RBI) stipulated minimum of 9%. Of this, Tier I Capital was 10.11% and Tier II Capital was at 4.80%.

Under the previous norm (Basel I), the CAR stood at 12.94% as at 31-Mar-2010. Of this, Tier I Capital was 8.84% and Tier II capital was 4.10% as compared to 6.91% and 4.77% respectively as at 31-Mar-2009.

The detailed discussion 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 Rs. 60.55 Crore (previous year Rs. 47.19 Crore) to Statutory Reserve, Rs. 7.02 Crore (previous year Rs. 2.28 Crore) to Capital Reserve and Rs. 0.87 Crore (previous year Rs. 2.30 Crore) to Investment Reserve, for the year ended March 2010.

Taking into account the regulatory restrictions, the Board of Directors recommend a dividend of 25% i.e. Rs. 2.50 per equity share of Rs. 10/- on all the equity shares of the Bank increasing from 20% (i.e. Rs. 2/- per equity share) of the previous year. The outflow on account of the proposed dividend, including the dividend tax, would be Rs. 35.09 Crore.

The dividend recommended, on approval would be paid to all those shareholders whose names appear as Beneficial Owners as at the end of 16-Jun-2010 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 16-Jun-2010.

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 Vysya Financial Services Limited in line with the basis of consolidation as explained in the Notes to the said consolidated statements.

Employee Stock Option Scheme

During the financial year 2009-10, eligible employees were granted 23,80,610 options under ESOS 2007 reaching a cumulative grant of 75,48,976 options. Considering the inadequate balance of 2,51,024 options available in the existing ESOS 2007, it is proposed that

DIRECTORS' REPORT

a new Employee Stock Option Scheme 2010 (ESOS 2010) be introduced with an outlay of 1,15,00,000 stock options. A proposal for approval of ESOS 2010 is being placed before the shareholders at the ensuing AGM.

The eligible employees were vested with 12,67,050 options under ESOS 2007 and 48,197 options under ESOS 2005.

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 schemes are furnished in Annexure - I to this report.

Statutory Disclosures

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.

The provisions of Section 217(1)(e) of the Companies Act, 1956 regarding 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 IVBL / other companies, 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 Apr, 2007, IVFSL continues to provide the 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. There is growing need from the business perspective to build capabilities within the IVFSL and use IVFSL as an outsourcing platform for the Bank. The Bank has also expressed its interest in availing outsourcing services from IVFSL. In order to build capabilities and expand the activities of IVFSL long term plans are being drawn up.

IVFSL has earned a net profit of Rs. 0.81 Crore for the year 2009-10, as against Rs. 0.37 Crore during the previous year.

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.

Directors

Mr. Wilfred Nagel resigned as Director effective 27-Jan-2010. The Board places on record its appreciation for the valuable contributions rendered by him during his tenure as Director on the Board.

Mr. Peter Henri Maria Staal was appointed by the Board of Directors as an Additional Director effective 21-Jan-2010 to hold office till the 79th AGM. A notice, as required under Section 257 of the Companies Act, 1956 has been received by the Bank for his appointment as a Director of the Bank. A proposal to appoint him as a Director, liable to retire by rotation, is being placed before the shareholders at the ensuing AGM.

Mr Lars Kramer was appointed as a Director in casual vacancy effective 28-Apr-2010, caused by the resignation of Mr. Wilfred Nagel, to hold office till such date up to which Mr. Nagel would have held his office if he had not resigned, i.e., till the date of 81st AGM to be held in 2012.

Part-time Chairman

In terms of approval of Reserve Bank of India vide its letter DBOD No. 20390/08.57.001/2008-09 dated 28-May-2009, Mr. K R Ramamoorthy, the current Part-time Chairman of the Bank, will be completing his term on 07-Jul-2010, when he reaches the upper age limit of 70 years. Steps are being taken to appoint a successor to Mr. K R Ramamoorthy.

DIRECTORS' REPORT

Retirement of Directors by rotation

Mr. Aditya Krishna, Mr. Santosh Ramesh Desai and Mr. Richard Cox 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 Agents for the shares of the Bank.

Auditors

The Statutory Auditors viz., M/s. S R Batliboi & Co., Chartered Accountants who were re-appointed at the 78th Annual General Meeting held on 04-Sep-2009 are retiring at this AGM and being eligible for re-appointment under the guidelines of Reserve Bank of India (RBI), offer themselves for re-appointment for the fourth 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 31-Mar-2010 on a going concern basis.

Acknowledgements

The Board of Directors place on record their gratitude for the guidance and co-operation 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 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 : 29-Apr-2010

K R Ramamoorthy
Chairman

ANNEXURE - I TO DIRECTORS' REPORT

Statutory Disclosures as of 31-Mar-2010 regarding ESOS under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

	ESOS 2002 (as modified in 2005)		ESOS 2005		ESOS 2007
	Tranche 1	Tranche 2	Tranche 1	Tranche 2 (Loyalty Options)	Tranche 1
Options Granted - Pre Rights Issue 2005	1,66,800	1,60,490	-	-	-
- Post Rights Issue 2005	3,27,980	4,29,524	4,65,212	5,25,285	75,48,976
Pricing Formula	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.	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.	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.	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.	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.
AGM Resolution	29-Sep-01	29-Sep-01	22-Sep-05	22-Sep-05	11-May-07
Options Vested - Pre Rights Issue	60,450	28,868	-	-	-
- Post Rights Issue	2,90,610	3,39,536	2,91,957	5,08,100	29,23,796
Options Exercised - Pre Rights Issue	59,740	27,568	-	-	-
- Post Rights Issue	2,64,480	2,94,077	2,05,558	1,67,980	3,07,277
Total number of Shares arising as a result of exercise of Options					
Pre Rights Issue	59,740	27,568	-	-	-
Post Rights Issue	2,64,480	2,94,077	2,05,558	1,67,980	3,07,277
Options Lapsed					
Pre Rights Issue	25,065	25,541	-	-	-
Post Rights Issue	63,500	1,34,967	1,57,005	29,090	2,47,100
Variation of terms of options	NIL	NIL	NIL	NIL	NIL
Money realised by exercise of options (in Rs.)	2,23,48,560.00	2,86,72,507.50	2,52,11,302.00	3,10,46,063.60	4,80,55,522
Total number of options in force	-	480	1,02,649	3,28,215	69,94,599
Employee wise details of grant to Senior Managerial Personnel					
Mr. B Ashok Rao	-	11,900	5,000	-	2,82,500
Mr. Bishwajit Mazumder	-	-	-	-	64,000
Mr. Janak Desai	-	-	-	-	6,95,000
Mr. Jan Van Wellen	-	-	-	-	-
Mr. Jayant Mehrotra	-	-	5,000	-	7,25,000
Mr. Manjunatha M S R	5,040	5,440	3,000	-	24,000
Ms. Meenakshi A	-	-	-	-	70,000
Mr. Prasad C V G	-	-	-	-	57,000
Mr. Prasad J M	-	-	5,500	-	3,23,000
Mr. Samir Bimal	-	-	7,000	-	5,87,000
Mr. Shailendra Bhandari	-	-	-	-	-
Mr. Uday Sareen	-	-	-	-	7,00,476
Mr. M V S Appa Rao	5,040	5,440	4,500	500	10,000
Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during that year.	NIL	NIL	NIL	NIL	NIL
Identified employee who were granted options during any one year, equal to or exceeding 1% of the issued capital (exclude outstanding warrants and conversion) of the company at the time of grant.	NIL	NIL	NIL	NIL	NIL

The details on Employee compensation cost is given under 'Employee Stock Option Scheme' in the Notes on Accounts (Schedule 18) of the Balance Sheet (page no. 53)

MANAGEMENT DISCUSSION & ANALYSIS REPORT

MACRO ECONOMIC AND BANKING INDUSTRY DEVELOPMENTS

Real Gross Domestic Product (GDP) growth for the third quarter of 2009-10 was at 6% and the advance estimate of GDP growth is placed at 7.2% for 2009-10. The turnaround in GDP growth witnessed during the first quarter of 2009-10 was sustained during the second and third quarter, spurred by robust revival in industrial performance and fiscal expenditure driven services activities. The performance of the agricultural sector remained subdued due to the impact of the deficient South-West monsoon, the major part of the impact being reflected in the third quarter GDP of the year. The industrial recovery, besides exhibiting acceleration in the last few months, has also become more broad-based. Most of the lead indicators of services sector activities also suggest revival in growth momentum.

The declining trend in India's merchandise exports, which began in October 2008, continued for thirteen consecutive months up to October 2009. However the rate of decline in exports showed persistent moderation starting from June 2009. In November 2009, there was reversal in the trend, with exports turning around sharply by exhibiting a growth of 18.2% as compared with a decline of 13.5% in November 2008; and has been positive since then.

The inflationary momentum is clearly visible in terms of the increase in Wholesale Price Index (WPI) by 9.90 % in March 2010 reflecting the increase in food and fuel prices as well as the impact of the waning of base effect. The upward revision of prices of petrol and diesel (effective 02-Jul-2009), increase in prices of freely priced products under the fuel group in line with hardening of international crude oil prices, and higher prices of sugar, vegetables and drugs and medicines drive the current inflation.

The budget moved one step towards a selective roll-back of fiscal stimulus with a 2% hike in excise duty and certain other changes in indirect taxes. Fiscal deficit target for Financial Year (FY) 11 is set at 5.5%, a sharp reduction from 6.7% in FY10. Important assumptions which the government is making are a robust growth in indirect taxes, large-scale disinvestment and lower fuel subsidies.

The domestic financial markets continued to witness low risks and greater volumes in various market segments. During 2009-10, the rupee strengthened by 11.4% against the US dollar on the back of continued capital inflows, revival in growth performance of the Indian economy and general weakening of the US dollar in the international markets. During the financial year, the Indian equity market outperformed most emerging market economies by registering an increase of 81% and relatively lower volatility.

BANKING INDUSTRY DEVELOPMENT

The Reserve Bank of India (RBI) embarked on the monetary exit marking an end to a 15-month phase of monetary accommodation. In the monetary policy announcement in Jan'10, Cash Reserve Ratio was hiked by 75 bps to 5.75%, while other key rates were left unchanged. The RBI raised both the Repo and the Reverse Repo rates by 25 bps in an interim policy announcement in Mar'10 to counter the higher than expected inflation. Further, through the Annual Policy Statement issued in Apr'10, the RBI hiked the Cash Reserve Ratio by additional 25 bps to 6.0% and also both the Repo and the Reverse Repo rates were increased by additional 25 bps. An increased confidence in recovery encouraged RBI to clearly and explicitly shift their stance from 'managing the crisis' to "managing the recovery".

Non-food credit growth (y-o-y) of Scheduled Commercial Banks (SCBs) decelerated over twelve months following the peak reached in October 2008, which could be partly explained by the availability of alternate Non-Banking sources of funding, including internal resources of corporates, besides the impact of the economic slowdown on credit from the demand side. Non-food credit growth has shown a reversal in trend since November 2009 increasing from 10.3% (y-o-y) as on November 6, 2009 to 17.2% as of end-Mar, 2010.

In a move to increase transparency in pricing credit, starting July 2010, all categories of loans would be priced only with reference to the Base Rate (as against BPLR earlier), which will be Bank specific. Following the change, the base rate is likely to come down from the existing Benchmark Prime Lending Rate (BPLR) levels of 11-16%. The move is also aimed at increasing credit flow to small and medium-term enterprises at reasonable rates as henceforth, Banks will not be permitted to resort to any lending below the base rate subject to certain exceptions.

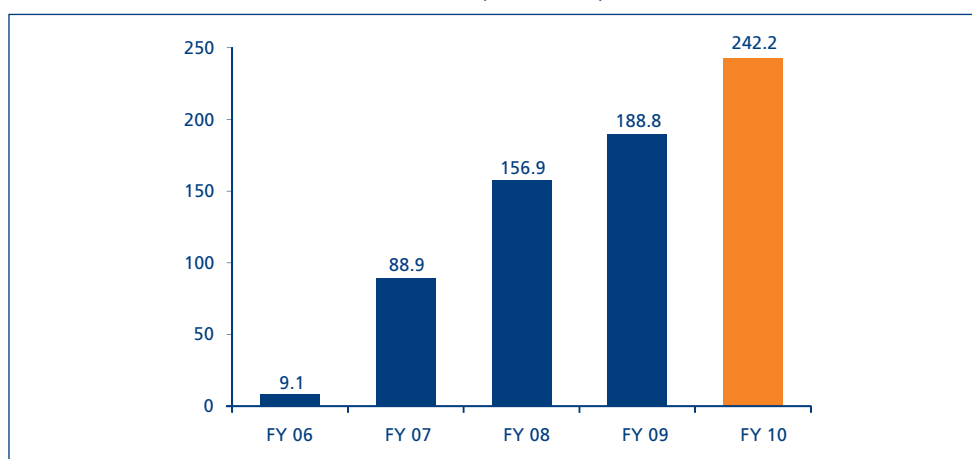
MANAGEMENT DISCUSSION & ANALYSIS REPORT

OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE

During the financial year 2009-10, the Bank has reported healthy growth in its financial performance, in its business and improvement in its financial and other operating parameters.

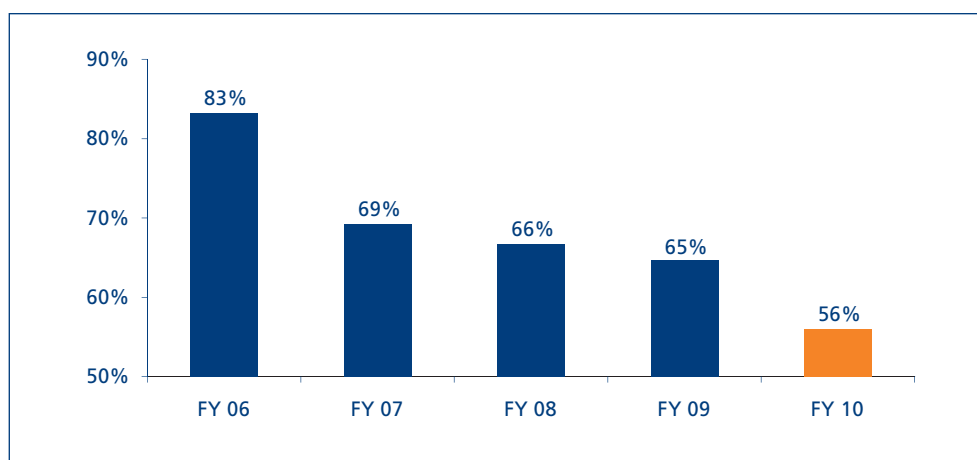
The Bank recorded a net Profit After Tax (PAT) of Rs. 242 Crore for the year 2009-10, an increase of 28% from Rs. 189 Crore reported in the previous year. Operating profit (before provisions and contingencies) grew strongly by 51% to Rs. 642 Crore from Rs. 425 Crore reported in the previous year. Provision and contingencies for the financial year 2009-10 was higher at Rs. 270 Crore, due to certain one time provision on account of restructuring and additional provision that the Bank was required to make in order to enhance its provision cover to achieve the provision coverage ratio of 70% that RBI has mandated all commercial banks to achieve by Sept, 2010.

Net Profit (Rs. in Crore)



The Net Total Income of the Bank for the year rose by 21% to Rs. 1,450 Crore from Rs. 1,197 Crore reported during the previous year. During this period, the Net Interest Income (NII) grew by 28% to Rs. 830 Crore from Rs. 650 Crore reported in the previous financial year. The increase in NII was contributed by significant improvement in the Net Interest Margin (NIM) which was at 3.21% for the financial year 2009-10 against 2.84% that was reported in the previous financial year. This was achieved on the back of significant improvement in the cost of deposits and increase in the proportion of low cost deposits. Fee and Other Income increased by 13% to Rs. 620 Crore from Rs. 548 Crore. Operating expenses increased by only 5% to Rs. 808 Crore from Rs. 772 Crore in the previous year due to several cost control measures initiated during the year. The staff strength stood at 6,249 as at 31 March 2010 against 6,227 as at the previous year end. The Cost to Income Ratio has improved to 56% against 65% in the previous year.

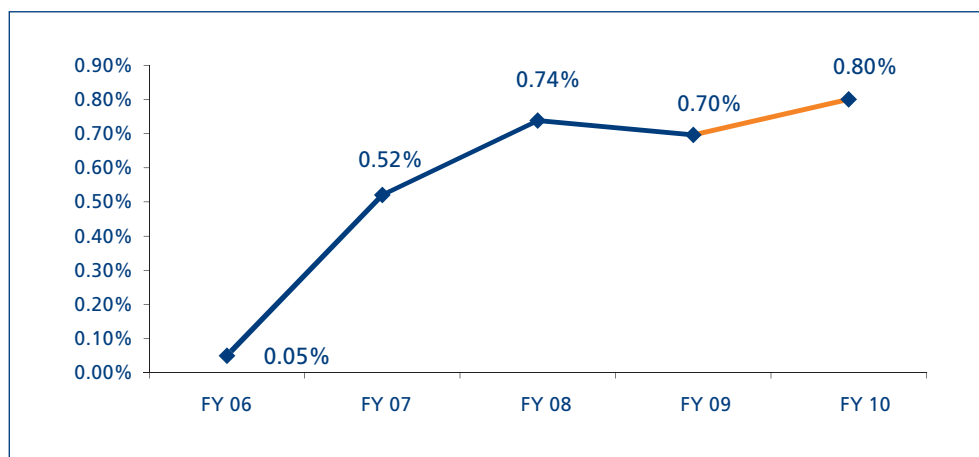
Cost to Income Ratio



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Return on Average assets increased to 0.80% from 0.70% reported in the previous year inspite of significantly higher provision in the current financial year.

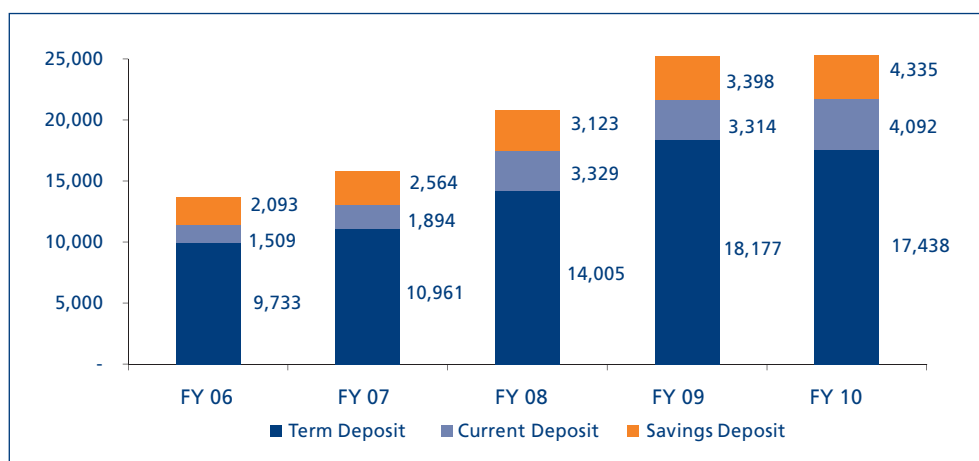
Return on Average Assets



During the year the Bank successfully raised additional capital of around Rs. 415 Crore through a Qualified Institutional Placement (QIP) and Preferential issue to ING Group, Foreign Promoters. The QIP issue received good response, with a mix of domestic and foreign institutions participating in the issue. The capital adequacy ratio of the Bank as per Basel II stood at 14.91% as of 31 March 2010 with Tier 1 capital ratio at 10.11%.

Total deposits of the Bank aggregated to Rs. 25,865 Crore, an increase of 4% over the previous year. The Bank focused on improving the mix of low cost deposits during the year and running off most of the high cost bulk deposits that were required to be taken in the previous year. Due to this Current and Savings Account (CASA) deposits increased by 26% from Rs. 6,712 Crore at March 2009 to Rs. 8,427 Crore at March 2010. Consequently, CASA deposits as a proportion of total deposits increased to 33% against 27% in the previous year.

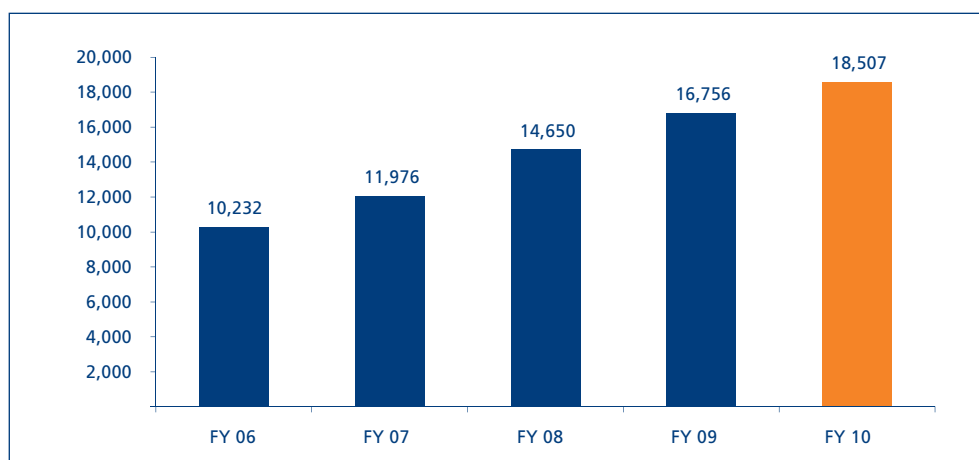
Deposits Growth with breakup of Current, Savings and Term Deposit (Rs. in Crore)



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Total assets increased by 6% to Rs. 33,880 Crore from Rs. 31,864 Crore at March 2009. Net Advances increased by 10% to Rs. 18,507 Crore from Rs. 16,756 Crore as at the end of the previous financial year.

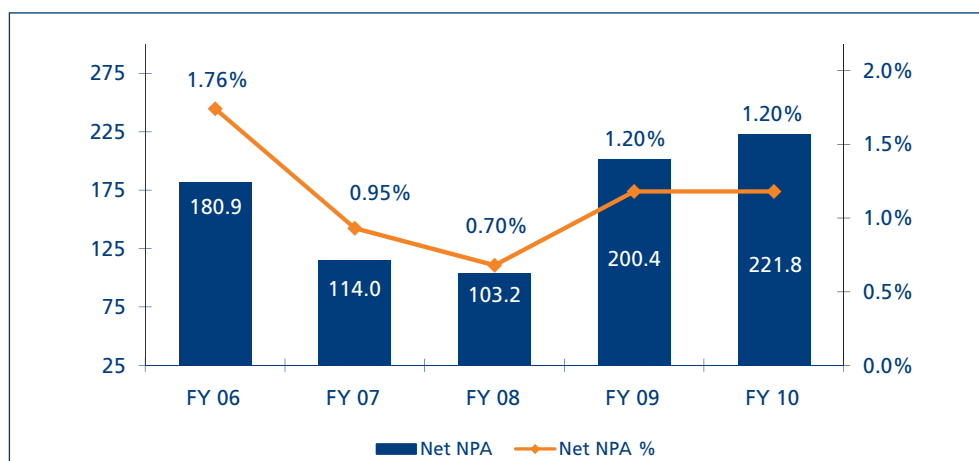
Net Advances (Rs. in Crore)



Retail Bank advances (including SME) contributed to 58% of the advances. Net Priority Sector Advances as of 31-Mar-2010 constituted 41.8% of adjusted Net Bank Credit as against the target of 40% stipulated by the RBI.

The net NPA of the Bank as at March 2010 stood at Rs. 222 Crore, which was 1.20% of Net Advances and similar to the previous year.

Net NPA (Rs. in Crore)



MANAGEMENT DISCUSSION & ANALYSIS REPORT

INTERNAL CONTROL SYSTEMS

The internal control system of the Bank is reinforced through three lines of defence i.e. Business Owners, Risk Management (credit, operational, market risk) and Internal Audit.

The Bank's internal controls have been developed to provide reasonable assurance that the organization's business objectives will be achieved and risks identified and managed effectively. The internal control of the Bank is aligned with the overall organizational structure. Apart from basic operational controls at a Branch level, there are two additional levels of control: the Regional office and the Corporate Office. The Internal Audit Department acts as an independent entity analyzing effectiveness and adequacy of the internal controls of the Bank through frequent audit and reviews.

The Bank has an adequate control system, which is overseen in line with Section 292A of the Companies Act, 1956 by the Audit Committee of the Board which reviews the working of internal auditors and statutory auditors to ensure compliance. Appropriate action is taken if deficiencies are reported. In order to improve the compliance culture and as a part of the plan for continuous improvement in the compliance culture of the Bank and a better understanding of the internal controls, a number of workshops and education programmes have been conducted for the Bank's employees.

BUSINESS REVIEW

An overview of various business segments along with their key performance achievements in 2009-10 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.

BRANCH BANKING

This year the Bank primarily focused on consolidating the expansion of 2008-09 and set up 27 new branches (including conversion of 19 Extension Counters to branches) across India. As a result the number of branches (excluding RCCs and ARMBs) increased from 441 to 468. The Bank added six ATMs during the year, taking the total to 357 ATMs as of March 2010. The Bank's focus on semi-urban and under-banked markets continued with 37% of the branches outside the top 15 cities of India. The Savings Bank deposits during the year grew by 28%; this was a result of our distribution, differential sales model and customer segmentation.

The Bank continued to provide unique products and services by providing customers an easier Banking experience, transparency and control as the key pillars. To ensure this the Bank product program approval process certifies that the new products are suitable to meet the customer needs and meets the standards of the key pillars. Internally, employees were trained on how to provide seamless, easier Banking experience to our customers. The Bank's Platina Preferred Banking, Aspira Salary Solutions and Orange Banking services were segmented to address the diverse needs of different customer segments in the Retail Banking space, with specifically trained personnel and products.

Keeping in mind the demands of the modern customers and their need for flexibility the Bank continued to invest in upgrading the key processes and products. The primary objectives of the several re-engineering projects were to reduce wait time and provide greater control to the customer. Some of the highlights were upgrade of mobile banking allowing customers to order cheques or book term deposits, allowing customers to access their wealth portfolio online and transact on mutual funds, single view statement of relationships held across branches and products, automatic cheque re-order, instant replacement of lost PINs and instant replacement of debit cards at our branches. SMS update channel has emerged as a convenient option for the Bank's customers, allowing them to

MANAGEMENT DISCUSSION & ANALYSIS REPORT

keep themselves updated on the transactions in their account with 9.35 Lakh customers having signed up for this service. The internet banking usage also rose with user base increasing by 37% to 2 Lakh users. The Phone Banking centre expanded to cater to the needs of the growing customer base 24x7. Another initiative this year was to reduce consumption of paper with sign-up of e-Statements. The Bank was successful in encouraging a significant number of customers to sign-up for this service.

The debit cards base increased by 3 lakh customers this year which translated to increased usage at our ATMs, providing greater convenience to customers and reducing servicing costs. The Bank also doubled the number of customers opting to use their debit cards at point-of-purchase through a series of targeted, sustained education campaigns and contests, resulting in a 30% increase in usage of debit cards for shopping.

Platina Wealth Management Services witnessed a growth of 33% in the customer base, 34% growth in Assets Under Management and doubling the income from cross-selling of third party products. This was a result of the personalized services offered through a dedicated Wealth Manager, backed by research, product team, support staff and a seamless online interface.

The Credit Cards program has been revamped to offer more products and enhanced features. The Bank is also partnering with the Government to offer Biometric cards to beneficiaries of the National Rural Employment Guarantee (NREG) and Social Security Pension Scheme (SSP) programs. The Bank has enrolled over 91,000 customers and has disbursed over Rs. 21 Crore of wages.

The Bank participated and promoted the awareness of the “Earth Hour” as a social initiative by requesting support from employees, customers, service providers and the local Bangalore Community.

The Bank launched a 360 degree advertising campaign to highlight the “easier” features embedded in its products and services. The advertisement aimed to reinforce the unique positioning of the Bank of having the benefit of strong Indian lineage resulting in personal service and backed by the experience of a global player, thus allowing the Bank to offer international products. The series of three advertisements featured the benefits of auto-cheque reorder, instant debit cards replacement and mobile banking. The advertisements helped increase the brand awareness and intention to purchase a product from ING Vysya Bank. The campaign was supported by a set of activities on other medium, noteworthy being the launching of the advertisements on YouTube, which received over 3 Lakh impressions and Meru Cab road shows in Delhi and Hyderabad. The campaign has won critical acclaim for the use of creative insight and media.

BUSINESS BANKING (SME)

The Bank has traditionally focused on Micro, Small and Medium Enterprise business, which accounts for a sizeable proportion of total advances. This segment serves the needs of business enterprises with annual sales turnover of up to Rs. 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 contributed significantly towards priority sector advances of the Bank. The clear focus, strategy and strong relationship teams and distribution, has helped ensure strong growth in this segment. This segment continues to be a priority, with a focus on new to Bank customer acquisition, product innovation, customer service and relationship management.

The business clocked a healthy Balance Sheet growth with a book size of around Rs. 4,700 Crore as at March 2010 along with reduced delinquencies and Fee Income growth of over 20%. The Bank will continue the focus on profitable growth in the coming financial year as well.

CONSUMER LOANS

Consumer Loans include Home, Personal, Home Equity Loans, Loan against Commercial Property, Loans for Commercial Vehicles & Construction Equipment and Car Loans. Loans for cars, commercial vehicles and construction equipment have been re-launched in February 2010 and March 2010 respectively. Home loans and Home Equity constitute a large part of our consumer loans portfolio. The Bank's focus area of growth will be home loans and loan against property (residential and commercial). The Bank also offers the personal loan product on a selective basis.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

AGRICULTURAL AND RURAL BANKING (ARB)

The total advances managed by Agricultural and Rural Banking business segment crossed Rs. 1,800 Crore in the current financial year.

The Bank has a network of 84 rural branches mostly spread in AP, Karnataka and TamilNadu. The Bank has a wide range of products like Kisan Credit Card, Produce Loans, Gold loans and term loans catering to diverse needs of the farming community. The Bank has started retail agricultural lending at a few places in North India and has plans to expand further to meet the needs of farmers, especially in Punjab, Rajasthan and Haryana. The Bank has been actively participating in lending to Micro finance activity and made a beginning in the West and North during the year.

With a view to actively contribute to the efforts of 'Financial Inclusion', the Bank accelerated the direct lending to SHGs (Self Help Groups) and indirectly through MFIs (Micro Finance Institutions) apart from opening 'No Frill' savings Bank accounts and issue of Smart cards to the beneficiaries under NREGP and SSP on pilot basis in a few villages of AP and Karnataka. The Bank has successfully implemented the Debt Waiver/Relief Scheme announced by the Government of India. The scheme benefited over 18,000 farmers, of these, nearly 14,000 farmers benefited under the waiver scheme and the remaining under the relief scheme.

PRIVATE BANKING

In its aim to become an advising Private Banking (PB) platform of choice for its clients, the Bank continues to focus on a strong advice-led offering across a gamut of investment products and classes. During the year, fixed income mutual funds and bonds saw a good demand from clients while equity appetite started building with recovery in the economic sentiments. Euromoney Private Banking Survey 2010 ranked ING Vysya Bank among the top 10 in Best Private Banking Services Overall category in India.

Going forward, PB is looking to further strengthen the team in various centers as part of the growth strategy. The focus would continue to be on offering strong advisory services on a comprehensive platform.

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.

Wholesale fund based assets have increased to around Rs. 7,900 Crore registering a growth of about 12%, with emphasis on asset quality and tighter credit controls. In the same period, wholesale deposits were reduced in line with the strategy of the Bank to increase the share of retail deposits and reduce reliance on wholesale funding.

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 entire Wholesale Banking client base. WSB's principal wholesale client coverage and relationship management groups are as follows:

CORPORATE & INVESTMENT BANKING GROUP (C&IB)

The C&IB Group is responsible for managing relationships with large corporates typically with sales turnover exceeding Rs. 1,000 Crore and MNC relationships, irrespective of turnover. The primary focus of the C&IB relationship managers is to market High Value Added (HVA) products viz. Debt Capital Markets, Corporate Finance, Financial Markets and Advisory services.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

C&IB Group is also responsible for coordinating with ING Bank N.V. for offering their products and cross-selling of Retail Banking products and services to corporate clients and their employees.

During the period under review C&IB increased its book size to around Rs. 4,900 Crore.

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 Rs. 150 Crore and Rs. 1000 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 we deal with. Debt Capital Market (DCM) & Corporate Finance (CF) were the new products launched during the financial year 2009-10.

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. In the current financial year, the Emerging Corporate group has added about 40 new lending relationships across different sectors. Assets managed by the segment stood at around Rs. 2,600 Crore as at March 2010.

BANKS AND FINANCIAL INSTITUTIONS GROUP

The Banks and Financial Institutions (FI) Group, is a dedicated group created to leverage the business opportunities with Private and Public Sector Banks and financial institutions across India. The Group has primary responsibility for origination of transactions and product and service delivery to the Bank/FI client base including funding products, correspondent Bank relationships, treasury products, asset purchase & sale and deposit products.

FINANCIAL MARKETS (FM)

The financial year 2009 -10 was a year that saw large and unexpected swings in the global markets. The Bank has been able to realign its focus to the emerging opportunities while developing its strengths on the existing platforms. The year saw a major revamp in systems and processes surrounding the business making it robust as well as building for future growth in a stable and sustainable manner. Most importantly, the unit has emerged strongly as a knowledge driven function not just with markets, clients and product but also on research as well as value addition to internal and external clients.

The FM unit in the Bank consists of four key units – Trading & Market Making, Sales, Structuring and Asset & Liability Management (ALM). The Trading & Market Making unit has once again demonstrated robust understanding and agility in uncertain conditions. The unit has consistently provided liquidity internally and externally in the key markets we trade and has been contributing to building a scalable business within the FM unit.

Value addition to clients has been a key driver for all sales opportunities and the Sales unit in close coordination with the other relationship functions, has enhanced client relationships further. FM's focus has always been on offering client solutions so as to meet their Financial Market and Risk Management needs efficiently, as also in the need for simplicity over complexity. FM is happy to have moved further towards that goal, not just in providing analysis and insight into the world of Financial Markets but also enabling clients reach prudent solutions in an un-cluttered and relevant manner.

FM's Structuring team has ably supported both our clients as well as counterparty requirements by making markets and structuring solutions. FM has emerged even stronger this year as a team that has a deep understanding of products and one that can support

MANAGEMENT DISCUSSION & ANALYSIS REPORT

clients in navigating their way through ups and downs of markets. This year also saw a significant enhancement and consolidation of the various systems at the Structuring Desk to further enhance our core strengths in this domain.

Post crisis of the last year, liquidity management provided different kind of challenges as well as opportunities, almost all of them difficult to forecast at the beginning of the year. The ALM team has contributed to the Bank's strategy in exploiting these conditions and successfully managed interest rate and liquidity risks at each stage.

All of these have been helped by an on-going process revamp to build in scalability and consistency into the business. The enhanced operations and risk management platforms have not only aided business growth this year but will also serve as a valuable platform for the future.

RISK MANAGEMENT AND PORTFOLIO QUALITY

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

CREDIT RISK

Credit Risk Management (CRM) is an important component of risk management in banks. The Bank has put in place an appropriate organization structure, credit risk policy frame work, product approval process, borrower selection norms, security and documentation requirements, monitoring and follow-up standards, asset classification norms, etc., to achieve these objectives. The Risk Management and Review Committee (RMRC) of the Board is primarily responsible for owning and managing the risk policy in the Bank. The Chief Risk Officer assisted by other executives at Corporate Office and Zonal/Regional Offices carries out the CRM function. Credit is handled across different segments, viz., Corporate and Institutional, Emerging Corporates, Banks and Financial Institutions, Financial Markets, Business Banking (SME), Agricultural and Rural Banking, Private Banking and Consumer Finance. The Credit Policy document is updated annually, incorporating both revised regulatory and internal guidelines on various types of credit products and under-writing standards. The Policy also covers exposure norms, industry/ sectoral exposure limits, methods of appraisal, delegation of approval powers, guidelines for recovery and restructuring, etc. 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 are stipulated depending upon the type of borrower and facilities availed. Financial Markets products are offered to corporate clients in accordance with the Bank's Board approved 'Appropriateness Policy'. All borrower accounts are subject to periodical unit visits, security verification and review/renewal. Review of Industry Portfolios, Watch List accounts, accounts having overdue/adverse mark to market exposures, or other irregularities are carried out periodically with a view to identifying early warning signals, taking remedial action and minimizing delinquencies. Facilities to borrowers whose business may be affected by economic downturn were also restructured after ascertaining their viability. Portfolio quality of Consumer Assets is reviewed monthly and appropriate corrective action have been taken, based on trends. There are dedicated Collections and Recovery teams. Recoveries are made by enforcement of securities, foreclosure of mortgages and other legal remedies. 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 has taken appropriate steps to be compliant with Basel II norms. Particularly in the first half of financial year 2009-10, the Indian economy still felt the impact of the global economic slow-down. While exporters were affected by issues in importing countries, domestic businesses also experienced issues e.g. the volatility and increases in raw material cost, elongated payment cycles and FX fluctuations. Some of our borrower clients faced cash-flow and debt servicing issues. The Bank continued to provide support to viable businesses by restructuring term loans and participation in restructuring plans agreed under the Corporate Debt Restructuring Scheme. In other cases, steps had to be taken to contain exposures, improve recoveries or obtain additional collaterals. The Bank is confident that the robust risk management practices put in place will enable the Bank to manage issues arising out of such cyclicity. Some of the additional steps taken were: (i) More frequent review of affected sectors and stressed accounts; (ii) Strengthening credit approval norms; (iii) Regular revisiting of product norms and processes for Consumer Finance portfolio; and (iv) Strengthening collection processes for consumer loans.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

MARKET RISK

Market Risk Management (MRM) focuses on three businesses and their risks: (1) Trading and Market Making, (2) Asset and Liability Management, and (3) Structured Products and Sales. An in-house developed 'Value at Risk' module, combined with various controls, supports MRM in the day-to-day control of the Trading activities in the Bank. 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 of the Bank's entire balance sheet. MRM provides ALCO the necessary information and various tools to manage risks, such as Value at Risk, Event Risk, Earnings at Risk and balance sheet simulations for the impact of volume growth and changes in interest margins, and monitors adherence to the several limits and relevant prudential norms approved by the Board. With these tools, ALCO sets the ING Vysya Reference Rate (IVRR) and spreads on IVRR for various products, based on the Bank's strategy. Going forward, MRM will also provide inputs for calculating the Bank's Base Rate, in line with the recent circular from RBI. Structured Products and Sales mainly provide corporate clients a range of instruments to hedge their business exposures that are sensitive to foreign exchange and/or interest rate fluctuations. MRM is responsible for the independent valuation, reporting and monitoring of the mark to market value of these structured products. MRM is the overall coordinator of the support units within the Bank for Financial Markets products, and controls and monitors the activities of the desk within the regulatory authority's 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 in respect of regulatory requirements and international standards, and to advise management on the optimal product mix strategy.

OPERATIONAL RISK (ORM)

The Operational Risk Management (ORM) function manages the operational, information and security risks. The Board and senior management are kept informed of operational risk issues on a periodic basis. The Operational Risk Management Policy is approved by the Risk Management and Review Committee (RMRC). This Committee reviews the policy regularly. The Country Operational Risk Committee (ORC) and Regional Operational Risk Committees meet on a periodic basis to discuss and take decisions on operational risk issues.

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 including the risk of reputation loss. The Bank has clearly defined risk categories which help to implement the operational risk framework. The Bank also uses a Non-Financial Risk Dashboard (NFRD) to provide integrated risk information on compliance, operational, information and security risk using a consistent approach and risk language.

The Bank has developed a comprehensive framework supporting the process of identifying, measuring and monitoring operational, information and security risks. The Bank applies scorecards to measure the quality of operational, information and security risk processes within the Bank. The Bank's Crisis Management Policy and Business Continuity Plan provide a cohesive overview of its emergency action plans, the crisis management governance, business continuity processes, and respective roles and responsibilities.

The Information Risk Management (IRM) function within ORM operates with the mission of ensuring confidentiality, integrity and availability of information and associated information processing assets through the disciplined use of risk management practices. The function has defined a comprehensive suite of policies, standards and guidelines and compliance is measured and monitored on a regular basis. The function actively measures and monitors information risk within the key IT risk areas. The result of this process is used by the business units to budget, plan, and implement appropriate risk mitigation actions.

The Bank currently qualifies for the basic indicator approach for operational risk capital assessment. The capital requirement for Operational Risk has been computed as per the Basel II guidelines prescribed by the Reserve Bank of India.

INFORMATION TECHNOLOGY (IT)

The IT Service Management Group (ITSMG), the technology organization of the Bank manages the Bank's enterprise-wide technology needs. The Bank continues to endeavor to be at the forefront of technology usage in the financial services sector. The Bank strives to use information technology as a strategic tool for its business operations to gain a competitive advantage and to improve our overall productivity and efficiency. The Bank's technology initiatives are aimed at enhancing value, offering improved convenience and service to customers while optimizing costs. The Bank has a technology blue print aligned to the business strategy.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Bank's technology team's efforts in re-engineering retail customer facing processes were rewarded with industry recognition through the prestigious CIO 100 Award for 2009. The Bank continued leveraging our core Banking and retail platform in innovative ways viz. meal card and reimbursement card products which received favorable mention in the media; cash concentration and cash pooling products and online salary upload through the internet Banking platform. The Bank has further built upon the new platform introductions in wealth management and mobile Banking introduced last year, by enabling customers to execute transactions, instead of simple view access. The Bank has introduced the One-Glance-View facility, through email and paper based statements, by which our retail customers can get a 360 degree view of their entire relationship with the Bank. On the payments front, ING Vysya Bank was the first Bank in India to launch an automated, mandate-based authorization and transaction processing system for inward ECS, thereby enhancing safety and security for our customers who transact through this channel. The Bank has completed the replacement of its treasury systems and introduced an innovative mobile based voice recording system for its Private Banking business.

OPERATIONS

Keeping in tune with the financial sector's need for austerity, Operations began the year with a focus on items which would give it a competitive edge – cost, quality, time and flexibility, without compromising on operational efficiency. Reaching standards of 99.14% TAT adherence, successfully moving to an online platform for wealth management customers, migrating the treasury operations into a new software to ensure seamless processing, switching over NEFT/RTGS transactions to an improved version to make it more stable and efficient are some milestones, amongst others worth a mention. The Cash Management Services (CMS) customers have a new product ING P@Y, a corporate payments engine, which would help them make their payments electronically or otherwise, by just handing over a debit mandate to the Bank with beneficiary and other details. Business continuity plans have been put in place and tested to ensure least disruption to customer services. Due emphasis was put on quality controls and projects undertaken to make processes leaner for faster delivery to customers. The efforts were duly acknowledged by Credit Information Bureau (India) Limited (CIBIL) as being the first Bank to submit the data with 99.5% success and by the Regulators as the first Bank to have submitted Basic Statistical Returns I & II. Operations will continue its drive in the coming year to provide consistent, uninterrupted, timely and effective service to its customers.

INTERNAL AUDIT

The operations of the Bank including the information systems functions are subjected to audit by the Internal Audit Department which is an independent function reporting directly to the Audit Committee of the Board. The Internal Audit Department follows the Risk Based Audit approach across the Bank, wherein process and control gaps, if any, are identified with suitable recommendations for remedial actions. In addition, key functions such as Financial Markets, Retail Deposits and Investments Operations, Centralized Trade Finance Operations, Centralized Back Office Operations of Private Banking amongst others are covered under concurrent audit. Audit of key regulatory compliance is the focus of a dedicated cell within the department. Findings of Internal Audit are followed up for timely closure and effective resolution by the management.

COMPLIANCE

In line with the RBI's guidelines on compliance function in Banks in India, a Compliance Framework involving compliance risk identification and assessment, risk mitigation, compliance monitoring, incidents management, compliance advisory, training and communication etc., has been developed and embedded in the compliance organization structure. Compliance culture and awareness have been further strengthened through e-learning modules on function specific areas across various business and support functions. The training has covered about 4,500 employees across the Bank during the year. Compliance monitoring has been intensified through a network of Compliance Officers at corporate office level supported by Nodal Compliance Officers at Business / Support Function levels. The Compliance department consists of officials with varied and vast skills and experience in banking, risk management, audit, law etc.

HUMAN CAPITAL MANAGEMENT

The Bank has made substantive investments in training and development. Sales and service training continued to be the focus area for the year. In line with this, a short module on Customer service titled "Face Reading" was launched at the branch level and a fully

MANAGEMENT DISCUSSION & ANALYSIS REPORT

expanded version titled “Service Excellence” has been designed and is targeted to cover all the branches over the next 12 months. The front line sales staff has been covered under separate sales and compliance modules.

Development Tracks aimed at skill building for employees who aspire to take on higher responsibilities was reinforced and launched covering 245 employees. In order to bring in a more scientific focus to the way training requirements are drawn, development centers were rolled out for specific departments in line with their score cards. As on date around 4,300 employees have undergone training on various modules through a total of 238 programs. It translates to 3.4 man days for the year.

This year saw an increased focus on engaging with our key talents – “Carpe Diem 2009” was launched with the objective of providing our emerging leadership with the opportunity to share their ideas and insights on how to engine growth for IVBL. HR received more than 35 entries and the top four were asked to present. The top two ideas are currently being executed by cross functional teams.

Communication channels like CEO Connect ensure that the employees are informed of all key initiatives. The IVB values have been integrated in all our processes & policies to ensure that the Bank has a uniform culture across all functions and lines of business.

The Human Capital Management (HCM) project, which was initiated at the end of the last financial year, was successfully launched and has stabilized over last six months. There has been considerable focus on HR service delivery and every process has been measured and improved thus improving the basic hygiene needs of the employees. All the legacy systems have been migrated into HCM. Consequently there has been greater transparency and visibility of information to employees, thus reducing risk and providing better control.

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 radius 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 further grow low cost deposits
- Increasing cross sell by deepening of existing relationships.
- Continuing to drive operating leverage through the branch and ATM distribution network.
- Continuing to expand the distribution footprint
- 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.
- Increase in Non Performing Assets (NPAs) in case the early signs of recovery are not sustained.
- Impact of Global events on the Indian economy.

OUTLOOK

The Bank expects GDP growth for the year 2010-11 to be around 8-8.5% with inflation between 6.5-7%. On the back of this higher growth expectation, higher investment activity and revival of private consumption, credit growth for the Banking industry is expected to revive in 2010-11. The Bank expects the sector to grow advances by around 20-21% in 2010-11.

The Indian Banking system has performed credibly amongst the economic upheaval that the global economy and the Indian economy to some extent went through in the past 18 months. However, concerns on higher inflation, deterioration in the asset quality of Indian banks due to the large restructured assets on their balance sheet and sufficient availability of capital for growth are some of the challenges that the Indian Banking industry will need to address.

NON FINANCIAL REPORTING

Your Directors are pleased to present the Non Financial Report for the year 2009-10. The Report deals both with Corporate Social Responsibility and Sustainability Development.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

ING Vysya Foundation (IVF) was incorporated in October 2004 to promote Corporate Social Responsibility of ING Group entities in India. The Bank is the substantial contributor to the Foundation every year. The mandate for the Foundation is to **promote primary education for underprivileged children**. This approach is part of worldwide “Chances for Children” programme (CFC) of ING Group.

During the year, the Foundation has worked with NGO partners, who are engaged in

- (a) enrolling children (never been to school and out of school) back to school
- (b) preparing children through bridge schools and pre-primary schools for enrolling in formal schools
- (c) retaining and continuing education of the children who are already enrolled.

The partners have different approaches / programmes to cater to various groups of children. The community learning program helps in attaining the age-appropriate learning skills of children living in slums. The residential program provides an opportunity for the drug addicted children and child labourers living on the streets to be in school. Learning centre models are for children who are living in slums or in rural areas and also children from red-light areas.

During the year the foundation has partnered with the following NGOs:

S. No.	Name of the NGO Partner	Location	Programme
1	Ardar	Hyderabad	School Adoption program
2	Akshara Foundation	Bangalore	Community Library program
3	Akshara Foundation	Bangalore	Pre-school program
4	Sukrupa	Bangalore	Residential program for children with single parents/ orphans
5	Makkala Jagriti	Bangalore	Community Learning centre for children living in slums
6	Christel House	Bangalore	Formal School for children living in slums
7	Aurobindo Chaudhari Memorial Great Indian Dream Foundation	Delhi	Pre-school program for children living in slums
8	Hamari Muskaan	Kolkata	Learning centre for children in red-light area
9	Pratham Vulnerable Council for Children	Mumbai	Residential program for former child labourers
10	Support	Mumbai	Residential program for rehabilitated drug addicted street children
11	IIMPACT	Lucknow	Learning centre for girl children
12	UNICEF	India	Chances for Children program

Annual Fund raising Campaign – “I believe I can Fly” : IVF launched an annual fund raising campaign during the month of September 2009. The employees of the Bank actively participated in the campaign and helped in raising about Rs. 53 Lakh (Rupees Fifty Three Lakh) towards this cause. The amount so collected will be contributed to educate children under the care of existing partners.

Volunteer program : IVF provides opportunities to employees to volunteer for the development and growth of children, living in difficult circumstances, such as children living in slums, child labour, children never been to school, drop outs, orphan children and so on. During the year several volunteer initiatives were organized under the ‘Hope Brigade’ program. One such program was the ‘Home buddies campaign’ aimed to provide a platform for employees to interact with children, under the care of our NGO partners to help develop reasoning and logic, and age appropriate learning skill. Around 50 employees enrolled themselves as volunteers for this program, during the year. Another volunteer program was ‘ING Global Challenge – Chances for Children’. In 2007, Asia pacific had launched ING Global Challenge to raise awareness on the ‘Chances for Children’ program and also to provide its employees an opportunity to volunteer to promote the cause of education for underserved children. This year’s edition marked the 20th anniversary

NON FINANCIAL REPORTING

of the day the UN adopted the Convention on the Rights of the Child. In India, 1,500 employees from Bank along with 1,200 children in 30 locations across the country had celebrated ING Global Challenge. Musical shows, painting competitions, fun picnic, cricket matches, visit to various historical sites and many more events were conducted all over India.

Contribution towards Karnataka and Andhra Pradesh Flood Relief : The Bank and its employees together had contributed Rs. 66 Lakh (Rupees Sixty Six Lakh) towards the Karnataka and Andhra Pradesh flood relief programmes during October 2009.

SUSTAINABLE DEVELOPMENT

The Bank endeavors to ensure that the projects financed by it, are environmentally and socially sound and sustainable. Towards its endeavor for sustainable development, the Bank has adopted the following policies:

- I) General Environmental and Social Risk (G-ESR) policy
- II) Equator Principles (EP) Policy
- III) Specific Environmental and Social Risk (S-ESR) Policy

The Bank has integrated the following commitments in its General Environmental and Social Risk (G-ESR) policy under para 2.1

- Commitment to Sustainability
- Commitment to 'Do No Harm'
- Commitment to Responsibility
- Commitment to Accountability
- Commitment to Transparency

Every year the Bank submits the Annual Environmental and Social Performance Report to International Finance Corporation (IFC), covering Environmental Management System and Project Environmental and Social Compliance.

The Bank has also adopted the Equator Principles (EP) policy. EP is a set of voluntary environmental and social guidelines for ethical project finance. These principles commit banks and other signatories not to finance projects that fail to meet these guidelines. The EP is based on the social and environmental policies and guidelines of the International Finance Corporation (IFC) and the World Bank. Child labour, involuntary resettlement and protection of natural heritages are examples of social and environmental issues covered by the EP. The Bank has also adopted the EP, which forms part of its Credit Risk Manual.

Initiatives under Sustainable Development:

- The Bank runs a kids portal to educate the children on nature, environment and saving of money. On entering the portal viz., www.kidzzbank.com children are taken on a voyage of discovery, hand held by the portal pal "NEO".
- The Bank and its employees participated in the global movement called "Earth Hour" to show solidarity against climate change. At Bangalore, ING Vysya Bank took lead as in the previous year to spread awareness on Climate Change and Global Warming, joining hands with 'World Wide Fund of Nature' (WWF) and 'The Indus Entrepreneurs' (TIE). The employees of the Bank participated in the Earth Hour programme on 27-Mar-2010 by switching off lights for an hour, from 8.00 pm to 9.00 pm.

The Bank has also undertaken various "Financial Inclusion" initiatives with the objective of providing banking / financial services to all people in a fair, transparent and equitable manner at affordable cost. The Bank has put in place a three year plan for Financial Inclusion with the objective to ensure that all the villages having a population of above 2,000 and allocated to the Bank are financially included and have access to basic banking products and services.

CORPORATE GOVERNANCE REPORT

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. K R Ramamoorthy, Non-Executive and Independent Director is the Chairman of the Bank. As of 31-Mar-2010, the Board has 11 Directors out of which, four are Independent Directors, in compliance with Clause 49 of the Listing Agreement.

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

The composition of the Board as of 31-Mar-2010 is given below:

NAME OF THE DIRECTOR (Mr.)	DESIGNATION	CATEGORY	AREA OF EXPERTISE
K R Ramamoorthy	Chairman	Non-Executive, Independent and compliant with Sec 10A(2)	Agriculture & Rural Economy, Co-operation, Banking and SSI
Shailendra Bhandari	Managing Director and CEO	Executive, Non- Independent# and compliant with Sec 10A(2)	Banking, Economics, Strategic Planning and Treasury Operations
Vaughn Nigel Richtor	Director	Non-Executive, Non- Independent# and compliant with Sec 10A(2)	Banking, Economics, Marketing, Risk Management, Strategic Planning, Treasury Operations and Agriculture & Rural Economy
Aditya Krishna	Director	Non-Executive, Independent and compliant with Sec 10A(2)	Banking (especially Retail Banking) and Technology & Systems
Arun Thiagarajan	Director	Non-Executive, Independent and compliant with Sec 10A(2)	Strategic Planning, Technology & Systems, Economics and Finance
Philippe Damas	Director	Non-Executive, Non- Independent# and compliant with Sec 10A(2)	Banking (especially Retail & Wealth Management), Finance, Strategic Planning and Human Resource Development.
Richard Cox	Director	Non-Executive, Non- Independent# and compliant with Sec 10A(2)	Banking and Risk Management.
Ryan Andrew Padgett	Director	Non-Executive, Non- Independent# and compliant with Sec 10A(2)	Banking (especially Treasury and Financial Markets), Economics and Finance
Peter Staal	Director	Non-Executive, Non- Independent# and compliant with Sec 10A(2)	Agriculture and Rural Economy, Banking, Economics, Finance, Risk Management, Strategic Planning, Treasury Operations and Credit Recovery
Santosh Ramesh Desai	Director	Non-Executive and Independent	Marketing, Branding and Strategic Planning
Meleveetil Damodaran	Director	Non-Executive, Non- Independent# and compliant with Sec 10A(2)	Banking, Finance, Economics, Law, Public Administration and Agriculture & Rural Economy

Representing 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.

Appointments

Name (Mr.)	Date of Appointment
Shailendra Bhandari	Appointed by the Board of Directors as an Additional Director effective 05-Aug-2009. Appointed as Managing Director & CEO effective 06-Aug-2009 (end of the day) for a period of three years.
Peter Henri Maria Staal	Appointed by the Board of Directors as an Additional Director effective 21-Jan-2010, till the date of 79th AGM.
Vaughn Richtor	Appointed by the Board of Directors as an Additional Director effective 01-Jun-2009. Appointed at the AGM on 4-Sep-2009 as Director liable to retire by rotation.
Meleveetil Damodaran	Appointed by the Board of Directors as an Additional Director effective 21-Jul-2008. Appointed at the AGM on 4-Sep-2009 as Director liable to retire by rotation.

Resignation/ Cessation:

Name (Mr.)	Date of Resignation / Cessation
Ramakrishnan Subramanian	04-Sep-2009
Wilfred Nagel	27-Jan-2010

Extension

Name (Mr.)	Date of Extension
Vaughn Nigel Richtor	07-Feb-2009 On the expiry of his initial term of three years on 06-Feb-2009, an extension for a further period of two months was sought from RBI. RBI approved the extension of his tenure for a further period of two months effective 07-Feb-2009, up to 06-Apr-2009. At the close of business on 06-Apr-2009, Mr. Vaughn Nigel Richtor relinquished his office and Mr. Jayant Mehrotra, Chief Financial Officer assumed charge as Officer in-charge.

2.2.2 Criteria for appointment and renewal of appointment of Directors

- 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, has not availed fund and 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 Independent Director.

2.2.3 Changes proposed at the 79th Annual General Meeting (AGM)

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

Mr. Richard Cox, Mr. Aditya Krishna and Mr. Santosh Ramesh Desai are retiring by rotation and being eligible, offer themselves for re-appointment.

Director seeking appointment:

Mr. Peter Henri Maria Staal, appointed by the Board as an Additional Director effective 21-Jan-2010, will hold office only up to the date of the ensuing AGM. A notice, as required under Section 257 of the Companies Act, 1956 has been received by the Bank for appointment of Mr. Staal as a Director of the Bank. A proposal to appoint Mr. Staal as Director of the Bank, liable to retire by rotation, is being placed before the shareholders at the ensuing AGM.

A brief resume along with the particulars specified under Clause 49 of the Listing Agreement, in respect of person(s) proposed for appointment / re-appointment as Directors at the ensuing AGM, is attached with the Notice of the meeting and circulated to the Shareholders.

These details are also placed on the website of the Bank viz., www.ingvysyabank.com.

2.3 Board Meetings

During the year, eight Board meetings were held as against four meetings required 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: 28-Apr-2009, 26-Jun-2009, 21-Jul-2009, 05-Aug-2009, 04-Sep-2009, 23-Oct-2009, 09-Nov-2009 and 21-Jan-2010.

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.)	Board meetings held during tenure	Board meetings attended in person	Board meetings attended through Tele/ Video Conference	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 2009-10							
K R Ramamoorthy	8	8	-	Present	8	6	2
Shailendra Bhandari	4	4	-	Present	-	-	-
Vaughn Nigel Richtor	7	6	-	Present	-	-	-
Aditya Krishna	8	7	-	Present	3	-	-
Arun Thiagarajan	8	7	-	Present	9	6	-
Philippe Damas	8	5	2	Present	-	-	-
Richard Cox	8	4	-	Leave of Absence	-	-	-
Ryan Andrew Padgett	8	5	-	Present	-	-	-
Santosh Ramesh Desai	8	6	-	Present	2	-	-
Meleveetil Damodaran	8	8	-	Present	5	4	1
Peter Staal	-	-	-	-	-	-	-
Persons who ceased to be Directors during the year 2009-10							
Wilfred Nagel	8	2	-	Present	-	-	-
Ramakrishnan Subramanian	4	-	-	Leave of Absence	-	-	-

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' Grievance (Investors') 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
2. Risk Management and Review Committee
3. Corporate Governance Committee (which also acts as Remuneration Committee, Compensation Committee and Nomination Committee)
4. Investors' Committee
5. Special Committee for Monitoring Frauds
6. Customer Service Committee and
7. Board Credit 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 do not violate 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, out of which, three are Independent Directors. Mr. Arun Thiagarajan, Independent Director is the Chairman of the Committee and the Corporate Secretary of the Bank acts as Secretary to the Committee in terms of Clause 49 of the Listing Agreement. During the year 2009-10, the Committee met seven times. The dates of the meetings held were: 28-Apr-2009, 26-Jun-2009, 20-Jul-2009, 23-Oct-2009, 09-Nov-2009, 21-Jan-2010 and 30-Mar-2010.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video conference
Arun Thiagarajan, Chairman	7	6	-
K R Ramamoorthy	7	7	-
Philippe Damas, Vice Chairman	7	4	2
Aditya Krishna	7	7	-
Ramakrishnan Subramanian (up to 04-Sep-2009)	3	-	-
Richard Cox (effective 04-Sep-2009)	4	2	-

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.

CORPORATE GOVERNANCE REPORT

- 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.
- 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, review 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 such as Asset Liability Committee (ALCO) and Credit Policy Committee.
- To review management's report on the risk control standards in the Bank.

Composition and Meetings

The Committee consists of six members. Mr. Wilfred Nagel was the Chairman of the Committee and he ceased to be a Director effective 27-Jan-2010. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2009-10, the Committee met four times. The dates of the meetings held were: 28-Apr-2009, 04-Sep-2009, 23-Oct-2009 and 20-Jan-2010.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video Conference
Wilfred Nagel, Chairman (ceased to be director effective 27-Jan-2010)	4	2	-
K R Ramamoorthy	4	4	-
Shailendra Bhandari (effective 04-Sep-2009)	3	3	-
Richard Cox	4	2	-
Ramakrishnan Subramanian, alternate to Richard Cox (Ceased to be a Director effective 04-Sep-2009 (AN))	-	-	-
Vaughn Nigel Richtor (effective 04-Sep-2009)	2	2	-
Arun Thiagarajan	4	4	-
Ryan Padgett	4	3	-

3.3 Corporate Governance Committee (CGC)

Scope and Terms of Reference

- To ensure adherence to Corporate Governance Guidelines by all units in the Bank.
- To induct and ensure a pro-active governance framework 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 act as 'Remuneration Committee', the constitution of which is non-mandatory under the provisions of the Listing Agreement, for the purpose of determining / reviewing the Bank's policy on specific remuneration packages for executive (whole-time) directors, whenever required. In all such cases, the meeting is chaired by an Independent Director (member). The scope also extends to review of the performance / remuneration of senior executives.
- To act as 'Compensation Committee' in terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for the purpose of formulation of policy, procedures and schemes and overall supervision and administration of Employee Stock Option Schemes (ESOSs) in the Bank.

CORPORATE GOVERNANCE REPORT

- 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 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.

Composition and Meetings

The Committee consists of five members. Mr. Philippe Damas is the Chairman of the Committee. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2009-10, the Committee met eight times. The dates of the meetings held were: 28-Apr-2009, 21-May-2009, 02-Jun-2009, 26-Jun-2009, 21-Jul-2009, 04-Sep-2009, 23-Oct-2009 and 21-Jan-2010.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video Conference
Philippe Damas, Chairman	8	4	3
K R Ramamoorthy	8	8	-
Arun Thiagarajan	8	7	-
Aditya Krishna	8	7	-
Vaughn Nigel Richtor (effective 04-Sep-2009)	2	2	-

3.4 Investors' Committee (IC)

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.
- To monitor insider trading within the Bank and ensure implementation of code for prevention of Insider Trading.

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

During the year, the Bank received 132 complaints from the shareholders all of which stand resolved. As on 31-Mar-2010, 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 Secretary to the Committee. During the year 2009-10, the Committee met three times. The dates of the meetings held were: 20-Jul-2009, 11-Sep-2009 and 20-Jan-2010.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video Conference
Arun Thiagarajan, Chairman	3	2	-
K R Ramamoorthy (effective 04-Sep-2009)	2	2	-
Shailendra Bhandari (effective 04-Sep-2009)	2	1	-
Aditya Krishna (effective 04-Sep-2009)	2	1	-
Santosh Ramesh Desai	3	1	-

3.5 Special Committee for Monitoring Frauds (SCMF)

Scope and Terms of Reference

- To monitor and follow up cases of fraud involving amounts of Rs. 50 Lakh and above (as against RBI's recommendation for Rs. 1 Crore and above vide its circular DBS.FGV(F)No.1004/23.04.01A/2003-04 dated 10-Jan-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 five members. Mr. Arun Thiagarajan was the Chairman of the Committee upto 21-Jan-2010. Mr. Shailendra Bhandari was appointed as the Chairman of the Committee effective 21-Jan-2010. Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2009-10, the Committee met three times. The dates of the meetings held were: 20-Jul-2009, 23-Sep-2009 and 30-Mar-2010.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video Conference
Shailendra Bhandari, Chairman (effective 21-Jan-2010)	2	1	-
K R Ramamoorthy	3	3	-
Arun Thiagarajan	3	3	-
Ryan Padgett	3	1	1
Philippe Damas	3	1	-
Wilfred Nagel (ceased to be director effective 27-Jan-2010)	2	-	1

3.6 Customer Service Committee (CSC)

Scope and Terms of Reference

- To bring about ongoing improvements on a continuous basis 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.
- To ensure compliance with the recommendation of the Committee on Procedures and Performance Audit on Public Services (CPPAPS) and monitor progress on an ongoing basis.

Composition and Meetings

The Committee consists of four members. Mr. Aditya Krishna is the Chairman of the Committee. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2009-10, the Committee met two times. The dates of the meetings held were: 28-Apr-2009 and 23-Oct-2009.

Member (Mr.)	Meetings held during the tenure	No. of Meetings Attended in person	No. of Meetings Attended through Tele/ Video Conference
Aditya Krishna, Chairman	2	2	-
K R Ramamoorthy	2	2	-
Shailendra Bhandari (effective 04-Sep-2009)	1	1	-
Santosh Ramesh Desai	2	2	-

3.7 Board Credit Committee (BCC)

Scope and Terms of Reference

- To approve credit limits beyond the powers of Executive Credit Committee (ECC).

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 Secretary to the Committee. During the year 2009-10, the Committee met six times. The dates of the meetings held were: 28-Apr-2009, 21-Jul-2009, 04-Sep-2009, 23-Oct-2009, 09-Nov-2009 and 20-Jan-2010.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video conference
Richard Cox, Chairman	6	3	-
Shailendra Bhandari (effective 04-Sep-2009)	4	4	-
Wilfred Nagel (ceased to be a Director effective 27-Jan-2010)	6	2	-
Ryan Padgett (alternate to Wilfred Nagel)	4	1	-
Arun Thiagarajan (up to 04-Sep-2009)	2	2	-
Vaughn Nigel Richtor (effective 04-Sep-2009)	4	3	-
Meleveetil Damodaran	4	3	-

3.8 Committee of Directors

Upon completion of the original term of three years and extension of two months, Mr. Vaughn Nigel Richtor, Managing Director & CEO, relinquished his office at the close of business on 6-Apr-2009. Mr. Jayant Mehrotra, Chief Financial Officer, took charge as Officer in-charge effective 06-Apr-2009, to look after the day-to-day affairs of the Bank. In terms of the advice of the Reserve Bank of India (RBI) vide its letter No. 16840/08.57.001/2008-09 dated 06-Apr-2009, the Board of Directors had constituted the Committee of Directors to oversee the operations and administration of the Bank in the absence of Managing Director and CEO.

Mr. Shailendra Bhandari took charge as Managing Director and CEO of the Bank on 06-Aug-2009 (end of the day) from Mr. Jayant Mehrotra, Officer in-charge. Consequently, the Committee of Directors was dissolved with effect from 06-Aug-2009 (end of the day).

During the year 2009-10, the Committee met five times. The dates of the meetings held were: 21-May-2009, 02-Jun-2009, 26-Jun-2009, 20-Jul-2009 and 05-Aug-2009.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video conference
Philippe Damas, Chairman	5	1	4
K R Ramamoorthy	5	5	-
Arun Thiagarajan	5	5	-
Vaughn Nigel Richtor (effective 01-Jun-2009)	4	2	1

3.9 Committee for Capital Issue

Committee for Capital Issue was constituted by the Board effective 05-Aug-2009, to do all such acts, deeds, matters and things pertaining to the Qualified Institutional Placement (QIP) issue, including the decision for opening and closing the QIP issue, finalization and approval of the placement document, determining the form and manner of the issue, class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, issue price, premium amount on issue/conversion of the Securities, if any, etc.

CORPORATE GOVERNANCE REPORT

During the year 2009-10, the Committee met two times. The dates of the meetings held were: 07-Sep-2009 and 08-Sep-2009.

Member (Mr.)	Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video conference
K R Ramamoorthy, Chairman	2	2	-
Arun Thiagarajan	2	-	-
Aditya Krishna	2	-	-
Vaughn Richtor	2	-	-
Shailendra Bhandari (effective 04-Sep-2009)	2	2	-

Subsequent to completion of Qualified Institutional Placement, the above Committee was dissolved effective 08-Sep-2009.

4. REMUNERATION

4.1 Policy

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

Non-Executive Independent Directors are paid sitting fees of Rs. 20,000/- for each Board/Committee meeting attended. Directors belonging to Promoter Group(s) have not drawn any sitting fees for the meetings attended during the year.

Mr. Arun Thiagarajan, Non- Executive & Independent Director, holds 15,080 equity shares of the Bank as on 31-Mar-2010.

Mr. Aditya Krishna, Non-Executive & Independent Director, holds 35,000 equity shares of the Bank as on 31-Mar-2010.

4.2 Remuneration to Directors

Mr. Shailendra Bhandari was appointed as the Managing Director and CEO of the Bank effective 06-Aug-2009 (end of the day). The details of the remuneration payable, annually, to Mr. Bhandari, as approved by RBI and Shareholders, are as under:

Particulars	Amount (in Rupees)
Salary	78,00,000 per annum
Perquisite:	
Free Furnished House	Minimum cost of Rs. 14,50,000/- per annum
Cars	Bank's car for official purposes and leased car for personal use
Driver's Salary	Rs. 1,08,000/- 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 Rs. 2,50,000/- for insurance premium. (per annum)
Performance based Bonus	As decided by Board from time to time.

CORPORATE GOVERNANCE REPORT

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
78 th AGM	04-Sep-2009 at 11.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore-560 001.	3
77 th AGM	30-Jun-2008 at 10.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore-560 001.	Nil
EGM	06-Nov-2007 at 11.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore-560 001.	3
76 th AGM	28-Jun-2007 at 10.30 AM Dr. B R Ambedkar Bhavan, Miller's Road, Vasanthanagar, Bangalore-560 052.	Nil

6. DISCLOSURE

6.1 The Disclosure on materially significant related party transactions is given under Point 18.14 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.

- a) Penalties imposed during the year 2009-10 by Stock Exchanges/SEBI – Nil
- b) Penalties imposed during the previous three years already disclosed in the Annual Reports of earlier years – Nil
- c) Strictures passed during the year 2009-10 by SEBI/Stock Exchanges – Nil
- d) Strictures passed during the previous three years already disclosed in the Annual Reports of earlier years, are as follows:

Particulars	Action taken by Management	Status update
Disgorgement order by SEBI against eight Depository participants in the country out of which Bank's individual liability amounted to Rs. 55 Lakh.	Bank appealed against the disgorgement order before Securities Appellate Tribunal (SAT).	The SAT stayed the order and finally set aside the order through its decision dated 22-Nov-2007.
Enquiry proceeding against the Bank alleging violation of certain SEBI Rules and Regulations.	The Bank attended the enquiry proceedings and submitted a written statement with supporting documents.	SEBI offered to settle the issue through a Consent order process, which was accepted by the Bank. Accordingly, SEBI closed the matter by issue of Consent Order dated 17-Feb-2009 following payment of an amount of Rs. 4 Lakh which is referred to as "settlement charges" in the said order.

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 18-Jan-2006. Subsequently, Operating Guidelines were issued to all the Branches / Offices effective 20-Mar-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 one investigation into whistle blower reference was conducted and the issue escalated was resolved.

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 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: 19-Apr-2010

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 Corporate Governance Committee (CGC) also acts as the 'Remuneration Committee' to determine the Bank's policy on specific remuneration packages for Executive (Whole-Time) Directors, whenever required. Its scope also extends to the review of remuneration of senior executives. The CGC consists of five members, out of whom three are independent Directors. When CGC acts as 'Remuneration Committee', it is chaired by an Independent Director.

The Bank has also complied with the non-mandatory requirements 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 following two training programmes for the Directors:
 - “Current outlook of the Indian Economy & its various industries/sectors - assessment & effect of Global slowdown” on 21-Jul-2009
 - “International Financial Reporting Standards (IFRS) and its implications on Indian Banking Sector” on 20-Jan-2010.
- 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 6.3)
- The half-yearly communication to the shareholders is hosted on the Bank's website viz., www.ingvysyabank.com.

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 voluntarily adopted the following nine 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

6.9 ICSI National Award for Excellence in Corporate Governance

In pursuit of excellence and to identify, foster and reward the culture of evolving globally acceptable standards of corporate governance among Indian companies, the “ICSI National Award for Excellence in Corporate Governance” was instituted by the Institute of Company Secretaries of India (ICSI) in the year 2001.

For the second consecutive year, the Bank secured a place among the top 25 companies for excellence in corporate governance and both times, IVBL was the only Private Sector Bank in the top 25 companies list.

7. MEANS OF COMMUNICATION TO THE SHAREHOLDERS/INVESTORS

7.1 Investor Relations - Guiding principles

ING Vysya Bank is committed in 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, 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.

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, half-yearly communication to the shareholders etc. The Balance Sheet as on 31-Mar-2010 along with Schedules is also placed on the website for the information of the Shareholders. The Quarterly and Annual Financial Results were published in the following newspapers:

For the quarter /year (Regional Language)	English	Kannada
Apr 09-June 09	Financial Express	Times of India
Jul 09-Sep 09	Financial Express	Times of India
Oct 09-Dec 09	Mint	Times of India
Jan 10-Mar 10 & 2009-10	Mint	Udayvani

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 30-Jun-2010.

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. The annual report of the Bank for the year 2008-09 has been filed on the Electronic Data Filing and Retrieval (EDIFAR) website maintained by the National Informatics Centre (NIC).

8. GENERAL INFORMATION FOR THE SHAREHOLDERS

Financial year 1-Apr -2009 to 31-Mar-2010	
Board Meeting for consideration of / dealing with Accounts for the year 2009-2010	29-Apr-2010
Posting of Annual Reports	On or before 7-Jun-2010
Book Closure Date	17-Jun-2010 to 01-Jul-2010
Last date for receipt of Proxy Forms	Upto 11.00 a.m. on 29-Jun-2010
Venue, Date, Time	79th Annual General Meeting 01-Jul- 2010, Thursday, 11.00 a.m. The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore - 560 001.
Dividend Payment Date	On and from 01-Jul-2010 but not beyond 30-Jul-2010.

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 (Rs.)	Low Price (Rs.)	Aggregate Volume (Number of Equity Shares)
Apr-09	170.00	123.35	35,420
May-09	198.00	129.00	125,553
Jun-09	196.00	156.20	298,137
Jul-09	224.40	153.30	150,884
Aug-09	272.50	209.20	219,490
Sep-09	297.90	236.00	443,702
Oct-09	327.40	255.00	338,695
Nov-09	324.40	268.10	165,666
Dec-09	325.00	290.00	359,258
Jan-10	313.95	237.10	257,108
Feb-10	268.00	232.10	114,415
Mar-10	319.80	248.00	133,962

- 9j gč\`i] Z`nZVg`i] Z`Xdhc\`h] Vg`egXZh`d[`\i] Z`7Vc``kVgZY`[gdb`V`dl`d[`\Gh`&` (#`*`f%&6eg`%E`id`V`) ^] `d[`\Rs. 327.40 (17-Oct-2009).

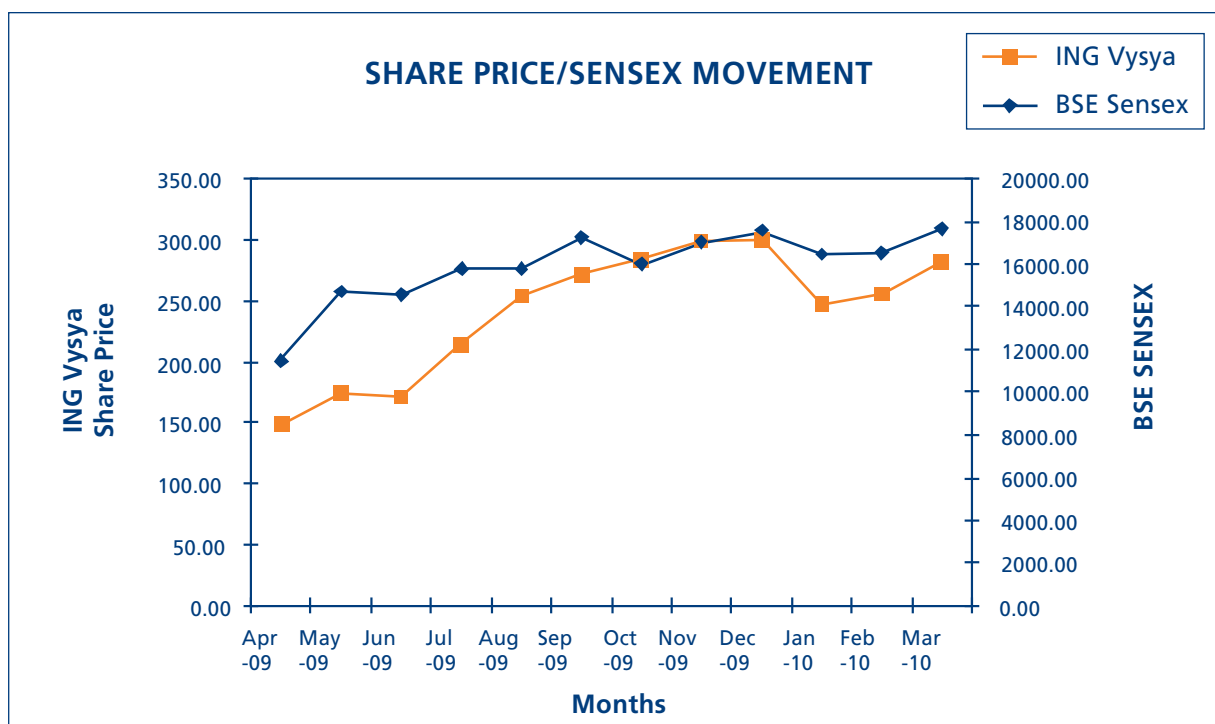
Market Price Data: Monthly High and Low Prices of shares traded on BSE

Months	High Price (Rs.)	Low Price (Rs.)	Aggregate Volume (Number of Equity Shares)
Apr-09	175.00	126.00	13,829
May-09	196.85	128.15	21,102
Jun-09	198.80	157.40	27,927
Jul-09	225.00	154.00	23,894
Aug-09	271.90	209.15	29,061
Sep-09	297.80	241.00	57,300
Oct-09	326.70	255.35	67,764
Nov-09	324.20	268.00	67,384
Dec-09	324.95	290.10	43,322
Jan-10	314.00	237.80	65,344
Feb-10	269.00	235.00	30,201
Mar-10	289.70	253.05	42,061

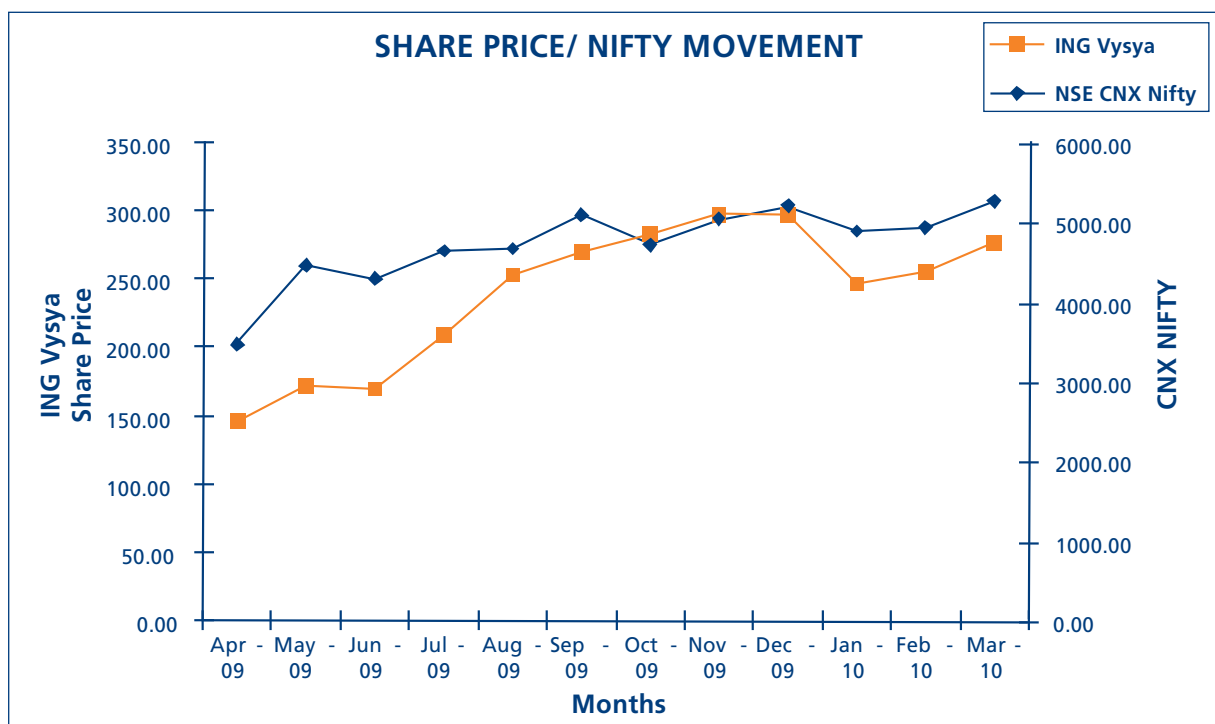
- 9j gč\`i] Z`nZVg`i] Z`Xdhc\`h] Vg`egXZh`d[`\i] Z`7Vc``kVgZY`[gdb`V`dl`d[`\Gh`&` +##%f%&6eg`%E`id`V`) ^] `d[`\Rs. 326.70 (17-Oct-2009)

- On 31-Mar-2010, the scrip closed at Rs. 276.30 at NSE and at Rs. 279.45 at BSE

IVBL Share Price in comparison with BSE Sensex- 1-Apr-2009 to 31-Mar-2010



IVBL Share Price in comparison with NSE NIFTY- 1-Apr-2009 to 31-Mar-2010



8.3 Shareholding

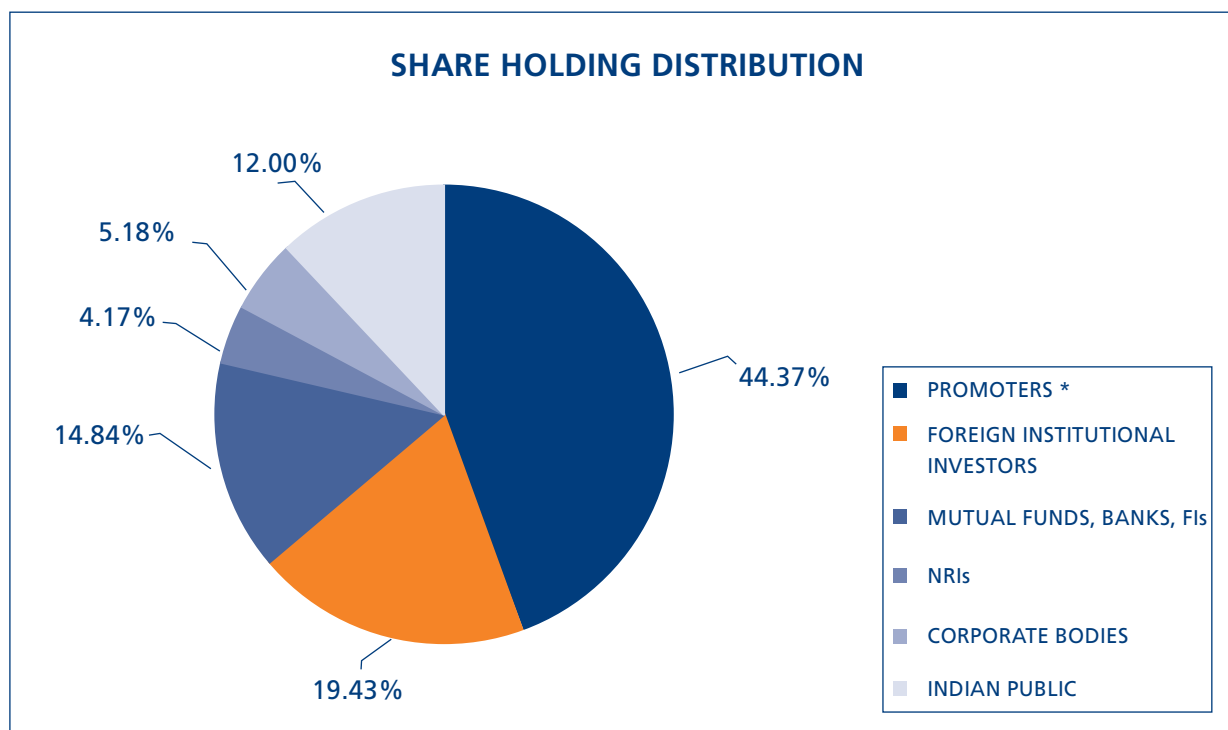
Of the 11,99,66,490 shares of the Bank as on 31-Mar-2010, 94.51% of shares are held in demat mode.

A table showing the distribution of shares among Shareholders according to size, class and category of shareholders as on 31-Mar-2010 is given below:

Category	No. of shareholders	Total Shares	% to shareholders	% to paid up capital
Upto 5000	27,629	35,37,126	82.81	2.95
5001 - 10000	2,654	19,99,789	7.95	1.67
10001 - 20000	1,862	25,71,924	5.58	2.14
20001 - 30000	431	10,62,877	1.29	0.89
30001 - 40000	174	6,16,601	0.52	0.51
40001 - 50000	138	6,35,100	0.41	0.53
50001 - 100000	205	14,79,210	0.61	1.23
100001 and above	272	10,80,63,863	0.82	90.08
Total	33,365	11,99,66,490	100.00	100.00

8.4 Shareholding pattern as on 31-Mar-2010

Sl. No.	Category	No. of Shares	% To Equity
1	Promoters*	5,32,33,353	44.37
2	Foreign Institutional Investors	2,33,16,282	19.44
3	Mutual Funds, Banks, FIs	1,78,01,798	14.84
4	NRIs	49,95,325	4.17
5	Corporate Bodies	62,17,832	5.18
6	Indian Public	1,44,01,900	12.00
	Total	11,99,66,490	100.00



* Promoters consist of ING Group (43.72%), Foreign Promoters and GMR Group, Indian Promoters.

CORPORATE GOVERNANCE REPORT

8.5 Aggregate Foreign Investment (AFI) as defined by RBI

As on 31-Mar-2010

Category	% age to Equity
Foreign Promoters	43.72
FII's	19.44
NRI's	4.16
Foreign Nationals	-
Total	67.32

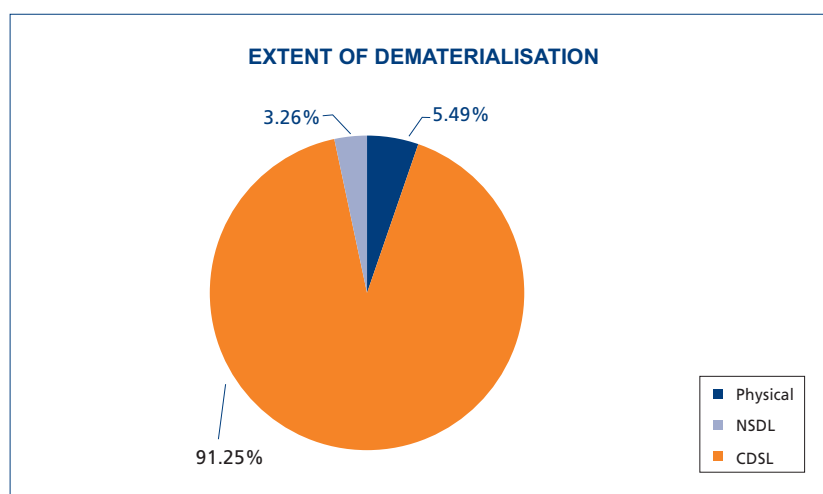
8.6 List of Top 10 shareholders as on 31-Mar-2010

Sl. No.	Name	No. of Shares held as on 31-Mar-2010	% to Paid-up Capital
1	ING MAURITIUS HOLDINGS (a wholly owned subsidiary of ING Group)	4,07,74,773	33.99
2	ING MAURITIUS INVESTMENTS I (a wholly owned subsidiary of ING Group)	1,16,72,132	9.73
3	ABERDEEN ASSET MANAGERS LIMITED A/C ABERDEENINTERNATIONAL INDIA OPPORTUNITIES FUND (MAURITIUS) LIMITED	48,47,199	4.04
4	DILIP RAMNIKLAL MEHTA	45,00,000	3.75
5	CITIGROUP GLOBAL MARKETS MAURITIUS PRIVATE LIMITED	28,67,885	2.39
6	CARLSON FUND - ASIAN SMALL CAP	25,00,000	2.08
7	NORGES BANK A/C GOVERNMENT PETROLEUM FUND	22,36,344	1.86
8	DSP BLACKROCK INDIA T.I.G.E.R. FUND	18,16,690	1.51
9	BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED A/C BIRLA SUN LIFE TAX RELIEF 96	14,76,000	1.23
10	BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	12,02,120	1.00
	Total	7,38,93,143	61.59

8.7 Status of dematerialisation of Bank's shares

The Company's shares are available for dematerialisation with both the depositories i.e National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). 94.5 % per cent of shares have been dematerialised as on 31-Mar-2010 as against 93.44% as on 31-Mar-2009.

Category of shares held	No. of Shares	% of Shareholding
Physical form	65,91,238	5.49
Dematerialized form with		
- NSDL	10,94,59,686	91.25
- CDSL	39,15,566	3.26
Total	11,99,66,490	100.00



8.8 STATEMENT SHOWING DETAILS OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2002-03 TO 2008-09 AS ON 31-MAR-2010.

Sl. No.	Year	Percentage of dividend declared	Amount of unclaimed dividend as on 31-Mar-2010 (Rs.)	Due date for transfer of unclaimed dividend by Bank to Investors Education and Protection Fund (IEPF)
1	2002-03	40%	8,83,511.57	20 th October, 2010
2	2003-04	50%	14,57,980.00	21 st October, 2011
3	2004-05	NIL	NIL	NA
4	2005-06	NIL	NIL	NA
5	2006-07	6.5%	4,31,303.00	2 nd August, 2014
6	2007-08	15%	9,00,642.00	4 th August, 2015
7	2008-09	20%	16,92,428.00	9 th October, 2016

The Bank has transferred unclaimed dividend of Rs. 7,02,589/- pertaining to the year 2001-02, to the Investor Education and Protection Fund on 12-Nov-2009.

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 R & T 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 R & T Agents.

8.10 Contact Details

Shareholders may correspond with the R & T Agents at the following address:

Karvy Computershare Private Limited
17-24, Vittal Rao Nagar,
Madhapur, Hyderabad – 500 081.
Ph : 040-4465 5000 Fax:040-2342 0814
Email : einward.ris@karvy.com

Contact Person: Mr. Jayaraman V K
Email: jayaramanvk@karvy.com
Website: www.karvy.com

Shareholders may correspond with the Bank at the following address :

Mr. M.V.S. Appa Rao
Corporate Secretary
Secretarial Department,
ING Vysya Bank Limited,
No. 22, M G Road,
Bangalore – 560 001.
Ph : 080 – 25005770 (D), 25005000 (G) Ext : 3570
Fax : 080-25005555, 25559212
E-mail : sharecare@ingvysyabank.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

Reserve Bank of India, vide circular DBOD No.BC 112/08.138.001/2001-2002 dated 4-Jun-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.

AUDITORS' REPORT

To
The Members of
ING Vysya Bank Limited

1. We have audited the attached balance sheet of ING Vysya Bank Limited (the 'Bank') as at 31 March 2010 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The balance sheet and profit and loss account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956 (the 'Companies Act').
4. The reports on accounts of 49 branches audited by branch auditors, as submitted by the management of the Bank, have been dealt with in preparing our report in the manner considered appropriate by us.
5. 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 purposes of our audit and have found them to be satisfactory;
 - b) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;
 - c) 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 and proper returns adequate for the purposes of our audit have been received from branches not visited by us. The reports

on the accounts of the branches audited by the branch auditors have been forwarded to us and have been appropriately dealt with;

- d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account and with audited returns received from the branches;
- e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, read with guidelines issued by the Reserve Bank of India insofar as they apply to the Bank;
- f) On the basis of written representations received from the directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
- g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in case of the balance sheet, of the state of the affairs of the Bank as at 31 March 2010;
 - ii. in case of the profit and loss account, of the profit for the year ended on that date; and
 - iii. in case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Firm registration No.: 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Bangalore
29 April 2010

BALANCE SHEET AS AT 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2010	31 March 2009
CAPITAL AND LIABILITIES			
Capital	1	1,199,665	1,026,041
Employees' Stock Options Outstanding (Net)		29,875	44,682
Reserves and Surplus	2	22,079,611	15,958,227
Deposits	3	258,653,007	248,894,697
Borrowings	4	36,713,880	31,853,195
Other Liabilities and Provisions	5	20,126,365	20,859,965
TOTAL		338,802,403	318,636,807
ASSETS			
Cash and Balance with Reserve Bank of India	6	23,295,871	17,910,228
Balance with Banks and Money at call and short notice	7	6,974,573	4,906,047
Investments	8	104,729,191	104,955,389
Advances	9	185,071,895	167,563,800
Fixed Assets	10	4,959,331	4,371,997
Other Assets	11	13,771,542	18,929,346
TOTAL		338,802,403	318,636,807
Contingent Liabilities	12	741,337,962	739,082,609
Bills for collection		32,880,705	30,150,131
Significant Accounting Policies	17		
Notes on 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 S. R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No: 048749

Place: Bangalore
Date: 29 April 2010

For and on behalf of the Board

K.R. Ramamoorthy
Chairman

Arun Thiagarajan
Director

Place: Bangalore
Date: 29 April 2010

Shailendra Bhandari
Managing Director

Vaughn Richtor
Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2010	31 March 2009
INCOME			
Interest Earned	13	22,328,904	22,398,898
Other Income	14	6,202,206	5,476,657
TOTAL		28,531,110	27,875,555
EXPENDITURE			
Interest Expended	15	14,030,546	15,902,699
Operating Expenses	16	8,081,040	7,724,698
Provisions and Contingencies		3,997,353	2,360,361
TOTAL		26,108,939	25,987,758
PROFIT			
Net Profit for the year		2,422,171	1,887,797
Profit/(Loss) Brought Forward		2,065,330	1,035,324
TOTAL		4,487,501	2,923,121
APPROPRIATIONS			
Transfer to Statutory Reserve		605,543	471,949
Transfer to Capital Reserves		70,192	22,753
Transfer to Investment Reserve		8,723	23,007
Transfer to Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)		150,000	100,000
Proposed Dividend		299,916	205,208
Dividend Tax		50,971	34,874
Balance Carried to Balance Sheet		3,302,156	2,065,330
TOTAL		4,487,501	2,923,121
Earnings Per Share (Rs. Per Equity Share of Rs.10 each)			
Basic		21.61	18.41
Diluted		21.33	18.33
Significant Accounting Policies	17		
Notes on 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 S. R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

For and on behalf of the Board

per Viren H. Mehta
Partner
Membership No: 048749

K.R. Ramamoorthy
Chairman

Shailendra Bhandari
Managing Director

Place: Bangalore
Date: 29 April 2010

Arun Thiagarajan
Director

Vaughn Richtor
Director

Place: Bangalore
Date: 29 April 2010

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2010

		(Rs. in thousands)	
PARTICULARS	31 March 2010	31 March 2009	
SCHEDULE I - CAPITAL			
AUTHORISED CAPITAL			
350,000,000 (Previous Year 350,000,000) Equity Shares of Rs.10 each	3,500,000	3,500,000	
100,000,000 (Previous Year 100,000,000) Preference Shares of Rs.10 each	1,000,000	1,000,000	
ISSUED CAPITAL			
120,280,579 (Previous Year 102,927,692)			
Equity shares of Rs.10 each	1,202,806	1,029,276	
SUBSCRIBED AND CALLED UP CAPITAL			
119,966,490 (Previous Year 102,604,115)			
Equity Shares of Rs.10 each Fully Called and Paid up	1,199,665	1,026,041	
TOTAL	1,199,665	1,026,041	
SCHEDULE 2 - RESERVES AND SURPLUS			
I. STATUTORY RESERVE			
Opening Balance	3,094,297	2,622,347	
Additions during the year	605,543	471,950	
Total (A)	3,699,840	3,094,297	
II. CAPITAL RESERVE			
(a) Revaluation Reserve			
Opening Balance	1,087,689	1,095,176	
Less: Depreciation on revalued assets	(7,487)	(7,487)	
Total (B)	1,080,202	1,087,689	
(b) Others			
Opening Balance	1,098,569	1,075,816	
Add: Transfer from Profit and Loss Account	70,192	22,753	
Total (C)	1,168,761	1,098,569	
III. SECURITIES PREMIUM			
Opening Balance	7,788,761	7,775,663	
Add: Additions during the year	4,095,702	13,098	
Less: Deductions during the year	(38,115)	-	
Total (D)	11,846,348	7,788,761	
TOTAL CAPITAL RESERVE (B+C+D)	14,095,311	9,975,019	
IV. SPECIAL RESERVE (u/s 36 (1) (viii) of Income Tax Act, 1961)			
Opening Balance	167,000	67,000	
Add: Additions during the year	150,000	100,000	
Total (E)	317,000	167,000	
V. REVENUE AND OTHER RESERVES			
(F) Revenue Reserves			
Opening Balance	555,351	555,351	
Add: Additions during the year	-	-	
Total (F)	555,351	555,351	

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	31 March 2010	31 March 2009
(G) Investment Reserve		
Opening Balance	101,230	78,223
Add: Additions during the year	8,723	23,007
Total (G)	109,953	101,230
Total (V) (F+ G)	665,304	656,581
VI. Balance in Profit and Loss Account (H)	3,302,156	2,065,330
TOTAL (I to VI)	22,079,611	15,958,227
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	1,929,844	1,816,306
ii. From Others	38,990,806	31,324,216
II. Savings Bank Deposits	43,349,631	33,984,173
III. Term Deposits		
i. From Banks	51,994,987	36,989,272
ii. From Others	122,387,739	144,780,730
TOTAL(I to III)	258,653,007	248,894,697
B. Deposits of Branches In India	258,653,007	248,894,697
C. Deposits outside India	-	-
TOTAL	258,653,007	248,894,697
SCHEDULE 4 - BORROWINGS*		
I. Borrowings in India		
i. Reserve Bank of India	420,000	-
ii. Other Banks	1,282,000	1,430,000
iii. Other Institutions and Agencies	21,079,457	10,320,255
II. Borrowings outside India	13,932,423	20,102,940
TOTAL (I to II)	36,713,880	31,853,195
Secured Borrowings included in (I) & (II) above is NIL (Previous Year : NIL)		
*Includes Subordinated Debt (IPDI, Upper Tier II and Tier II Bonds) of Rs. 10,036,848 thousands as on 31 March 2010 (Previous year Rs.10,329,020 thousands).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	4,548,873	2,908,204
II. Inter Office Adjustments (Net)	96,172	-
III. Interest Accrued	1,411,156	1,221,805
IV. Provision against Standard Assets	1,008,100	1,008,100
V. Others (Including Provisions)	13,062,064	15,721,856
TOTAL (I to V)	20,126,365	20,859,965

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2010

		(Rs. in thousands)	
PARTICULARS	31 March 2010	31 March 2009	
SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA			
I. Cash In Hand (Including Foreign Currency Notes)	3,527,902	2,691,296	
II. Balances With Reserve Bank of India			
i. In Current Account	19,767,969	15,218,932	
ii. In Other Accounts	-	-	
TOTAL (I to II)	23,295,871	17,910,228	
SCHEDULE 7-BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i) Balances With Banks			
a) In Current Accounts	1,342,063	1,420,396	
b) In Other Deposit Accounts	69,568	237,103	
ii) Money at Call and Short Notice			
a) With Banks	-	-	
b) With Others	4,998,201	-	
TOTAL (i to ii)	6,409,832	1,657,499	
II. Outside India			
i) Balances With Banks			
a) Current Accounts	103,618	10,583	
b) In Other Deposit Accounts	-	-	
ii) Money at Call and Short Notice			
a) With Banks	461,123	3,237,965	
b) With Others	-	-	
TOTAL (i to ii)	564,741	3,248,548	
GRAND TOTAL (I to II)	6,974,573	4,906,047	
SCHEDULE 8 - INVESTMENTS (NET)			
I. Investments in India			
i) Government Securities ## ** \$	81,938,046	92,585,496	
ii) Other Approved Securities##	1,282	1,742	
iii) Shares	5,000	29,996	
iv) Debentures and bonds	1,694,686	1,236,462	
v) Subsidiaries/Joint Ventures	20,988	20,988	
vi) Others (Mutual funds and RIDF Deposits) @	21,069,189	11,080,705	
TOTAL	104,729,191	104,955,389	

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2010

		(Rs. in thousands)	
PARTICULARS	31 March 2010	31 March 2009	
II. Investments Outside India	-	-	
TOTAL	104,729,191	104,955,389	
GROSS INVESTMENTS	104,770,356	105,014,173	
LESS: Depreciation/Provision for Investments	(41,165)	(58,784)	
NET INVESTMENTS	104,729,191	104,955,389	
<p>@ Includes deposits with NABARD, NHB and SIDBI of Rs. 2106.92 crores (previous year Rs 908.10 crores) and PTC's Rs. 114.64 crores (previous year Rs. 116.32 crores)</p> <p>## Includes securities costing Rs. 7.13 crores (previous year 7.13 crores) pledged for availment of telegraphic transfer discounting facility</p> <p>** Includes Repo Lending of Rs. Nil (previous year Rs. 1260 crores) under the Liquidity Adjustment Facility in line with Reserve Bank of India requirements.</p> <p>\$ Includes securities costing Rs. 42.02 crores (previous year Rs.19.79 crores) pledged for margin requirement</p>			
SCHEDULE 9 - ADVANCES (Net of provisions)			
A. i) Bills Purchased and Discounted	9,378,542	8,355,878	
ii) Cash Credits, Overdrafts and Loans repayable on demand	51,498,811	66,392,235	
iii) Term loans	124,194,542	92,815,687	
TOTAL	185,071,895	167,563,800	
B. i) Secured by Tangible Assets*	156,194,572	135,871,713	
ii) Covered by Bank/Government Guarantees	2,609,652	1,952,060	
iii) Unsecured	26,267,671	29,740,027	
TOTAL	185,071,895	167,563,800	
* Includes advances secured against book debts			
C. I ADVANCES IN INDIA			
i) Priority Sector	68,753,470	61,550,000	
ii) Public Sector	80,849	706,828	
iii) Banks	27,036	33,869	
iv) Others	116,210,540	105,273,103	
II ADVANCES OUTSIDE INDIA	-	-	
TOTAL	185,071,895	167,563,800	
SCHEDULE 10 - FIXED ASSETS			
I. Premises			
i) At cost as on 31 March of the preceding year	931,303	939,213	
ii) Appreciation in the value	1,172,709	1,172,709	
iii) Additions during the year	2,359	-	
	2,106,371	2,111,922	
iv) Deductions during the year	-	(7,910)	
v) Depreciation to date	(270,961)	(245,421)	
I a. Capital Work in Progress	2,017,211	1,279,533	
TOTAL (I)	3,852,621	3,138,124	

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2010

		(Rs. in thousands)	
	PARTICULARS	31 March 2010	31 March 2009
II.	Other Fixed Assets (Including Furniture and Fixtures)		
i)	At cost as on 31 March of the preceding year	3,896,292	3,415,721
ii)	Additions during the year	458,547	506,881
		4,354,839	3,922,602
iii)	Deductions during the year	(264,544)	(26,310)
iv)	Depreciation to date	(3,199,394)	(3,060,377)
II	a. Capital Work In Progress	58,825	239,285
	TOTAL (II)	949,726	1,075,200
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	(1,394,881)	(1,370,976)
v)	Add: Lease Adjustment Account	248,929	226,713
vi)	Less: Provision / Write off of NPAs	(237,649)	(237,649)
	TOTAL (III)	156,984	158,673
	GRAND TOTAL (I to III)	4,959,331	4,371,997
SCHEDULE 11 - OTHER ASSETS			
I.	Inter Office Adjustment (Net)	-	207,843
II.	Interest Accrued	2,301,509	2,432,673
III.	Tax Paid in Advance and Tax deducted at source (Net)	477,810	364,995
IV.	Stationery and Stamps	5,201	6,522
V.	Non Banking Assets acquired in satisfaction of claims (Net)	-	65,775
VI.	Others	10,987,022	15,851,538
	TOTAL	13,771,542	18,929,346
SCHEDULE 12 - CONTINGENT LIABILITIES			
I.	Claims against the bank not acknowledged as debts	53,858	64,494
II.	Liability for partly paid investments	-	-
III.	Liability on account of Outstanding Forward Exchange Contracts	288,901,171	350,173,736
IV.	Liability on account of Outstanding Derivative Contracts	400,063,948	338,855,913
V.	Guarantees given on behalf of constituents in India	38,568,374	34,473,535
VI.	Acceptances , Endorsements and Other Obligations	12,823,600	14,717,033
VII.	Other items for which the bank is contingently liable	927,011	797,898
	TOTAL	741,337,962	739,082,609

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2010

		(Rs. in thousands)	
PARTICULARS	31 March 2010	31 March 2009	
SCHEDULE 13 - INTEREST EARNED			
i. Interest/Discount on Advances/Bills	17,093,988	17,476,282	
ii. Income on Investments	5,179,095	4,698,422	
iii. Interest on Balances with RBI and other inter bank funds	12,557	152,230	
iv. Others	43,264	71,964	
TOTAL	22,328,904	22,398,898	
SCHEDULE 14 - OTHER INCOME			
i. Commission, Exchange and Brokerage	3,490,338	3,293,027	
ii. Profit/ (Loss) on sale of Investments (Net)	797,023	389,658	
iii. Profit on Revaluation of Investments (Net)	-	-	
iv. Profit/ (Loss) on sale of Land, Buildings and Other Assets(Net)	933	45,959	
v. Profit on Exchange / Derivative Transactions (Net)	1,032,920	1,110,822	
vi. Income earned by way of Dividends etc.from Subsidiaries/Companies and Joint Ventures Abroad/in India	2,000	3,000	
vii. Lease Income	2,049	16,442	
Add: Lease Equalisation	22,217	12,481	
Less: Depreciation	(23,905)	(28,009)	
viii. Miscellaneous Income*#	878,631	633,277	
TOTAL	6,202,206	5,476,657	
*Includes prior period item of Rs. 307,252 thousands (Previous year-NIL) - refer note 18.17.7			
# Includes recovery from written off accounts amounting to Rs.419,899 thousands (Previous year Rs.463,912 thousands)			
SCHEDULE 15 - INTEREST EXPENDED			
i. Interest on Deposits	11,690,350	14,010,372	
ii. Interest on Reserve Bank of India/Inter-Bank Borrowings	130,474	514,587	
iii. Others (Including interest onTier II Bonds)	2,209,722	1,377,740	
TOTAL	14,030,546	15,902,699	
SCHEDULE 16 - OPERATING EXPENSES			
i. Payments and Provisions for Employees	4,288,532	3,922,205	
ii. Rent, Taxes and Lighting	765,667	597,108	
iii. Printing and Stationery	91,518	105,652	
iv. Advertisement and Publicity	43,779	41,914	
v. Depreciation on Bank's Property	409,640	408,245	
vi. Director's Fees, Allowances and Expenses	5,871	2,796	
vii. Auditors' Fees and Expenses (Including Branch Auditors)	6,525	6,560	
viii. Law Charges	38,211	42,398	
ix. Postage,Telegrams,Telephones	186,552	224,283	
x. Repairs and Maintenance	241,647	221,731	
xi. Insurance	257,932	238,071	
xii. Other expenditure	1,745,166	1,913,735	
TOTAL	8,081,040	7,724,698	

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2010

	(Rs. in thousands)	
PARTICULARS	31 March 2010	31 March 2009
GROSS PROFIT BEFORE PROVISIONS	6,419,524	4,248,158
Provisions and Contingencies		
i. Debts Written off/ Provision for NPAs	2,296,263	1,063,400
ii. Provision / Write offs for Leased Assets	-	-
iii. Provision for Standard Loan Assets	-	153,300
iv. Provision for Restructured Advances	256,314	54,495
v. General provision	162,898	15,700
vi. Amortization of premium on Investments	-	-
vii. Depreciation on Investments	(17,619)	(46,472)
viii. Provision for frauds -Vigilance	7,321	41,264
ix. Provision for Ops Losses	(4,465)	4,716
x. Provision for interest Sacrifice	(4,378)	(6,201)
xi. Provision for Claims against the Bank	10,743	2,001
xii. Provision for Others	7,421	19,427
xiii. Provision for Non Banking Assets	(10,000)	-
TOTAL	2,704,498	1,301,630
PROFIT BEFORE TAXES	3,715,026	2,946,528
Income Tax & Wealth Tax	1,292,855	1,031,358
Fringe Benefit Tax	-	27,373
Provision for taxes	1,292,855	1,058,731
NET PROFIT AFTER TAXES	2,422,171	1,887,797
Profit Brought Forward	2,065,330	1,035,324
TOTAL PROFIT FOR APPROPRIATION	4,487,501	2,923,121
Transfer to Statutory Reserve @25% of Profits	605,543	471,949
Transfer to Capital Reserve	70,192	22,753
Transfer to Investment Reserve	8,723	23,007
Transfer to Special Reserve	150,000	100,000
Proposed Dividend	299,916	205,208
Dividend Tax	50,971	34,874
PROFIT CARRIED FORWARD TO BALANCE SHEET	3,302,156	2,065,330

SIGNIFICANT ACCOUNTING POLICIES

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 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".

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles ("GAAP") in India and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time to the extent they have financial statements impact and current practices prevailing within the banking industry in India. The financial statements comply in all material respects with the Notified accounting standards by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956, to the extent applicable and current practices prevailing within the banking industry in India. The accounting policies have been consistently applied and except for the changes in accounting policy disclosed in these financial statements, are consistent with those used in the previous year.

3 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from those estimates. 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 on 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. Premium/discount on acquired loans

Premium paid/discount received on loans acquired under deeds of assignment are recognised in the profit and loss account in the year of such purchases.

- d. Sale of investments

Realized gains on investments under Held To Maturity ("HTM") category are recognized in the profit and loss account and subsequently appropriated, from the profit available for appropriation, if any, to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve.

5 FOREIGN EXCHANGE TRANSACTIONS

- a. 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.

- b. Outstanding forward 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.

- c. Contingent liabilities denominated in foreign currencies are disclosed on the balance sheet date at the rates notified by FEDAI.

- d. Derivative contracts including foreign exchange contracts which have overdue receivables which have remain unpaid for 90 days or more are classified as non-performing assets and provided for as per the extant master circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning issued by RBI

6 DERIVATIVE TRANSACTIONS

Derivative transactions comprise forwards, 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 and in other assets/other liabilities. Derivative transactions designated as "Hedge" are accounted for on an accrual basis.

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 Third Schedule to the Banking Regulation Act, 1949.

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 valuation, the Bank's investments are classified into three categories, i.e. 'Held to Maturity', 'Held for Trading' and 'Available for Sale':

- 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 with the intention of trading 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. 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. 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. Treasury bills and Commercial paper being discounted instruments, are valued at carrying cost. Discount accreted on such instruments is disclosed under other assets in accordance with RBI directive and investments are shown at acquisition cost.
- e. REPO and Reverse REPO transactions 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.

8 ADVANCES

Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the guidelines issued by RBI and are stated net of provisions made towards non-performing advances.

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. 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 Medium Enterprises and direct agricultural advances; and
- b. at 1.00% on Commercial Real Estate (CRE) sector.

SIGNIFICANT ACCOUNTING POLICIES

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

9 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 duties, 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 “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 Rs. 100,000 and other items whose actual cost does not exceed Rs. 10,000 are fully expensed 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 off 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.

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 SECURITISATION TRANSACTIONS

Securitisation transactions are accounted for in accordance with applicable RBI guidelines and ICAI guidance note on “Accounting for Securitisation”.

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-

SIGNIFICANT ACCOUNTING POLICIES

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 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 STAFF BENEFITS

The Bank provides for its Pension, Gratuity and Leave liability based on actuarial valuation done as per the Accounting Standard 15 (Revised).

- i. Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.
- ii. Gratuity, Pension and Leave Encashment Liability are defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

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), fringe benefit tax 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 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")

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.

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.

NOTES ON ACCOUNTS

18 NOTES ON ACCOUNTS

18.1 Balancing of books and reconciliation

The Bank has completed its inter branch reconciliation. The reconciling items have been identified and elimination of reconciling items is in progress. Appropriate adjustments have been incorporated in the financial statements for the purpose of presentation.

Routine matching of select general ledger control account balances with subsidiary ledgers is in progress at few branches and is expected to be completed in due course with no material financial statement impact as on 31 March 2010.

18.2 Employee stock option scheme

ESOS 2002

The employee stock option scheme ("ESOS 2002" or "the scheme") of the Bank was approved by the Board of Directors in their meeting dated 23 July 2001 and by the shareholders at the Annual General Meeting held on 29 September 2001. A total of 500,000 equity shares of Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme was in force. These options will vest over a period of five years from the date of grant i.e. 20% 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. Consequent to the rights issue of the Bank during the financial year 2005-2006, appropriate adjustments were made to the number of outstanding options and initially fixed exercise price. ESOS 2002 was discontinued by the Bank in the Annual General Meeting held on 22 September 2005. No further options have been granted under this scheme.

The movement in ESOS 2002 during the year ended 31 March 2010 is as under:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Stock options outstanding at the beginning of the year	60,305	150,480
Less: Options exercised during the year	57,555	86,041
Less: Options forfeited	2,270	4,134
Stock options outstanding at the end of the year	480	60,305

The weighted average exercise price for the options exercised during the year is Rs. 97.45 (Previous year - Rs. 91.49)

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 Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme is in force. These options will 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 movement in ESOS 2005 during the year ended 31 March 2010 is as under:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Stock options outstanding at the beginning of the year	681,465	730,451
Add: Options granted during the year	-	3,825
Less: Options exercised during the year	224,122	14,692
Less: Options forfeited	26,479	38,119
Stock options outstanding at the end of the year	430,864	681,465

The weighted average exercise price for the options exercised during the year is Rs. 168.63 (Previous year- Rs. 121.03).

NOTES ON ACCOUNTS

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 78,00,000 equity shares of Rs. 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme is in force. These options will 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 movement in ESOS 2007 during the year ended 31 March 2010 is as under: -

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Stock options outstanding at the beginning of the year	5,108,366	3,166,500
Add: Options granted during the year	2,380,610	2,001,866
Less: Options exercised during the year	307,277	-
Less: Options forfeited	187,100	60,000
Stock options outstanding at the end of the year	6,994,599	5,108,366

The weighted average exercise price for the options exercised during the year is Rs. 156.39 (Previous year- Nil).

The details of exercise price for stock options outstanding as at 31 March 2010 are:

Scheme	Range of exercise price (In Rs.)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In Rs.)
ESOS 2002 Tranche II	97.50	480	0.25	97.50
ESOS 2005 Tranche I	92.59 - 136.47	102,649	4.00	123.15
ESOS 2005 (Loyalty Options)	184.82	328,215	4.14	184.82
ESOS 2007	114.20 - 315.40	6,994,599	5.40	243.73

The details of exercise price for stock options outstanding as at 31 March 2009 are:

Scheme	Range of exercise price (In Rs.)	Number of options outstanding	Weighted average remaining contractual life of the options (Years)	Weighted average exercise price (In Rs.)
ESOS 2002 Tranche I	84.50	720	0.50	84.50
ESOS 2002 Tranche II	97.50	59,585	0.50	97.50
ESOS 2005 Tranche I	92.59 - 136.47	173,785	4.93	122.29
ESOS 2005 (Loyalty options)	184.82	507,680	5.07	184.82
ESOS 2007 Tranche I	114.20 - 315.40	5,108,366	5.86	219.55

Total employee compensation cost recognised in Profit and Loss Account for the year ended 31 March 2010 is Rs. 3,536 thousands (Previous year Rs. 21,184 thousands). Total employee compensation cost outstanding as at 31 March 2010 Rs. 55 thousands (Previous year: Rs. 5,159 thousands).

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

NOTES ON ACCOUNTS

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 shall have been recognised if fair value of options had been used is explained below:

a) Employee Compensation Cost

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Intrinsic Value	3,536	21,184
Fair value*	84,212	95,753
Excess to be charged	80,676	74,569

b) Impact on Profit

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Declared Profit	2,422,171	1,887,797
Less: Adjustment for additional charge due to Fair Value	80,676	74,569
Adjusted Profit	2,341,495	1,813,228

c) Impact on Earnings Per Share

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Declared in the financial Statements		
Basic (Rs.)	21.61	18.41
Diluted (Rs.)	21.33	18.33
Revised EPS		
Basic (Rs.)	20.89	17.68
Diluted (Rs.)	20.62	17.61

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

Particulars	ESOS 2002		ESOS 2005		ESOS 2007
	Tranche I	Tranche II	Tranche I	Loyalty option	
Risk free interest rate**	5.89%	4.63%	6.33% - 8.04%	7.72% - 7.74%	4.99% - 9.25%
Expected Life (excluding vesting period)	1 Yr	1 Yr	1 Yr	1 Yr	1 Yr
Expected Volatility	44.27%	37.95%	31.62% - 47.40%	45.23%	45.23% - 51.58%
The price of the underlying share in market at the time of option grant (as per NSE)	255.30	451.30	162.60 - 260.65	262.60	114.20 - 315.40
Share Prices adjusted after Rights issue	97.50	146.58	162.60 - 260.65	262.60	114.20 - 315.40

* 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 2010 are:

Particulars	ESOS 2002		ESOS 2005		ESOS 2007
	Tranche I	Tranche II	Tranche I	Loyalty option	
Option price at the date of grant	-	75.41	59.37 - 180.50	119.70 - 135.55	36.25 - 153.16

NOTES ON ACCOUNTS

18.3 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 Rs.93,027 thousands for the year ended 31 March 2010 (Previous year Rs. 85,911 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 for this purpose separately.

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 to and provision to employees)

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
1. Current service cost	50,721	51,280	141,121	130,405
2. Interest cost on benefit obligation	49,509	45,094	142,516	124,717
3. Expected return on plan assets	(53,674)	(52,716)	(111,394)	(103,073)
4. Net actuarial (gain)/ loss recognized in the year	(66,812)	(39,992)	162,948	133,947
5. Past service cost	44,529	-	-	-
6. Net expenses (1+2+3+4+5)	24,273	3,666	335,191	285,996
Actual return on plan assets	68,931	59,737	117,094	96,068

(Rs. in thousands)

Particulars	Leave encashment		Leave availment	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
1. Current service cost	12,238	9,615	19,516	20,123
2. Interest cost on benefit obligation	28,129	25,477	14,764	11,619
3. Net actuarial (gain)/ loss recognized in the year	(90)	(2,430)	(39,942)	(10,280)
4. Past service cost	-	-	-	-
5. Net expenses (1+2+3+4)	40,277	32,662	(5,662)	21,462

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Present value of obligation	668,621	607,592	2,045,609	1,886,910
Fair value of plan assets	(689,308)	(652,552)	(1,254,852)	(1,220,561)
Liability (Assets)	(20,687)	(44,960)	790,757	666,349
Liability (Asset) recognized in the Balance Sheet	(20,687)	(44,960)	790,757	666,349

(Rs. in thousands)

Particulars	Leave encashment		Leave availment	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Present value of obligation	383,727	343,450	170,727	176,388
Fair value of plan assets	-	-	-	-
Liability (Assets)	383,727	343,450	170,727	176,388
Liability (Asset) recognized in the Balance Sheet	383,727	343,450	170,727	176,388

NOTES ON ACCOUNTS

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Opening defined benefit obligation	607,592	584,575	1,886,910	1,726,164
Interest cost	49,509	45,094	142,516	124,717
Current service cost	50,721	51,280	141,121	130,405
Past service cost	44,529	-	-	-
Benefits paid	(32,175)	(40,386)	(293,586)	(221,318)
Actuarial (gains) / losses on obligation	(51,555)	(32,971)	168,648	126,942
Closing defined benefit obligation	668,621	607,592	2,045,609	1,886,910

(Rs. in thousands)

Particulars	Leave encashment		Leave availment	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Opening defined benefit obligation	343,450	349,241	176,389	154,926
Interest cost	28,129	25,477	14,764	11,619
Current service cost	12,238	9,615	19,516	20,123
Benefits paid	-	(38,453)	-	-
Actuarial (gains) / losses on obligation	(90)	(2,430)	(39,942)	(10,280)
Closing defined benefit obligation	383,727	343,450	170,727	176,388

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Opening fair value of plan assets	652,552	633,200	1,220,561	949,400
Expected return	53,674	52,716	111,394	103,073
Contributions by employer	-	-	210,783	396,411
Benefits paid	(32,175)	(40,385)	(293,586)	(221,318)
Actuarial gains / (losses)	15,257	7,021	5,700	(7,005)
Closing fair value of plan assets	689,308	652,552	1,254,852	1,220,561

Experience adjustments

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Defined benefit obligations	668,621	607,592	2,045,609	1,886,910
Plan assets	689,308	652,552	1,254,852	1,220,561
(Surplus) / deficit	(20,687)	(44,960)	790,757	666,349
Experience adjustments on plan liabilities	(36,439)	(17,877)	192,955	(40,739)
Experience adjustments on plan assets	13,915	(1,275)	(488)	(12,300)

(Rs. in thousands)

Particulars	Leave encashment and availment	
	31 March 2010	31 March 2009
Defined benefit obligations	554,454	519,838
Plan assets	-	-
(Surplus) / deficit	554,454	176,388
Experience adjustments on plan liabilities	(30,907)	(754)
Experience adjustments on plan assets	-	-

NOTES ON ACCOUNTS

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 2010	31 March 2009	31 March 2010	31 March 2009
Investments with insurer	0.90%	-	100%	100%
Investment in Government/ PSU bonds/securities	99.10%	100%	-	-

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

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Discount rate (%) p.a.	8.37	7.99	8.19	7.72
Expected rate of return on assets (%)	8.00	8.02	9.00	9.50
Employee turnover % p.a.	1 (IBA), 25 (Others)	1 (IBA), 28 (Others)	1 (IBA)	1 (IBA)

Particulars	Leave encashment		Leave availment	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Discount rate (%) p.a.	8.19	7.72	8.37	7.99
Expected rate of return on assets (%)	N.A.	N.A.	N.A.	N.A.
Employee turnover % p.a.	1 (IBA), 25 (Others)	1 (IBA), 28 (Others)	1 (IBA), 25 (Others)	1 (IBA), 28 (Others)

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 2010.

18.4 Provisions and contingencies debited to the profit and loss account include:

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision for income tax (including deferred tax)	1,290,947	1,030,359
Provision for wealth tax	1,908	1,000
Provision for fringe benefit tax	-	27,373
Provision/ write off of NPAs	2,296,263	1,063,400
Depreciation/ write off (write back) of investments (net)	(17,619)	(46,472)
Provision for standard assets	-	153,300
Provision for restructured advances	256,314	54,495
Others *	169,540	76,906
Total	3,997,353	2,360,361

* 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 ON ACCOUNTS

18.5 Provisions for income taxes during the year

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision for income tax (including deferred tax)	1,290,947	1,030,359
Fringe benefit tax	-	27,373

18.6 Investments

18.6.1 Issuer composition of non SLR investments

The details relating to issuer composition of non- SLR investments as at 31 March 2010 are as follows:

(Rs. in thousands)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities**	Extent of 'unlisted' securities**
Public sector undertakings	565,833	565,833	-	-	-
Financial Institutions	21,069,189	21,069,189	-	-	-
Banks	-	-	-	-	-
Private Corporates	5,415	5,415	-	5,415	5,415
Subsidiaries/ Joint Ventures	20,988	20,988	-	20,988	20,988
Others *	1,146,396	1,146,396	-	-	1,146,396
Provision held towards depreciation	(17,959)				
Total	22,789,862	22,807,821	-	26,403	1,172,799

* includes investments in Pass through certificates where the exposure is considered towards ultimate obligator/ borrower.

** Deposits with NABARD and bonds with SIDBI and NHB have not been considered for the purpose of this disclosure

The details relating to issuer composition of non- SLR investments as at 31 March 2009 are as follows:

(Rs. in thousands)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities**	Extent of 'unlisted' securities**
Public sector undertakings	55,000	55,000	-	-	5,000
Financial Institutions	9,106,040	9,106,040	25,000	-	25,000
Banks	649,665	649,665	-	-	629,665
Private Corporates	5,415	5,415	-	5,415	5,415
Subsidiaries/ Joint Ventures	20,988	20,988	-	20,988	20,988
Others *	2,570,000	1,200,000	-	-	2,570,000
Provision held towards depreciation	(38,957)				
Total	12,368,151	11,037,108	25,000	26,403	3,256,068

* includes investments in Pass through certificates where the exposure is considered towards ultimate obligator/ borrower.

** Deposits with NABARD and bonds with SIDBI and NHB have not been considered for the purpose of this disclosure

NOTES ON ACCOUNTS

18.6.2 Non-performing non SLR investments

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	-	41,406
Additions during the year	-	-
Reduction during the year	-	41,406
Closing balance	-	-
Total provisions held	-	-

18.6.3 Repo transactions

The details relating to repo transactions during the year ended 31 March 2010 are as follows:

(Rs. in thousands)

Issuer	Minimum outstanding during the year *	Maximum outstanding during the year	Daily average outstanding during the year	As at 31 March 2010
Securities sold under repos #	-	-	-	-
Securities purchased under reverse repos #	1,500,000	18,000,000	5,986,316	-

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

At market price.

The details relating to repo transactions during the year ended 31 March 2009 are as follows:

(Rs. in thousands)

Issuer	Minimum outstanding during the year *	Maximum outstanding during the year	Daily average outstanding during the year	As at 31 March 2010
Securities sold under repos #	492,687	7,500,000	2,813,116	-
Securities purchased under reverse repos #	1,000,000	16,000,000	5,673,913	12,600,000

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

At market price.

18.6.4 Value of Investments

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Gross value of Investments		
a. In India	104,770,356	105,014,173
b. Outside India	-	-
Provisions for depreciation		
a. In India	41,165	58,784
b. Outside India	-	-
Net value of Investments		
a. In India	104,729,191	104,955,389
b. Outside India	-	-

18.6.5 Movement of provisions held towards depreciation on investments

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	58,784	146,662
Add: Provisions made during the year	-	-
Less: Write-off/write-back of excess provisions during the year	17,619	87,878
Closing balance	41,165	58,784

NOTES ON ACCOUNTS

18.7 Advances

18.7.1 Information with respect to loan assets subjected to restructuring:

(a) Particulars of assets restructured:

(Rs. in thousands)

Particulars		CDR Mechanism		SME Debt restructuring		Others	
		31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Standard advances restructured	No. of Borrowers	2	1	-	-	13	42
	Amount outstanding	1,347,129	203,590	-	-	998,223	1,623,939
	Sacrifice*	199,952	32,045	-	-	5,362	22,451
Sub standard advances restructured	No. of Borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Doubtful advances restructured	No. of Borrowers	-	-	-	-	1	-
	Amount outstanding	-	-	-	-	398,586	-
	Sacrifice*	-	-	-	-	36,882	-
Total	No. of Borrowers	2	1	-	-	14	42
	Amount outstanding	1,347,129	203,590	-	-	1,396,809	1,623,939
	Sacrifice*	199,952	32,045	-	-	42,244	22,451

* Sacrifice is diminution in fair value.

18.7.2 Concentration of advances*

(Rs. in thousands)

Particulars	31 March 2010
Total advances to twenty largest borrowers	467,771
Percentage of advances to twenty largest borrowers to total advances of the bank	11.81%

*Advances are computed as per the definition of credit exposure including derivatives furnished in RBI master circular on exposure norms DBOD.No.DIR.BC. 15/13.03.00/2009 – 10 dated July 1, 2009

The bank has compiled the data for the purpose of this disclosure from its internal MIS system which have been relied upon by the auditors.

18.7.3 Concentration of exposures*

(Rs. in thousands)

Particulars	31 March 2010
Total exposures to twenty largest borrowers / customers	467,771
Percentage of exposures to twenty largest borrowers / customers to total exposures of the bank on borrowers / customers	11.76%

*Exposures is computed based on credit and investment exposure as prescribed in RBI master circular on exposure norms DBOD.No.DIR.BC. 15/13.03.00/2009 – 10 dated July 1, 2009.

The bank has compiled the data for the purpose of this disclosure from its internal MIS system which have been relied upon by the auditors.

18.7.4 Concentration of NPAs

(Rs. in thousands)

Particulars	31 March 2010
Total exposure to top four NPA accounts	1,715,799

NOTES ON ACCOUNTS

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

Particulars	31 March 2010
Agriculture and allied activities	2.45%
Industry (Micro & small, medium and large)	7.00%
Services	1.50%
Personal Loans	31.05%

Above information is provided as per the internal classification by management. The same has been relied upon by the auditors.

18.7.6 Movement of Gross NPAs*

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening Balance	2,093,900	1,162,400
Additions (fresh NPAs) during the year	4,100,326	3,318,100
Total (A)	6,194,226	4,480,500
Less:-		
(i) Upgradations	-	71,370
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,552,857	1,251,830
(iii) Write- offs (including technical write offs)	2,296,263	1,063,400
Total (B)	3,849,120	2,386,600
Closing Balance (A-B)	2,345,106	2,093,900

*Gross NPAs as per item 2 of Annex to DBOD.BP.BC.No. 46/21.04.048/2009-10 dated September 24, 2009.

18.7.7 Movement in NPAs is set out below

Particulars	Gross*	Net*
Opening balance as on 1 April 2008	1,162,400	1,032,300
Additions during the year ended 31 March 2009	3,318,100	3,318,100
Reductions (including write offs) during the year ended 31 March 2009	2,386,600	2,346,260
Closing balance as on 31 March 2009	2,093,900	2,004,140
NPAs to advances (%)#		1.20
Additions during the year ended 31 March 2010	4,100,326	4,100,326
Reductions (including write offs) during the year ended 31 March 2010	3,849,120	3,886,199
Closing balance as on 31 March 2010	2,345,106	2,218,267
NPAs to advances (%)#		1.20
Provisioning Coverage Ratio (%)#		60.19

* After considering technical write off.

Provision held against the NPA sold of Rs.50,500 thousands and Rs.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. A provision of Rs. 14,457 thousands held against agricultural loans covered by Agri Debt Waiver scheme has not been reversed to the profit and loss account pending receipt from RBI and is retained as provision for NPAs

NOTES ON ACCOUNTS

18.7.8 Movement in provisions for NPA

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	-	-
Additions during the year	2,296,263	1,063,400
Technical write-offs/write backs during the year	2,296,263	1,063,400
Closing Balance	-	-

18.7.9 Write off of Loans and Advances

During the quarter, the Bank has revised its existing guidelines for writing off loans, effective 1 April 2009. Accordingly the loans written off during the period 1 April 2009 to 31 December 2009, other than due to One Time Settlement/ Compromise Settlement or loans subsequently recovered till 30 March 2010, amounting to Rs. 474,520 thousands, have been reinstated in the books with a corresponding equivalent specific asset provision. Consequently, as on 31 March 2010 the gross non performing advances are higher by Rs. 474,520 thousands and Gross Non-performing advances to Gross Advances is higher by 0.25%. However, there is no impact on the net profit before taxes or the net profit after taxes.

18.7.10 Details of Unsecured Advances

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

18.7.11 Floating provision

The Bank has not created any floating provision.

18.7.12 Provisions on standard asset

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision towards standard assets during the year	-	153,300
Cumulative provision for standard assets as at year end	1,008,100	1,008,100

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

18.7.13 Overseas Assets, NPAs and Revenue

There are Nil overseas assets (Previous year – Nil) and Nil overseas revenue (Previous year – Nil) for the Bank during the year ended 31 March 2010.

18.7.14 Purchase/ sale of non performing assets

No NPA accounts were sold during the year ended 31 March 2010 (Previous year - Nil).

No non performing financial assets were purchased during the year (Previous year - Nil).

18.7.15 Securitisation of performing assets

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Total number of accounts	-	-
Total number of transactions	-	-
Book value (net of provisions) of accounts sold (Rs. in thousands)	-	-
Book value (net of provisions) of accounts sold (Rs. in thousands)	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value (Rs. in thousands)	-	-

NOTES ON ACCOUNTS

Contribution Agreement

The Bank invests in SPVs through contribution agreements and such amounts invested are recorded as loans and advances. The interest is recognised based on net yields on these transactions

18.7.16 Off balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

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

18.7.17 (a) Exposure to capital market

(Rs. in thousands)

Particulars		As at 31 March 2010	As at 31 March 2009
(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;	5,415	5,415
(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;	2,015,705	3,730,772
(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;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	858,857	567,750
(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;	-	-
(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		2,879,977	4,303,937

Point (ii) above includes loans to investment companies amounting to Rs. 2,000,000 thousands (Previous year: Rs. 3,700,000 thousands) secured by bank deposits.

NOTES ON ACCOUNTS

(b) Exposure to real estate sector

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
<i>(a) Direct exposure</i>		
(i) Residential mortgages (fully secured)		
Individual housing loans up to Rs. 20 lakhs	8,938,258	8,224,100
Others	28,340,397	22,283,114
(ii) Commercial real estate		
Fund based	9,595,305	5,609,890
Non- fund based	634,805	253,900
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	1,404,695	1,583,100
b. Commercial real estate	-	-
<i>(b) Indirect exposure</i>		
Fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	7,024,159	4,944,000
Non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
Total	55,937,619	42,898,104

18.7.18 Prudential exposure limits – quantitative disclosures

Details of credit exposures where the Bank has exceeded the prudential exposure during the year ended 31 March 2010:

(Rs. in thousands)

Name of the borrower	Exposure ceiling	Limits sanctioned	Maximum amount outstanding during the year	Outstanding balance as at 31 March 2010	Exposure as a % of capital funds
Borrower – 1	3,843,645	5,110,000	1,260,364	278,480	19.94%
Borrower – 2	3,843,645	4,000,000	2,826,889	529,239	15.61%

In the case of above two borrowers, the consent from the borrowers has not been received. However, in the case of borrower-1 the limit was subsequently modified during the year bringing the exposure within the prudential exposure limits.

Details of credit exposures where the Bank has exceeded the prudential exposure during the year ended 31 March 2009:

(Rs. in thousands)

Name of the borrower	Exposure ceiling	Limits sanctioned	Maximum amount outstanding during the year	Outstanding balance as at 31 March 2009	Exposure as a % of capital funds
Reliance Industries Ltd	2,892,090	3,160,000	3,122,630	3,122,630	16.39%

The RBI has vide its letter no. RPCD.Co.Plan. / 1388/04.09.46 /2007-08 dated 25.04.2008 communicated that the single borrower exposure norms will not be applicable to exposure assumed by banks on NABARD. Hence, the same has not been disclosed.

NOTES ON ACCOUNTS

18.7.19 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, the banks are required to make provision where net funded exposure to any country exceeds 1% of banks assets. As on the 31 March 2010 net funded exposure to no country has exceeded 1% of total assets of the bank (Previous year – Nil).

18.7.20 Concentration of Deposits

Particulars	31 March 2010
Total deposits of twenty largest depositors	63,254,819
Percentage of Deposits of twenty largest depositors to Total deposits of the bank	24.46%

18.8 Fixed Assets

18.8.1 Capital work in progress

The Capital work in progress (Premises) of Rs. 2,017,211 thousands (Previous year Rs. 1,279,533 thousands) includes Rs. 1,321,766 thousands (Previous year Rs.1,014,513 thousands) towards the lease premium paid to Mumbai Metropolitan Regional Development Authority (MMRDA) in connection with the lease of land. The Bank has entered into an agreement to lease with MMRDA, however lease agreement with MMRDA will be executed at a later date upon completion of the construction and obtaining other necessary approvals.

18.8.2 Leases

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:

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Not later than one year	67,332	118,025
Later than one year and not later than five years	15,380	75,895
Later than five years	-	-
Total minimum lease rental commitments	82,712	193,920

Additionally, the Bank also leases office/branch premises under cancelable operating lease agreements. Total lease rental expenditure under cancelable and non-cancelable operating leases debited to profit and loss account in the current year is Rs. 562,413 thousands (Previous year: Rs. 431,065 thousands).

Finance leases

The Bank has taken assets under finance leases / hire purchases. Future minimum lease payments under finance leases are as follows:

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Not later than one year	-	1,080
Later than one year and not later than five years	-	1,890
Later than five years	-	-
Total	-	2,970
Less : Finance charges	-	(516)
Present value of finance lease obligation	-	2,454

NOTES ON ACCOUNTS

The present value of finance lease liabilities is as follows:

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Not later than one year	-	1,003
Later than one year and not later than five years	-	1,451
Later than five years	-	-
Total	-	2,454

18.9 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 credit of Rs. 282,761 thousands (Previous year Rs. 327,663 thousands) for the current year.

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

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
<i>Deferred tax assets</i>		
on account of provisions	830,893	550,846
on leave encashment	188,459	176,693
on investments	868,845	835,176
on pension fund	169,308	211,635
Total deferred tax asset	2,057,505	1,774,350
<i>Deferred tax liabilities</i>		
on depreciation on fixed assets	135,312	134,918
on bad debts claim	160,738	160,738
Total deferred tax liability	296,050	295,656
Net deferred tax assets	1,761,455	1,478,694

18.10 Intangibles

Application software, which is classified as intangible asset is capitalized as part of fixed assets and depreciated on a straight line basis over its estimated useful life of three years.

(Rs. in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block
	As at 1 April 2009	Additions	Deletions	As at 31 March 2010	As at 1 April 2009	Charge for the year	Deletions	As at 31 March 2010	As at 31 March 2010
Intangible assets									
Application software	652,300	145,466	-	797,766	539,643	118,357	-	658,000	139,766
Total	652,300	145,466	-	797,766	539,643	118,357	-	658,000	139,766
Previous year	559,547	92,753	-	652,300	450,843	88,800	-	539,643	112,657

NOTES ON ACCOUNTS

18.11 Capital (Tier I) raised during the year 2009-10

During the year 2009 - 10 the Bank raised Tier I capital of Rs. 4,159,132 thousands by way of Qualified Institutions Placement (QIP) and preferential allotment. Pursuant to the resolution passed by the Shareholders of the Bank at the Annual General Meeting (AGM) held on 4 September 2009, the Bank allotted 9,270,455 equity shares of face value of Rs.10 each by way of QIP to Qualified Institutional Buyers (QIBs) and 7,493,478 equity shares of face value of Rs.10 each by way of preferential allotment to ING Group, for cash at a price of Rs. 248.10 including a premium of Rs. 238.10 per equity share to augment the resources of the Bank.

The Bank has incurred expenses of Rs. 32,090 thousands towards payment of commission to the Book Running Lead Managers in connection with the QIP and has adjusted this amount against 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.

18.12 Details of provisions

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	317,952	248,143
Additions during the year	144,496	81,123
Reversals during the year	33,746	10,981
Amounts used	662	333
Closing Balance	428,040	317,952

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.

18.13 Off Balance Sheet Items

18.13.1 *Derivative contracts*

Interest Rate Swaps:

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
The notional principal of swap agreements	201,932,639	189,569,034
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	1,294,207	1,788,597
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with banks (76%)	Predominantly with Banks (78%)
The fair value of the swap book [asset / (liabilities)]	(37,961)	(328,168)

MTM netted off counterparty wise

Forward Rate Agreements (FRA)

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
The notional principal of FRA Agreements	898,000	8,779,666
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	146	15,126
Collateral required by the bank upon entering into FRA	-	-
Concentration of credit risk arising from the FRA	Banks only (100%)	Banks only (100%)
The fair value of the FRA book [asset / (liabilities)]	11.43	189.94

MTM netted off counterparty wise.

NOTES ON ACCOUNTS

Derivatives: Currency Swaps

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
The notional principal of swap agreements	60,052,518	43,037,434
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	1,781,588	2,209,882
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks (74%)	Predominantly with Banks (51%)
The fair value of the swap book [asset / (liabilities)]	15,592	873,625

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 2010 is Rs 262,883,157 thousands (Previous year Rs. 241,386,135 thousands).

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2010

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	103	35,250,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	126	57,220,500	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	29	9,500,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	35	13,840,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	115,810,500		

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2009

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	124	42,000,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	132	42,300,000	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	42	12,600,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	46	16,000,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	112,900,000		

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2010

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	81	47,453,848	LIBOR	Fixed Payable vs Floating Receivable
Trading	88	42,264,589	LIBOR	Fixed Receivable vs Floating Payable
Trading	39	28,859,014	LIBOR	Float Receivable vs Float Payable
Trading	6	4,072,689	Principal	Fixed Payable
Trading	2	676,382	Principal	Fixed Receivable
Trading	12	4,526,106	Principal	Fixed Received vs Fixed Paid
Trading	41	12,331,165	Principal	Principal only Swaps
Hedging	2	3,031,546	LIBOR	Float Receivable vs Float Payable
Hedging	4	3,857,318	LIBOR	Fixed Payable vs Floating Receivable
	Total	147,072,657		

NOTES ON ACCOUNTS

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2009

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	68	41,359,123	LIBOR	Fixed Payable vs Floating Receivable
Trading	77	41,545,871	LIBOR	Fixed Receivable vs Floating Payable
Trading	22	19,288,788	LIBOR	Float Receivable vs Float Payable
Trading	7	4,077,563	Principal	Fixed Payable
Trading	3	870,431	Principal	Fixed Receivable
Trading	4	2,363,134	Principal	Fixed Received vs Fixed Paid
Trading	28	11,430,503	Principal	Principal only Swaps
Hedging	2	3,250,958	LIBOR	Float Receivable vs Float Payable
Hedging	4	4,299,761	LIBOR	Fixed Payable vs Floating Receivable
	Total	128,486,132		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2010 is Rs. (22,358) thousands (Previous year Rs. 545,647 thousands), which represents the net mark to market loss on swap contracts. As at 31 March 2010 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 74.76% (Previous year: 62.85%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of Rs. 1,132 thousands (Previous year: Rs. 1,568 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 Options are covered on exactly back-to-back basis and hence have a nil fair value on a net basis. As at 31 March 2010 notional outstanding for outstanding option contracts is Rs 137,180,790 thousands (Previous year: Rs 97,469,778 thousands)

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

No Exchange Traded Interest Rate Derivatives, Forward Rate Agreements and Currency Swaps were entered during the year ended 31 March 2010 (Previous year: Nil)

18.13.3 Risk exposure on derivatives

The Bank currently deals in various derivative products, i.e., Rupee and Foreign Currency Interest Rate Swaps, Currency Swaps, Forward Rate Agreement, 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 and envisages methodologies of identification, quantification of risk on the basis of Loan Equivalent Factor, risk rating and mitigation of the credit concentration risk by stipulating counterparty wise as well as product wise exposure ceiling. 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.

NOTES ON ACCOUNTS

The Bank has also set up an 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:

(Rs. in thousands)

Sl. No	Particular	Currency derivatives		Interest rate derivatives	
		As at 31 March 2010	As at 31 March 2009	As at 31 March 2010	As at 31 March 2009
(i)	Derivatives (Notional Principal Amount) *				
	a) For hedging	6,888,865	7,550,719	-	-
	b) For trading	53,163,653	35,486,715	202,830,639	198,340,701
(ii)	Marked to Market Positions				
	a) Asset (+)	2,306,880	2,439,926	2,489,272	3,572,301
	b) Liability (-)	2,291,288	1,566,300	2,527,222	3,900,280
(iii)	Credit Exposure	7,896,989	7,031,208	4,402,320	5,356,859
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #				
	a) on hedging derivatives			192,031	236,495
	b) on trading derivatives			(78,851)	(79,727)
(v)	Maximum and Minimum of 100 X PV01 #				
	a) on hedging				
	- Maximum			445,943	247,520
	- Minimum			191,499	20,458
	b) on trading				
	- Maximum			120,851	90,129
	- Minimum			66,071	28

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 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 Vysya Bank Staff Provident Fund

ING Vysya Bank Staff Gratuity Fund

ING Vysya Bank Superannuation Fund

ING Vysya (Employees) Pension Fund

Key Management Personnel - Mr. Shailendra Bhandari (w.e.f. 6 August 2009)
- Mr. Vaughn Richtor (till 6 April 2009)

The above list does not include the related parties, which are having transactions with the Bank by way of deposit accounts.

NOTES ON ACCOUNTS

(Rs. 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
Investment in Tier I Bonds	- (-) - (-)	Maximum 1,005,302 (1,078,062) Outstanding 1,005,302 (1,078,062)	- (-) - (-)	Maximum 1,005,302 (1,078,062) Outstanding 1,005,302 (1,078,062)
Investment in Tier II Bonds	- (-) - (-)	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)	- (-) - (-)	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)
Investment in Upper Tier II Bonds	- (-) - (-)	Maximum 3,031,546 (3,250,958) Outstanding 3,031,546 (3,250,958)	- (-) - (-)	Maximum 3,031,546 (3,250,958) Outstanding 3,031,546 (3,250,958)
Deposits kept with Bank including lease deposit	Maximum 89,990 (55,301) Outstanding 35,956 (38,735)	Maximum 912,120 (553,884) Outstanding 556,165 (548,246)	- (-) - (-)	Maximum 1,002,110 (609,185) Outstanding 592,121 (586,981)
Investment	Maximum 20,988 (20,988) Outstanding 20,988 (20,988)	Maximum - (6,598,680) Outstanding - (3,100,288)	- (-) - (-)	Maximum 20,988 (6,619,668) Outstanding 20,988 (3,121,276)
Borrowing	- (-) - (-)	Maximum 13,963,900 (16,534,720) Outstanding 9,895,575 (15,773,920)	- (-) - (-)	Maximum 13,963,900 (16,534,720) Outstanding 9,895,575 (15,773,920)
Call borrowing	- (-) - (-)	Maximum 628,600 (-) Outstanding - (-)	- (-) - (-)	Maximum 628,600 (-) Outstanding - (-)
Lending	- (-) - (-)	Maximum - (659,360) Outstanding - (-)	- (-) - (-)	Maximum - (659,360) Outstanding - (-)
Interest paid	564 (-)	297,503 (958,301)	- (-)	298,067 (958,301)
Interest received	- (-)	- (384,637)	- (-)	- (384,637)
Interest accrued but not due (payable)	508 (-)	15,693 (74,909)	- (-)	16,201 (74,909)
Purchase and sale of securities	- (-)	- (18,374,176)	- (-)	- (18,374,176)

NOTES ON ACCOUNTS

(Rs. 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
Rendering of services	7 (62)	- (-)	- (-)	7 (62)
Receivable from rendering of services	- (7,903)	- (-)	- (-)	- (7,903)
Reimbursement received	- (-)	1,613 (295,807)	- (-)	1,613 (295,807)
Reimbursement paid	764 (6,824)	31,313 (-)	- (-)	32,077 (6,824)
Receiving of services	295,613 (388,403)	- (-)	- (-)	295,613 (388,403)
Receiving of services – outstanding	34,042 (-)	- (-)	- (-)	34,042 (-)
Contribution to employee welfare funds - Paid	- (-)	316,214 (494,656)	- (-)	316,214 (494,656)
Contribution to employee welfare funds- Payable	- (-)	790,757 (-)	- (-)	790,757 (-)
Managerial remuneration	- (-)	- (-)	7,644 (9,850)	7,644 (9,850)
Letter of Credit / Letter of undertaking / Stand by LC issued	- (-)	7,853,931 (1,040,000)	- (-)	7,853,931 (1,040,000)
Bank guarantees Received	- (-)	- (2,610,250)	- (-)	- (2,610,250)
Bank guarantees- Issued	- (-)	4,314,403 (2,277,060)	- (-)	4,314,403 (2,277,060)
Derivative transactions - notional outstanding	- (-)	Maximum 79,457,481 (63,609,230) Outstanding 71,839,393 (63,609,230)	- (-)	Maximum 79,457,481 (63,609,230) Outstanding 71,839,393 (63,609,230)
Forward transactions	- (-)	Maximum 44,436,632 (62,828,064) Outstanding 23,829,744 (37,433,704)	- (-)	Maximum 44,436,632 (62,828,064) Outstanding 23,829,744 (37,433,704)
Premium received	- (-)	2,199 (45,268)	- (-)	2,199 (45,268)
Premium paid	- (-)	14,053 (98,078)	- (-)	14,053 (98,078)
Commission received	- (-)	12,835 (5,043)	- (-)	12,835 (5,043)
Gain on Liquidation	- (-)	19,117 (-)	- (-)	19,117 (-)
Invocation of Guarantee	- (-)	1,411,485 (-)	- (-)	1,411,485 (-)
Repayment of Guarantee	- (-)	1,411,485 (-)	- (-)	1,411,485 (-)
Guaranteed Interest	- (-)	10,799 (-)	- (-)	10,799 (-)
Profit / exchange difference on remittance	- (-)	24,219 (-)	- (-)	24,219 (-)

(Previous year's figures are given in parentheses)

NOTES ON ACCOUNTS

18.15 Key Ratios

18.15.1 Capital Adequacy Ratio

Particulars	As at 31 March 2010	As at 31 March 2009
Tier I capital (Rs. in thousands)	20,724,662	15,163,150
Tier II capital (Rs. in thousands)	9,825,196	10,460,930
Total capital	30,549,858	25,624,080
Capital ratios		
Tier I capital (%)	10.11%	6.89%
Tier II capital (%)	4.80%	4.76%
Total capital (%)	14.91%	11.65%
Percentage of shareholding of the Government of India	-	-
Amount of Innovative Perpetual Debt Instrument (Rs. in thousands)	1,005,302	1,078,062
Amount of subordinated debt outstanding as Tier II capital (Rs. in thousands)	8,231,546	8,821,400

18.15.2 Business ratios and other information are set out below:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Interest Income as a percentage to working funds \$	7.42%	8.26%
Non-interest income as a percentage to working funds	2.06%	2.02%
Operating profit as a percentage to working funds \$	2.13%	1.57%
Return on assets @	0.80%	0.70%
Business (Deposits plus advances) per employee (Rs. in thousands) #	62,378	60,639
Profit per employee (Rs. in thousands) #	388	303

\$ 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.

18.15.3 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

Particulars	As at 31 March 2010	As at 31 March 2009
Earnings for the year (Rs. in thousands)	2,422,171	1,887,797
Basic weighted average number of shares (Nos)	112,066,989	102,550,549
Basic EPS (Rs.)	21.61	18.41
Dilutive effect of stock options (Nos)	1,508,631	422,835
Diluted weighted average number of shares (Nos)	113,575,620	102,973,384
Diluted EPS (Rs.)	21.33	18.33
Nominal value of shares (Rs.)	10.00	10.00

18.16 Segment Reporting:

Segment Information – Basis of preparation

As per the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007, the classification of exposures to the respective segments is now being followed. The business segments have been identified and reported based on the organization structure, the nature of products and services, the internal business reporting system and the guidelines prescribed by RBI. 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 Rs. 5 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 the 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. 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.

NOTES ON ACCOUNTS

Geographic Segments

The Bank operates in one geographical segment i.e. Domestic.

Segment Results for the year ended 31 March 2010

(Rs. in thousands)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010
Revenue	18,186,041	14,225,374	22,324,376	-	54,735,791
Less: Inter segment revenue	(11,306,947)	(2,784,641)	(12,113,093)	-	(26,204,681)
Net Revenue	6,879,094	11,440,733	10,211,283	-	28,531,110
Result	(124,523)	3,506,846	3,074,062	-	6,456,385
Unallocated expenses					36,861
Operating Profit					6,419,524
Provisions and contingencies	49,430	1,418,431	1,245,190	-	2,713,051
Unallocated provision & contingencies					(8,553)
Taxes					1,292,855
Net Profit	(173,953)	2,088,415	1,828,872	-	2,422,171
Other Information	As at 31 March 2010	As at 31 March 2010	As at 31 March 2010	As at 31 March 2010	As at 31 March 2010
Segment Assets	138,356,343	115,876,679	79,955,583		334,188,605
Unallocated Assets					4,613,798
Total Assets	138,356,343	115,876,679	79,955,583	-	338,802,403
Segment Liabilities	33,056,874	85,562,828	174,061,380		292,681,082
Unallocated Liabilities					22,812,170
Capital and Reserve & Surpluses					23,309,151
Total Liabilities	33,056,874	85,562,828	174,061,380	-	338,802,403

Segment Results for the year ended 31 March 2009

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009
Revenue	20,704,210	17,045,590	22,985,723	-	60,735,523
Less: Inter segment revenue	(15,112,928)	(5,187,358)	(12,559,682)	-	(32,859,968)
Net Revenue	5,591,282	11,858,232	10,426,041	-	27,875,555
Result	789,608	2,203,866	1,276,943	-	4,270,417
Unallocated expenses					22,259
Operating Profit					4,248,158
Provisions and contingencies	(9,590)	253,227	1,032,001	-	1,275,638
Unallocated provision & contingencies					25,991
Taxes					1,058,732
Net Profit	799,198	1,950,639	244,942	-	1,887,797
Other Information	As at 31 March 2009	As at 31 March 2009	As at 31 March 2009	As at 31 March 2009	As at 31 March 2009
Segment Assets	137,518,494	99,850,789	77,332,991		314,702,274
Unallocated Assets					3,934,533
Total Assets	137,518,494	99,850,789	77,332,991	-	318,636,807
Segment Liabilities	31,174,041	56,988,780	191,910,464		280,073,285
Unallocated Liabilities					21,534,572
Capital and Reserve & Surpluses					17,028,950
Total Liabilities	31,174,041	56,988,780	191,910,464	-	318,636,807

NOTES ON ACCOUNTS

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.

18.17 Other Disclosures

18.17.1 Customer complaints and awards passed by Banking Ombudsman

1. Customer complaints:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
No. of complaints pending at the beginning of the year	89	83
No. of complaints received during the year	16,233	26,747
No. of complaints redressed during the year	16,242	26,741
No. of complaints pending at the end of the year*	80	89

*No. of complaints pending as on 29 April 2010 :- 18 complaints
The above details are as certified by the management.

2. Awards passed by Banking Ombudsman:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
No. of unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by Banking Ombudsman during the year	-	1
No. of Awards implemented during the year	-	1
No. of unimplemented Awards at the end of the year	-	-

The above details are as certified by the management.

18.17.2 Penalties levied by RBI on the Bank

During the year there were no penalties levied by RBI on the Bank (Previous Year - Nil.)

18.17.3 Maturity profile of assets and liabilities: -

Maturity profile of assets and liabilities as at 31 March 2010 is set out below: -

(Rs. 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	3,286,748	31,636,693	13,515,571	17,520,417	64,552,836	28,246,651	38,411,841	22,491,838	20,885,803	18,104,609	258,653,007
Advances	5,118,418	8,304,757	7,839,334	13,117,403	23,280,176	22,137,526	17,941,911	40,435,726	17,694,202	29,202,442	185,071,895
Investments	12,619,436	7,910,519	4,626,973	4,397,075	17,367,669	7,954,360	12,500,806	11,154,136	8,472,961	17,725,256	104,729,191
Borrowings	1,564	14,110	5,020,384	39,571	3,230,680	8,202,174	8,354,950	1,813,597	5,031,549	5,005,301	36,713,880
Foreign Currency assets	106,787	253,084	388,990	801,782	3,963,730	1,986,457	477,247	-	107,760	67,118	8,152,955
Foreign Currency liabilities	37,174	146,160	101,372	19,563	200,447	8,321,032	543,046	2,192,336	3,218,408	1,243,635	16,023,173

NOTES ON ACCOUNTS

Maturity profile of assets and liabilities as at 31 March 2009 is set out below: -

(Rs. 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	6,564,040	23,427,060	12,887,990	20,788,303	38,456,518	34,645,067	56,522,293	22,271,949	18,552,725	14,778,751	248,894,696
Advances	3,735,986	7,293,579	10,832,547	16,966,719	19,356,579	19,723,445	19,851,540	30,455,918	18,561,639	20,785,848	167,563,800
Investments	18,766,007	18,455,755	3,220,299	5,120,142	9,754,116	11,770,196	15,254,911	5,989,373	5,539,339	11,085,251	104,955,389
Borrowings	2,316	-	-	-	1,268,000	14,528,053	5,715,875	9,917	5,250,973	5,078,061	31,853,195
Foreign Currency assets	3,406,007	316,176	394,097	1,232,668	5,366,347	3,055,830	4,244	592	121,728	102,689	14,000,378
Foreign Currency liabilities	26,222	10,470,231	84,905	38,951	1,493,164	14,722,995	8,089,791	361,161	3,417,922	1,244,125	39,949,467

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.

18.17.4 Letters of comforts issued by the Bank

The Bank has 262 (Previous year: 153) letter of comforts/ undertaking issued and outstanding as on 31 March 2010 amounting to Rs. 8,449,626 thousands (Previous year: Rs. 6,469,577 thousands).

18.17.5 Draw down from Reserves

The Bank has utilized the securities premium account for meeting direct expenses of Rs. 38,115 thousands relating to the QIP issue, as per the RBI mail box clarification dated 9 October 2007.

18.17.6 Fees/remuneration received from Bancassurance business:

The fees / remuneration from bancassurance business for the year ended 31 March 2010 is Rs. 466,310 thousands (Previous year - Rs. 314,835 thousands) including rental income of Rs. 28,891 thousands (Previous year - Rs. 29,287 thousands).

18.17.7 Prior Period Item

In earlier years, the Bank had participated in a tender floated by the Mumbai Metropolitan Region Development Authority ('MMRDA') for allotment of a plot of land on an 80 year lease in an area reserved for banks. Due to certain restraints, the Bank had sought additional time to pay certain installments. Eventually as part of a settlement with MMRDA, the Bank paid the pending installment along with incremental amount of Rs. 307,252 thousands which was expensed off during the years 2003-04, 2004-05 and 2005-06. Thereafter, the Bank has entered into an agreement to lease with MMRDA and commenced construction of the Building which is nearing completion. Since the Bank paid the incremental amount before the right to lease was acquired, the incremental amount of Rs. 307,252 thousands is considered as part of the acquisition cost of the leased premises.

As a result, the current year's profit before tax and profit after tax are higher by Rs. 307,252 thousands and Rs. 202,817 thousands respectively and the fixed assets are higher by Rs. 307,252 thousands.

18.17.8 Previous year's figures

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

Signatures to Schedules 1 to 18

Shailendra Bhandari
Managing Director

K.R. Ramamoorthy
Chairman

Arun Thiagarajan
Director

Vaughn Richtor
Director

Place : Bangalore
Date : 29 April 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Rs in thousands)

PARTICULARS		31 March 2010	31 March 2009
A) Cash Flow from Operating Activities			
Net Profit before Tax	3,715,026		2,946,528
Adjustments for :			
Depreciation charges	433,545		436,254
Employee compensation expense (ESOS)	3,536		21,184
Provision/write off of Advances	2,296,263		1,063,400
Profit /loss on revaluation of investment	989,272		505,775
Provision for Standard Assets	-		153,300
Other Provisions	425,854		131,403
Lease Adjustment Account	(22,216)		(24,824)
(Profit)/Loss on Sale of Non banking Assets (net)	-		(10,847)
(Profit)/Loss on Sale of Assets (net)	(933)		(45,959)
Dividend received from subsidiary/others	(2,000)		(3,000)
Cash Generated from Operation	7,838,347		5,173,214
Less: Direct Taxes Paid	1,405,670		926,347
		6,432,677	4,246,867
Adjustments for :			
Decrease / (Increase) in Advances	(19,804,358)		(22,131,716)
Decrease / (Increase) in Other assets	5,204,843		(8,938,035)
Non-Banking Assets sold	65,775		29,343
Decrease/ (Increase) in Investments	(763,073)		(42,527,968)
Increase / (Decrease) in Deposits	9,758,310		43,914,140
Increase / (Decrease) in Other liabilities	(1,270,260)		2,904,921
Net Cash flow from / (used in) Operating Activities		(376,086)	(22,502,448)
B) Cash Flow from Investing Activities			
Movement in Work in Progress	(557,218)		(301,791)
Purchase of Fixed assets / leased assets	(460,906)		(506,881)
Sale of Fixed assets/ Leased assets	12,907		55,863
Dividend received from subsidiary/others	2,000		3,000
Sale proceeds - investments	-		-
Net Cash flow used in Investing Activities		(1,003,217)	(749,809)
C) Cash Flow from Financing Activities			
Proceeds from issue of shares	173,624		1,298
Share premium collected	4,039,246		9,662
Dividend Paid	(240,083)		(179,833)
Increase/ (Decrease) in Borrowings	4,860,685		14,385,698
Net Cash Flow from Financing Activities		8,833,472	14,216,825
Net Increase/ (Decrease) in Cash and Cash Equivalents		7,454,169	(9,035,432)
Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)		22,816,275	31,851,707
Cash and Cash equivalents as at the end of the year (Including Money At Call and Short Notice)		30,270,444	22,816,275

As per our report of even date

For S. R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No: 048749

Place: Bangalore
Date: 29 April 2010

For and on behalf of the Board

K.R. Ramamoorthy
Chairman

Arun Thiagarajan
Director

Place: Bangalore
Date: 29 April 2010

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 2010
3	Number of Equity Shares held by ING Vysya Bank Ltd. and/or its nominees in the subsidiary as on March 31, 2010	88,45,100 equity shares of Rs. 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 March 31, 2010	Rs. 80.75 lakhs
	b) for the previous financial years of the subsidiary since it became a subsidiary	Rs. 585.52 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 March 31, 2010	NIL
	b) for the previous financial years of the Subsidiary since it became a Subsidiary	Rs. 1,284.32 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

K.R. Ramamoorthy
Chairman

Shailendra Bhandari
Managing Director

Arun Thiagarajan
Director

Vaughn Richtor
Director

Place : Bangalore

Date : 29 April 2010



BOARD OF DIRECTORS

Ashok Rao B
Managing Director and Chief Executive Officer

M V S Appa Rao
Director

Uday Sareen
Director (from 25-Mar-2010)

Meenakshi A
Director (from 25-Mar-2010)

R S Mani
Director (till 16-Dec-2009)

Ranjiv Walia
Director (till 25-Mar-2010)

Srinivas T
Company Secretary

Statutory Auditors
M/s. S. R. Batliboi & Co.,
Chartered Accountants
Kolkata

Bankers
ING Vysya Bank Limited
M.G. 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
Fax : 040-2342 0814

DIRECTORS' REPORT

To

The Shareholders

The Board of Directors have pleasure in presenting the Twenty Third Annual Report of your Company together with the audited Statement of Accounts for the year ended 31st March, 2010 and Auditors' Report thereon.

PERFORMANCE

Financial results of your Company for the year ended 31 March, 2010 are as under:

(Rs. in Lakh)

Particulars	For the year ended 31 March, 2010	For the year ended 31 March, 2009
GROSS INCOME	3028.51	3538.53
Administrative Expenses	2895.80	3481.48
Depreciation	0.31	1.30
OPERATING PROFIT (Profit before tax)	132.40	55.75
PROVISION FOR TAX	52.84	17.13
Deferred Tax Charge / (Credit)	(1.19)	1.93
PROFIT AFTER TAX	80.75	36.69

During the year under report, your company recorded a total income of Rs. 3,028.51 Lakh as against Rs. 3,538.53 Lakh in the previous year. The Company has posted Net Profit of Rs. 80.75 Lakh after providing Rs. 0.31 Lakh for depreciation and Rs. 51.65 Lakh for taxation as against Net Profit of Rs. 36.69 Lakh in the previous year.

DIVIDEND

The Board of Directors are pleased to recommend dividend at the rate of 25% i.e. Rs. 0.625 per equity share of Rs. 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 Rs. 64,67,704/-.

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.

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

- Mr. R S Mani and Mr. Ranjiv Walia resigned as Directors effective 16-Dec-2009 and 25-Mar-2010 respectively. The Board places on record its appreciation for the valuable contributions and services rendered by them during their tenure as Directors on the Board.
- Mr. Uday Sareen was appointed by the Board of Directors as an Additional Director effective 25-Mar-2010 to hold office up to the date of the 23rd AGM. A notice, as required under Section 257 of the Companies Act, 1956 has been received by the Bank for appointment of Mr. Uday Sareen as a Director of the Company. A proposal to appoint Mr. Uday Sareen as a Director, liable to retire by rotation, is being placed before the shareholders at the ensuing AGM.
- Ms. Meenakshi A was appointed by the Board as a Director in the casual vacancy caused by the resignation of Mr. Ranjiv Walia effective 25-Mar-2010. Ms. Meenakshi A will hold office up to the date till which Mr. Rajiv Walia would have held office, if he had not resigned i.e up to 24th AGM to be held in 2011.
- Mr. M V S Appa Rao, Director retires by rotation and is eligible for reappointment.
- The Board of Directors at its meeting held on 25-Mar-2010 reappointed Mr. Ashok Rao B as the Managing Director & Chief Executive Officer of the Company, without remuneration, for a period of one year effective 30-April-2010. A proposal to reappoint Mr. Ashok Rao B as Managing Director & CEO, is being placed before the shareholders at the ensuing AGM.

The constitution of the Board of Directors of the Company is as follows:

Non-Executive Directors

Mr. M V S Appa Rao
Mr. Uday Sareen
Ms. Meenakshi A

Managing Director & Chief Executive Officer

Mr. Ashok Rao B

DIRECTORS' REPORT

During the year 2009-10, four Board Meetings were held. The dates of the Board Meetings held were: 18-Apr-2009, 21-Aug-2009, 15-Dec-2009 and 25-Mar-2010.

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 31st March, 2010 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 31-Mar-2010 on a going concern basis.

AUDITORS' REPORT

With reference to the observations made by the auditors in their report, the directors state that due to the change in process of accepting provident fund payment by the receiving Bank, delay occurred in remittance in one case by few days.

Further, on 31-Mar-2010, payment of service tax was based on the billings made. However, the actual service tax liability computed was higher due to certain year end entries. The additional service tax liability along with interest of Rs.1,883/- was paid on 16 April, 2010.

AUDITORS

M/s. S .R. Batliboi & 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. S.R. Batliboi & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year

2010-11, for the fourth consecutive year. Shareholders are requested to appoint the said auditors and authorize the Board of Directors to fix their remuneration.

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 Apr, 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.

Currently, the recovery of past lease rentals is the only major income for the Company besides receipt of reimbursement charges on outsourcing of manpower to ING Vysya Bank Limited (IVBL). The Company has been offering low cost hiring platform for the resourcing needs of IVBL. There is growing need from the business perspective to build capabilities within the Company and use itself as an outsourcing platform for IVBL. IVBL has also expressed its interest in availing outsourcing services from the Company. In order to build capabilities and expand the activities of the Company long term plans are being drawn up.

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

M V S Appa Rao
Director

Place : Bangalore
Date : 20 April 2010

AUDITORS' REPORT

To

The Members of
ING Vysya Financial Services Limited

1. We have audited the attached Balance Sheet of ING Vysya Financial Services Limited ("the Company") as at 31 March 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. 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;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Act.
 - v. On the basis of the written representations received from the directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Act.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 2010;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.

Firm Registration Number: 301003E

Chartered Accountants

per Viren H. Mehta

Partner

Membership No.: 048749

Place : Mumbai

Date : 20 April 2010

Annexure referred to in paragraph 3 of our report of even date

Re: ING Vysya Financial Services Limited ('the Company')

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- ii) The Company does not maintain any inventory and accordingly Sub-Clauses (a), (b) and (c) to Clause 4(ii) of the Order are not applicable.
- iii) As informed, the Company has not granted nor taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of Act and accordingly Sub-Clauses (a), (b), (c), (d), (e), (f) and (g) of the Clause 4(iii) of the Order are not applicable.
- 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, for the purchase fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. Provisions in respect of adequate controls as referred in Clause 4(iv) of the Order relating to purchase of inventory is not applicable as the Company does not maintain any inventory. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- v) According to the information and explanations provided by the management, there are no contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 of the Act. Accordingly, sub-Clause (b) to clause 4(v) of the Order is not applicable.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.
- viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under Clause (d) of Sub-Section (1) of

AUDITORS' REPORT

Section 209 of the Companies Act, 1956 for the products of the Company.

- ix) (a) Undisputed statutory dues including provident fund, income tax, service tax, employee state insurance cess have generally been regularly deposited with the appropriate authorities though there has been a slight delay in one case in deposit of provident fund and in one case in deposit of service tax. As explained to us, the Company did not have any dues on account of sales tax, excise duty, custom duty, wealth tax and investor education and protection fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, service tax, and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no amounts in respect of provident fund, professional tax and service tax that have not been deposited with the appropriate authorities on account of any dispute. The Company has disputed the following income tax and service tax claim:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax / Interest demanded	816,352	FY 1996-1997	Appellate authority has referred the matter back to AO
Income Tax Act, 1961	Income Tax / Interest demanded	40,344	FY 2005-2006	The Company has preferred an appeal before the CIT (appeals)
Service Tax Act	Short levy of service tax on reimbursements billed by the Company	4,444,737	FY 2006-2007	The Company has replied to service tax department on the memo issued by C&AG - Audit.
Service Tax Act	Short levy of service tax on reimbursements billed by the Company	345,414	FY 2007-2008	The Company has replied to service tax department on the memo issued by C&AG - Audit.
Service Tax Act	Service tax on commission received for marketing/ selling of mutual fund, bonds and government securities	2,333,991	FY 2003-2004	The Company has preferred an appeal before the commissioner of Central Excise (appeal)
Service Tax Act	Service tax on commission received for marketing/ selling of mutual fund, bonds and government securities	1,702,794	FY 2004-2005	The Company has preferred an appeal before the commissioner of Central Excise (appeal)

- x) The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash loss during the year and in the immediately preceding financial year.
- xi) The Company has neither taken any loans from a financial institution or a bank nor issued any debentures. Consequently, Clause 4(xi) of the Order is not applicable to the Company.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Order is not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank 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 overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register 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 issue.
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Place : Mumbai
Date : 20 April 2010

BALANCE SHEET AS AT 31 MARCH 2010

(Amount in Rs.)

	Schedules	31 March 2010	31 March 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	22,112,750	22,112,750
Reserves and surplus	2	60,159,413	58,552,218
		<u>82,272,163</u>	<u>80,664,968</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	3	1,122,486	1,122,486
Less : Accumulated depreciation / amortisation		<u>(1,119,468)</u>	<u>(1,088,822)</u>
Net block		<u>3,018</u>	<u>33,664</u>
Deferred Tax Asset (net)		1,593,277	1,474,771
Current Assets, Loans and Advances			
Sundry debtors	4	34,042,273	-
Cash and bank balances	5	35,451,495	38,715,107
Loans and advances	6	28,463,979	57,981,271
		<u>97,957,747</u>	<u>96,696,378</u>
Current Liabilities and Provisions			
Current liabilities	7	9,427,369	17,055,838
Provisions	8	7,854,510	484,007
		<u>17,281,879</u>	<u>17,539,845</u>
Net Current Assets		80,675,868	79,156,533
		<u>82,272,163</u>	<u>80,664,968</u>
Notes to the Financial Statements	13		

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

As per our report of even date

For S.R. Batliboi & Co.
Firm Registration No.: 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Place : Mumbai
Date : 20 April 2010

For and on behalf of the Board of Directors
of ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Srinivas T
Company Secretary

Place : Bangalore
Date : 20 April 2010

M V S Appa Rao
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(Amount in Rs.)

	Schedule	31 March 2010	31 March 2009
Income			
Outsourcing income	9	295,612,908	348,964,699
Other income	10	7,238,370	4,888,414
		<u>302,851,278</u>	<u>353,853,113</u>
Expenditure			
Personnel expenses	11	285,873,017	343,442,182
Operating expenses	12	3,707,384	4,705,907
Depreciation	3	30,646	130,328
		<u>289,611,047</u>	<u>348,278,417</u>
Profit before Tax		13,240,231	5,574,696
Provision for tax			
– current tax		5,283,838	1,704,064
– deferred tax charge/ (credit)		(118,506)	192,758
– fringe benefit tax		-	8,926
		<u>8,074,899</u>	<u>3,668,948</u>
Net Profit for the year		8,074,899	3,668,948
Profit and Loss account, beginning of the year		35,572,400	31,903,452
Amount available for Appropriations		<u>43,647,299</u>	<u>35,572,400</u>
APPROPRIATIONS			
Proposed dividend		5,528,188	-
Dividend distribution tax		939,516	-
General reserve		807,490	-
Amount carried to Balance Sheet		<u>36,372,105</u>	<u>35,572,400</u>
		<u>43,647,299</u>	<u>35,572,400</u>
Earnings per Share (basic and diluted)		0.91	0.41
Weighted average number of equity shares		8,845,100	8,845,100
Nominal value per share		2.50	2.50
Notes to the Financial Statements	13		

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

As per our report of even date

For S.R. Batliboi & Co.
Firm Registration No.: 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Place : Mumbai
Date : 20 April 2010

For and on behalf of the Board of Directors
of ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Srinivas T
Company Secretary

Place : Bangalore
Date : 20 April 2010

M V S Appa Rao
Director

SCHEDULES TO THE ACCOUNTS

(Amount in Rs.)

	31 March 2010	31 March 2009
1. Share Capital		
Authorised capital		
40,000,000 (2009 - 40,000,000) equity shares of Rs.2.50 each	100,000,000	100,000,000
Issued, subscribed and paid-up capital		
8,845,100 (2009 - 8,845,100) equity shares of Rs.2.50 each	22,112,750	22,112,750
	<u>22,112,750</u>	<u>22,112,750</u>
Note: Of the above 8,845,040 equity shares are held by ING Vysya Bank Limited, the holding company. The balance shares are jointly held by ING Vysya Bank Limited with its nominees		
2. Reserves and Surplus		
A. General reserve	22,979,818	22,979,818
Add: Additions during the year	807,490	-
Total	<u>23,787,308</u>	<u>22,979,818</u>
B. Profit and Loss Account	36,372,105	35,572,400
	<u>60,159,413</u>	<u>58,552,218</u>

3. Fixed Assets

(Amount in Rs.)

	Gross block				Depreciation / Amortisation				Net block	
	As at 1 April 2009	Additions	Deletions	As at 31 March 2010	As at 1 April 2009	For the year	Deletions	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
Tangible Assets										
Computers	882,782	-	-	882,782	875,109	7,673		882,782	-	7,673
Office equipment	198,156	-	-	198,156	172,165	22,973		195,138	3,018	25,991
Intangible Assets										
Computer software	41,548	-	-	41,548	41,548	-		41,548	-	-
Total	1,122,486	-	-	1,122,486	1,088,822	30,646	-	1,119,468	3,018	33,664
<i>Previous year</i>	<i>1,122,486</i>	<i>-</i>	<i>-</i>	<i>1,122,486</i>	<i>958,494</i>	<i>130,328</i>	<i>-</i>	<i>1,088,822</i>	<i>33,664</i>	

SCHEDULES TO THE ACCOUNTS

(Amount in Rs.)

	31 March 2010	31 March 2009
4. Sundry Debtors*		
Debtors outstanding for a period exceeding six months		
- Unsecured, considered good	206,776	-
- Unsecured, considered doubtful	-	470,619
Other Debts		
- Unsecured, considered good	33,835,497	-
	<u>34,042,273</u>	<u>470,619</u>
Less: Provision for doubtful debtors	-	470,619
	<u>34,042,273</u>	<u>-</u>
*includes due from companies under same management- Rs. 34,042,273/- (2009 - Nil).		
5. Cash and Bank Balances		
Cash in hand	-	-
Balances with scheduled banks		
- in current account	15,451,495	38,715,107
- in deposit account	20,000,000	-
	<u>35,451,495</u>	<u>38,715,107</u>
6. Loans and Advances		
Unsecured, considered good		
- Advances recoverable in cash or in kind for value to be received	829,882	394,972
- Advance Fringe Benefit Tax, net of provision	471	-
- Advance tax, net of provision	27,125,869	57,586,299
- Other current assets**	507,757	-
	<u>28,463,979</u>	<u>57,981,271</u>
**includes due from companies under same management -Rs. 507,757/- (2009 - Nil).		
7. Current Liabilities		
Sundry creditors for supplies, expenses and services ***	4,741,073	12,087,876
Provision for fringe benefit tax, net of advance	-	5,944
Other liabilities	4,686,296	4,962,018
	<u>9,427,369</u>	<u>17,055,838</u>
***includes due to companies under same management - Nil (2009 - Rs. 7,902,932/-).		
8. Provisions		
Proposed dividend	5,528,188	-
Dividend tax	939,516	-
Provision for gratuity	1,164,456	287,006
Provision for leave	222,350	197,001
	<u>7,854,510</u>	<u>484,007</u>

SCHEDULES TO THE ACCOUNTS

(Amount in Rs.)

	For the year ended 31 March 2010	For the year ended 31 March 2009
9. Income from Outsourcing Activities		
Outsourcing Income	295,612,908	348,964,699
	295,612,908	348,964,699
10. Other Income		
Interest income [TDS Rs.56,418; (2009 - Rs.35,808)] (Includes interest on income tax refund - Rs. 2,886,585; (2009 - Nil)	3,452,548	140,987
Recovery from leased assets	3,514,000	4,610,000
Miscellaneous income	271,822	137,427
	7,238,370	4,888,414
11. Personnel Costs		
Salaries, wages, allowances and bonus	263,789,653	330,266,651
Gratuity	877,450	(113,401)
Contribution to provident fund and Employee State Insurance	21,184,937	13,266,151
Staff welfare expenses	20,977	22,781
	285,873,017	343,442,182
12. Operating Expenses		
Rates & taxes	19,404	35,510
Advertisement and marketing expenses	-	49,900
Business development expenditure	-	114,230
Electricity	6,844	61,642
Travelling and conveyance	50,742	33,980
Telephone	94,116	209,258
Legal and professional charges	1,767,273	2,883,687
Printing and stationery	396,928	402,758
Auditor's remuneration	345,000	345,000
Staff training expenses	-	6,350
Postage and telegram	53,557	24,599
Interest on tax	205,027	-
Insurance	157,285	419,451
Bad Debts - written off	595,491	-
Miscellaneous expenses	15,717	119,542
	3,707,384	4,705,907

NOTES TO THE FINANCIAL STATEMENTS

Schedule 14

(All amounts in Indian Rupees except where stated)

1. Nature of Operations

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. Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(b) 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 reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed Assets

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

(d) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(e) Depreciation

Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher

Asset Category	Rates (SLM)	Schedule XIV Rates (SLM)
Office Equipment	20%	4.75%
Computers & Software	33.33%	16.21%

(f) Impairment

- The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. 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.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(g) Revenue Recognition

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

Interest on the deployment of surplus funds is recognized using the time proportion method based on the underlying interest rates. Dividend income is recognized when the right to receive dividend is established.

(h) Income Taxes

Tax expense comprises current and deferred tax expense. Current income tax is measured as per the amount expected to be paid to tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(i) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and taxes attributable) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

The Company has no potentially dilutive equity shares as at the year end.

(j) Retirement and other Employee Benefits

Retirement benefits in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are due. The contributions towards provident fund are made to Statutory Authorities.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

The Company has a leave policy for the availment of accumulated leave. Leave liability is provided on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(k) 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.

(l) 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 THE FINANCIAL STATEMENTS

3. Related Parties

Names of related parties

Names of related parties where control exists irrespective of whether transactions have occurred or not :

Holding Company

ING Vysya Bank Ltd.

Subsidiary Company

Names of other related parties with whom transactions have taken place during the year

Key Management Personnel

Ashok Rao – Managing Director & CEO

i. The following is a summary of significant related party transactions with the holding Company:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Outsourcing Income	295,612,908	348,964,699
Interest income	564,175	130,689
Electricity	6,844	61,642
Salary cost for deputed staff	-	115,349
Reimbursement for Fixed Assets	764,065	4,297,412
Advance received on account of payment of salary	-	15,000,000

ii. The Company has the following amounts due from/to holding company

	31 March 2010	31 March 2009
Receivables:		
Receivables	34,042,273	-
Interest accrued on bank deposits	507,757	-
Payables:		
Payables	-	7,902,932
Balance with Bank		
In current account	15,448,702	38,712,642
In deposit account	20,000,000	-

iii. The Company has no transactions with key management personnel during the year.

4. Contingent Liabilities and Commitments

	31 March 2010	31 March 2009
Income tax demand for which appeals pending	856,696	1,098,334
Sales tax demand for Asst. Year 1998-99	-	40,990
Service tax demand for which appeals pending	8,826,935	-
	9,683,631	1,139,324

5. Deferred tax

Components of deferred tax asset and liability are as follows:

	31 March 2010	31 March 2009
Deferred tax asset on account of provision for employee benefits	471,376	164,514
Deferred tax asset on account of depreciation	1,121,901	1,310,257
Net deferred tax asset	1,593,277	1,474,771

NOTES TO THE FINANCIAL STATEMENTS

6. Earnings Per Share ('EPS')

The computation of basic and diluted earnings per share is set out below.

	For the year ended 31 March 2010	For the year ended 31 March 2009
Profit after tax	8,074,899	3,668,948
Weighted average number of equity shares outstanding during the year considered for computation of Basic and Diluted EPS.	8,845,100	8,845,100
Basic and Diluted earnings per share of face value Rs.2.50 each	0.91	0.41

7. Auditors' Remuneration (excluding service taxes)

	31 March 2010	31 March 2009
Statutory audit fees	300,000	300,000
Out of pocket expenses	45,000	45,000
	345,000	345,000

8. 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 150 days.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and amounts recognised in the balance sheet:

Profit and Loss Account

Net employee benefit expense (recognised in Employee Cost)

	Gratuity		Leave	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Current service cost	72,275	72,275	67,633	20,180
Interest cost on benefit obligation	22,960	32,033	15,760	6,748
Expected return on plan assets	-	-	-	-
Net actuarial (gain)/ loss recognised in the year	782,215	(217,709)	(58,044)	85,729
Past service cost	-	-	-	-
Net benefit expense	877,450	(113,401)	25,349	112,657

Balance Sheet

Details of Provision for Gratuity and Leave benefits

	Gratuity		Leave	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Present value of obligation	1,164,456	287,006	222,350	197,001
Fair value of Plan Assets	-	-	-	-
Liabilities (assets)	1,164,456	287,006	222,350	197,001
Unrecognised past service cost	-	-	-	-
Liability (asset) recognized in the Balance Sheet	1,164,456	287,006	222,350	197,001

NOTES TO THE FINANCIAL STATEMENTS

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

	Gratuity		Leave	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Present value of obligation beginning of the Period	287,006	400,407	197,001	84,344
Interest cost on benefit obligation	22,960	32,033	15,760	6,748
Current service cost	72,275	72,275	67,633	20,180
Past service cost	-	-	-	-
Benefits paid	-	-	-	-
Actuarial (gain) / loss on obligation	782,215	(217,709)	(58,044)	85,729
Present value of obligation at end of the period	1,164,456	287,006	222,350	197,001

Assumptions for Gratuity and Leave Benefits

	31 March 2010	31 March 2009
Discount Rate p.a.	Gratuity – CTC -8.58%; Others – 8.59%; Leave – CTC -8.58%	Gratuity – 7.93% Leave – 7.95%
Expected Return on Plan Assets	N/a	N/a
Mortality	L.I.C 1994-96 Ultimate	L.I.C 1994-96 Ultimate
Future Salary Increases p.a.	8%	8%
Disability	Nil	Nil
Attrition p.a.	Gratuity – CTC -12%; Others – 97% Leave – CTC -12%	Gratuity – 97% Leave – 97%
Retirement	58 years	58 years

9. Segment Reporting

The Company is engaged in a single business of outsourcing activities within India. There are no other geographical and business segments. Hence, segment reporting is not applicable.

10. Expenditure & Earnings in Foreign Currency is Nil (2009 - Nil).
11. Managerial remuneration: Nil (2009 - Nil).
12. Capital commitment: Nil (2009 – Nil).
13. The Company has initiated the process of identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006, by obtaining confirmations from all suppliers. Based on current information available with the Company, no amounts have fallen due for payment to suppliers who are registered under the relevant Act as at 31 March 2010.
14. Previous Year Comparatives
Previous year's figures have been regrouped / reclassified where necessary, to conform to this year's presentation.

For and on behalf of the Board of Directors
of ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

M V S Appa Rao
Director

Srinivas T
Company Secretary

Place : Bangalore
Date : 20 April 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Amount in Rs.)

	31 March 2010	31 March 2009
Cash flow from operating activities		
Profit before Taxation	13,240,231	5,574,696
Depreciation	30,646	130,328
Interest income	(3,452,548)	(140,987)
Gratuity	877,450	(113,401)
Leave availment	25,349	112,657
Operating profit before working capital changes	10,721,128	5,563,293
Adjustments for :		
(Increase) / Decrease in loans and advances	(942,667)	25,708,175
(Increase) / Decrease in sundry debtors	(34,042,273)	20,142,798
Increase / (Decrease) in current liabilities and provisions	(7,622,525)	(18,725,265)
Cash generated from operations	(31,886,337)	32,689,001
Less: Income taxes paid	25,170,177	(15,523,972)
Net cash flow from operating activities	(6,716,160)	17,165,029
Cash flow from investing activities		
Proceeds from redemption of investments	-	920,000
Interest received	3,452,548	140,987
Net cash flow from investing activities	3,452,548	1,060,987
Net Increase/(Decrease) in cash and cash equivalents	(3,263,612)	18,226,016
Cash and cash equivalents as at the beginning of the year	38,715,107	20,489,091
Cash and cash equivalents as at the end of the year	35,451,495	38,715,107
Net Increase/(Decrease) in cash and cash equivalents	(3,263,612)	18,226,016
Cash and cash equivalents include the following:		
Cash on hand	-	-
Balances with scheduled banks in		
- Current Accounts	15,451,495	38,715,107
- Fixed Deposit	20,000,000	-
	35,451,495	38,715,107

As per our report of even date

For S.R. Batliboi & Co.
Firm Registration No.: 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Place : Mumbai
Date : 20 April 2010

For and on behalf of the Board of Directors
of ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Srinivas T
Company Secretary

Place : Bangalore
Date : 20 April 2010

M V S Appa Rao
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	8144	State Code	08
Balance Sheet	31.03.2010		

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	NIL	Bonus Issue	NIL
Right Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	82272	Total Assets	82272
Sources of Funds			
Paid-up Capital	22113	Secured Loans	NIL
Reserves & Surplus	60159	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	3	Net Current Assets	80676
Investments	NIL	Deferred Tax Assets	1593
Accumulated Losses	NIL	Misc. Expenditure	0

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	302851	Total Expenditure	289611
Profit Before Tax	13240	Profit After Tax	8075
Earning Per Share in Rs.	0.91	Dividend Rate %	25%

V. Generic Names of Three Principal Products / Service of Company (as per monetary terms)

Item Code No. (ITC Code)	----- Not Applicable -----
Product Description	----- Not Applicable -----

For and on behalf of the Board of Directors
of ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

M V S Appa Rao
Director

Srinivas T
Company Secretary

Place : Bangalore
Date : 20 April 2010

AUDITORS' REPORT

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

To
The Board of Directors
ING Vysya Bank Limited

We have audited the attached consolidated balance sheet of ING Vysya Bank Limited and its subsidiary (the 'Group'), as at 31 March, 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of ING Vysya Bank Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by ING Vysya Bank Limited's management in accordance with the requirements of Accounting Standards 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).

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

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March, 2010;
- (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.

For S.R. Batliboi & Co.
Firm Registration No.: 301003E
Chartered Accountants

per Viren H. Mehta
Partner
Membership No.: 048749

Bangalore
29 April 2010

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2010	31 March 2009
CAPITAL AND LIABILITIES			
Capital	1	1,199,665	1,026,041
Employees' Stock Options Outstanding (Net)		29,875	44,686
Reserves and Surplus	2	22,148,489	16,019,637
Deposits	3	258,617,558	248,855,984
Borrowings	4	36,713,880	31,853,195
Other Liabilities and Provisions	5	20,103,567	20,885,404
TOTAL		338,813,034	318,684,947
ASSETS			
Cash and Balances with Reserve Bank of India	6	23,295,871	17,910,228
Balance with Banks and Money at Call and Short Notice	7	6,974,576	4,906,047
Investments	8	104,708,203	104,934,401
Advances	9	185,071,895	167,563,800
Fixed Assets	10	4,961,397	4,373,768
Other Assets	11	13,801,092	18,996,703
TOTAL		338,813,034	318,684,947
Contingent Liabilities	12	741,347,646	739,083,748
Bills for Collection		32,880,705	30,150,131
Significant Accounting Policies	17		
Notes on 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 S.R. Batliboi & Co.

Firm Registration No. : 301003E

Chartered Accountants

For and on behalf of the Board

per Viren H Mehta

Partner

Membership No.: 048749

K R Ramamoorthy

Chairman

Arun Thiagarajan

Director

Place : Bangalore

Date : 29 April 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2010	31 March 2009
INCOME			
Interest Earned	13	22,328,340	22,398,908
Other Income	14	6,209,437	5,481,343
TOTAL		28,537,777	27,880,251
EXPENDITURE			
Interest Expended	15	14,029,982	15,902,568
Operating Expenses	16	8,074,705	7,723,624
Provisions and Contingencies		4,002,518	2,362,267
TOTAL		26,107,205	25,988,459
PROFIT/(LOSS)			
Net Profit/(Loss) for the period		2,430,572	1,891,792
Consolidated Net Profit / (Loss) for the year attributable to the Group		2,430,572	1,891,792
Add: Brought forward consolidated profit / (loss) attributable to the Group		2,102,201	1,068,201
TOTAL		4,532,773	2,959,993
APPROPRIATIONS			
Transfer to Statutory Reserve		605,543	471,949
Transfer to Capital Reserves		70,192	22,753
Transfer to Revenue and Other Reserves		807	-
Transfer to Investment Reserve		8,723	23,007
Transfer to Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)		150,000	100,000
Proposed Dividend		299,916	205,208
Dividend Tax		51,911	34,875
Balance Carried to Consolidated Balance Sheet		3,345,681	2,102,201
TOTAL		4,532,773	2,959,993
Earnings Per Share (Rs. Per Equity Share of Rs.10 each)			
Basic		21.69	18.45
Diluted		21.40	18.37
Number of Shares used in computing Earnings Per Share			
Basic		112,066,989	102,550,549
Diluted		113,575,620	102,973,384

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 S.R. Batliboi & Co.
Firm Registration No. : 301003E
Chartered Accountants

For and on behalf of the Board

per Viren H Mehta
Partner
Membership No.: 048749

K R Ramamoorthy
Chairman

Arun Thiagarajan
Director

Place : Bangalore
Date : 29 April 2010

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	31 March 2010	31 March 2009
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
350,000,000 (Previous year 350,000,000) Equity Shares of Rs.10 each	3,500,000	3,500,000
100,000,000 (Previous year 100,000,000) Preference Shares of Rs.10 each	1,000,000	1,000,000
ISSUED CAPITAL		
120,280,579 (Previous Year 102,927,692) Equity Shares of Rs.10 each	1,202,806	1,029,276
SUBSCRIBED AND CALLED UP CAPITAL		
119,966,490 (Previous Year 102,604,115) Equity Shares of Rs.10 each fully called and paid up	1,199,665	1,026,041
TOTAL	1,199,665	1,026,041
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVE		
Opening balance	3,094,296	2,622,347
Additions during the year	605,543	471,949
TOTAL (A)	3,699,839	3,094,296
II. CAPITAL RESERVE		
a) Revaluation Reserve		
Opening balance	1,087,689	1,095,176
Less: Depreciation transferred to Consolidated Profit and Loss Account	(7,487)	(7,487)
TOTAL (B)	1,080,202	1,087,689
b) Others		
Opening balance	1,098,569	1,075,816
Add: Transfer from Consolidated Profit and Loss Account	70,192	22,753
TOTAL (C)	1,168,761	1,098,569
III. SECURITIES PREMIUM		
Opening balance	7,788,761	7,775,663
Add: Additions during the year	4,095,709	13,098
Less: Deletions during the year	(38,115)	-
TOTAL (D)	11,846,355	7,788,761
TOTAL CAPITAL RESERVE (B+C+D)	14,095,318	9,975,019
IV. CAPITAL RESERVE ON CONSOLIDATION		
Opening balance	1,125	1,125
Less: Deduction on disinvestment of Associate	-	-
TOTAL (E)	1,125	1,125
V. SPECIAL RESERVE		
Opening balance	167,000	67,000
Add: Additions during the year	150,000	100,000
TOTAL (F)	317,000	167,000

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	31 March 2010	31 March 2009
VI. REVENUE AND OTHER RESERVES		
a) Revenue Reserves		
Opening Balance	578,766	578,766
Add: Additions on consolidation of subsidiary	807	-
TOTAL (a)	579,573	578,766
b) Investment Reserve		
Opening Balance	101,230	78,223
Add: Additions during the year	8,723	23,007
TOTAL (b)	109,953	101,230
TOTAL (G) (a+b)	689,526	679,996
VII. BALANCE IN CONSOLIDATED PROFIT AND LOSS ACCOUNT (H)	3,345,681	2,102,201
TOTAL (I to VII)	22,148,489	16,019,637
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From banks	1,929,844	1,816,306
ii. From others	38,975,357	31,285,503
II. Savings Bank Deposits	43,349,631	33,984,173
III. Term Deposits		
i. From banks	51,994,987	36,989,272
ii. From others	122,367,739	144,780,730
TOTAL (I to III)	258,617,558	248,855,984
B. Deposits of branches in India	258,617,558	248,855,984
C. Deposits outside India	-	-
TOTAL	258,617,558	248,855,984
SCHEDULE 4 - BORROWINGS*		
I. Borrowings in India		
i. Reserve Bank of India	420,000	-
ii. Other banks	1,282,000	1,430,000
iii. Other institutions and agencies	21,079,457	10,320,255
II. Borrowings outside India	13,932,423	20,102,940
TOTAL (I to II)	36,713,880	31,853,195
Secured borrowings included in (I) and (II) above is NIL (Previous year : NIL)		
*Includes Subordinated Debt (IPDI, Upper Tier II and Tier II Bonds) of Rs. 1,003.69 crores as on 31 March 2010 (Previous year Rs.1,032.90 crores).		

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	31 March 2010	31 March 2009
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	4,548,873	2,908,204
II. Inter-office adjustments (net)	96,172	-
III. Interest accrued	1,410,648	1,221,805
IV. Provision against Standard Assets	1,008,100	1,008,100
V. Others (including provisions)	13,039,774	15,747,295
TOTAL (I to V)	20,103,567	20,885,404
SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	3,527,902	2,691,296
II. Balances with Reserve Bank of India		
i. In current account	19,767,969	15,218,932
ii. In other accounts	-	-
TOTAL (I to II)	23,295,871	17,910,228
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
a) In current accounts	1,342,066	1,420,396
b) In other deposit accounts	69,568	237,103
ii) Money at Call and Short Notice		
a) With banks	-	-
b) With others	4,998,201	-
TOTAL (i to ii)	6,409,835	1,657,499
II. Outside India		
i) Balances with Banks		
a) In current accounts	103,618	10,583
b) In other deposit accounts	-	-
ii) Money at Call and Short Notice		
a) With Banks	461,123	3,237,965
b) With Others	-	-
TOTAL (i to ii)	564,741	3,248,548
GRAND TOTAL (I to II)	6,974,576	4,906,047
SCHEDULE 8 - INVESTMENTS (NET)		
I. Investments in India		
i) Government securities ## ** \$	81,938,046	92,585,496
ii) Other approved securities ##	1,282	1,742
iii) Shares	5,000	29,996
iv) Debentures and bonds	1,694,686	1,236,462
v) Others (mutual funds, commercial papers and post office deposits) @	21,069,189	11,080,705
TOTAL	104,708,203	104,934,401

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	31 March 2010	31 March 2009
II. Investments outside India	-	-
GRAND TOTAL	104,708,203	104,934,401
GROSS INVESTMENTS	104,749,368	104,993,185
Less: Depreciation/Provision for Investments	(41,165)	(58,784)
NET INVESTMENTS	104,708,203	104,934,401
@ Includes deposits with NABARD, NHB and SIDBI of Rs. 2106.92 crores (previous year Rs 908.10 crores) and PTC's Rs. 114.64 crores (previous year Rs. 116.32 crores).		
## Includes securities costing Rs. 7.13 crores (previous year 7.13 crores) pledged for availment of telegraphic transfer discounting facility .		
** Includes Repo Lending of Rs. Nil (previous year Rs. 1260 crores) under the Liquidity Adjustment Facility in line with Reserve Bank of India requirements.		
\$ Includes securities costing Rs. 42.02 crores (previous year Rs.19.79 crores) pledged for margin requirement.		
SCHEDULE 9 - ADVANCES (Net of provisions)		
A.		
i) Bills purchased and discounted	9,378,542	8,355,878
ii) Cash credits, overdrafts and loans repayable on demand	51,498,811	66,392,235
iii) Term loans	124,194,542	92,815,687
TOTAL	185,071,895	167,563,800
B.		
i) Secured by tangible assets*	156,194,572	135,871,713
ii) Covered by Bank/Government guarantees	2,609,652	1,952,060
iii) Unsecured	26,267,671	29,740,027
TOTAL	185,071,895	167,563,800
* Includes advances secured against book debts		
C. I. ADVANCES IN INDIA		
i) Priority sector	68,753,470	61,550,000
ii) Public sector	80,849	706,828
iii) Banks	27,036	33,869
iv) Others	116,210,540	105,273,103
II. ADVANCE OUTSIDE INDIA	-	-
TOTAL	185,071,895	167,563,800
SCHEDULE 10 - FIXED ASSETS		
I. Premises		
i) At cost as on 31 March of preceding year	931,303	939,213
ii) Appreciation in the value	1,172,709	1,172,709
iii) Additions during the year	2,359	-
	2,106,371	2,111,922
iv) Deductions during the year	-	(7,910)
v) Depreciation to date	(268,897)	(243,683)
	2,017,211	1,279,533
I. A. Premises under construction		
TOTAL	3,854,685	3,139,862

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	31 March 2010	31 March 2009
II. Other Fixed Assets (Including Furniture and Fixtures)		
i) At cost as on 31 March of the preceding year	3,897,414	3,416,843
ii) Additions during the year	458,547	506,881
	4,355,961	3,923,724
iii) Deductions during the year	(264,544)	(26,310)
iv) Depreciation to date	(3,200,513)	(3,061,466)
II. A. Capital work in progress	58,825	239,286
TOTAL	949,729	1,075,234
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	(1,394,881)	(1,370,976)
v) Add: Lease adjustment account	248,929	226,712
vi) Less: Provision / Write off of non-performing assets	(237,650)	(237,649)
TOTAL	156,983	158,672
GRAND TOTAL (I to III)	4,961,397	4,373,768
SCHEDULE 11 - OTHER ASSETS		
i) Inter-office adjustment (net)	-	207,843
ii) Interest accrued	2,301,509	2,432,673
iii) Tax paid in advance and tax deducted at source (net)	504,935	422,581
iv) Stationery and stamps	5,201	6,522
v) Non banking assets acquired in satisfaction of claims (net)	-	65,775
vi) Others	10,989,447	15,861,309
TOTAL	13,801,092	18,996,703
SCHEDULE 12 - CONTINGENT LIABILITIES		
i) Claims against the bank not acknowledged as debts	53,858	64,494
ii) Liability for partly paid investments	-	-
iii) Liability on account of outstanding Forward Exchange contracts	288,901,171	350,173,736
iv) Liability on account of outstanding Derivative Contracts	400,063,948	338,855,913
v) Guarantees given on behalf of constituents in India	38,568,374	34,473,535
vi) Acceptances, Endorsements and Other Obligations	12,823,600	14,717,033
vii) Other items for which the bank is contingently liable	936,695	799,037
TOTAL	741,347,646	739,083,748

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2010

(Rs. in thousands)

PARTICULARS	31 March 2010	31 March 2009
SCHEDULE 13 - INTEREST EARNED		
i. Interest/Discount on advances/bills	17,093,988	17,476,282
ii. Income on investments	5,179,095	4,698,422
iii. Interest on balances with RBI and other inter-bank funds	12,557	152,230
iv. Others	42,700	71,974
TOTAL	22,328,340	22,398,908
SCHEDULE 14 - OTHER INCOME		
i. Commission, Exchange and Brokerage	3,490,338	3,293,027
ii. Profit/ (Loss) on sale of investments (net)	797,023	389,658
iii. Profit on revaluation of investments (net)	-	-
iv. Profit/ (Loss) on sale of land, buildings and other assets (net)	933	45,959
v. Profit on Exchange / Derivative transactions (net)	1,032,920	1,110,822
vi. Income earned by way of dividends etc. from subsidiaries/companies and joint ventures abroad/in India	2,000	3,000
vii. Lease income	361	914
viii. Miscellaneous income * #	885,862	637,963
TOTAL	6,209,437	5,481,343
* Includes prior period item of Rs. 307,252 thousands (Previous year-NIL) - refer note 18.20.5.		
# Includes recovery from written off accounts amounting to Rs.419,899 thousands (Previous year Rs. 463,912 thousands).		
SCHEDULE 15 - INTEREST EXPENDED		
i. Interest on Deposits	11,689,786	14,010,241
ii. Interest on Reserve Bank of India/Inter-Bank borrowings	130,474	514,587
iii. Others (including interest on Tier II Bonds)	2,209,722	1,377,740
TOTAL	14,029,982	15,902,568
SCHEDULE 16- OPERATING EXPENSES		
i. Payments and Provisions for Employees	4,574,405	3,924,471
ii. Rent, Taxes and Lighting	765,686	597,144
iii. Printing and Stationery	91,915	106,008
iv. Advertisement and Publicity	43,779	41,964
v. Depreciation on Bank's Property	409,345	408,049
vi. Director's Fees, Allowances & Expenses	5,871	2,796
vii. Auditors' Fees and Expenses (Including Branch Auditors)	6,870	6,905
viii. Law Charges	38,453	45,139
ix. Postage, Telegrams, Telephones	186,700	224,359
x. Repairs and Maintenance	241,647	221,731
xi. Insurance	258,089	238,119
xii. Other Expenditure	1,451,945	1,906,939
TOTAL	8,074,705	7,723,624

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 acquisition of stake in the Bank by ING Group N.V. in August 2002, the name of the Bank was changed from "The 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 and accrual basis of accounting, unless otherwise stated and in accordance with generally accepted accounting principles in India and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time to the extent they have financial statement impact and current practices prevailing within the banking industry in India. The financial statements comply in all material respects with the Notified accounting standards by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956, to the extent applicable and current practices prevailing within the banking industry in India. The accounting policies have been consistently applied and except for the changes in accounting policy disclosed in these financial statements, are consistent with those used in the previous year.

3 USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions used in the accompanying consolidated financial statements are based

upon management's evaluation of the relevant facts and circumstances as on the date of financial statements. Actual results could differ from those estimates. 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' prescribed by the ICAI.
- 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 2010. 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 Bank and the revenue can be reliably measured.

- a. Income and expenditure is accounted on accrual basis except as stated below:
Interest on advances, non-performing 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. Premium/discount on acquired loans

Premium paid/discount received on loans acquired under deeds of assignment are recognised in the profit and loss account in the year of such purchases.

d. Sale of investments

Realized gains on investments under Held To Maturity (“HTM”) category are recognized in the profit and loss account and subsequently appropriated, from the profit available for appropriation, if any, to capital reserve account in accordance with RBI guidelines after adjusting for income tax and appropriations to the statutory reserve.

e. Commission and Brokerage income

Commission received for touch point verification/outsourcing services rendered is recognized based on contractual terms and rates on an accrual basis except for income from Brokerage and business promotion services which is recorded at actuals.

6 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

- a. 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.
- b. Outstanding forward 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.
- c. Contingent liabilities denominated in foreign currencies are disclosed at the balance sheet date at the rates notified by FEDAI.
- d. Derivative contracts including foreign exchange contracts which have overdue receivables which have remain unpaid for 90 days or more are classified as non-performing assets and provided for as per the extant master circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning issued by RBI.

7 DERIVATIVE TRANSACTIONS

Derivative transactions comprise forwards, 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 and in other assets/other liabilities. Derivative transactions designated as “Hedge” are accounted for on an accrual basis.

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 Third Schedule to the Banking Regulation Act, 1949.

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 valuation, the Bank’s investments are classified into three categories, i.e. ‘Held to Maturity’, ‘Held for Trading’ and ‘Available for Sale’:

- 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 with the intention of trading 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. The discount, if any, being unrealised is ignored. Provisions are made for diminutions other than temporary in the value of such investments.

SIGNIFICANT ACCOUNTING POLICIES

- b. Investments classified as HFT and AFS are revalued at monthly intervals. 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. Treasury bills and Commercial paper being discounted instruments are valued at carrying cost. Discount accreted on such instruments is disclosed under other assets in accordance with RBI directive and investments are shown at acquisition cost.
- e. REPO and Reverse REPO transactions 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.

9 ADVANCES

Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the guidelines issued by RBI and are stated net of provisions made towards non-performing advances.

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. 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 Medium Enterprises and direct agricultural advances; and
- b) at 1.00% on Commercial Real Estate (CRE) sector.

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

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 duties, 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 "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. In case of IVFSL, depreciation on leased assets is charged over the primary lease period of the respective assets on "Straight Line" basis.

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

SIGNIFICANT ACCOUNTING POLICIES

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 off 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.

11 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.

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 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.

14 SECURITISATION TRANSACTIONS

Securitisation transactions are accounted for in accordance with applicable RBI guidelines and ICAI guidance note on "Accounting for Securitisation".

15 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 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.

16 STAFF BENEFITS

The Bank provides for its Pension, Gratuity and Leave liability based on actuarial valuation as per the Accounting Standard 15 (Revised).

- i. Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.
- ii. Gratuity, Pension and Leave Encashment Liability are defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- iii. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. Short term compensated absences are provided for based on estimates.
- iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

In case of IVFSL Retirement benefits in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are due. The contributions towards provident fund are made to Statutory Authorities. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

SIGNIFICANT ACCOUNTING POLICIES

The Company has a leave policy for the availment of accumulated leave, it does not provide for encashment of leave. Leave liability is provided on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

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) fringe benefit tax 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 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.

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")

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 bank does not account for or disclose contingent assets, if any.

NOTES ON ACCOUNTS

18 NOTES ON ACCOUNTS

18.1 List of subsidiary considered for consolidation

Sl. No.	Name	Country of incorporation	Extent of holding as on 31 March 2010	Voting Power
Subsidiary				
1	ING Vysya Financial Services Limited (IVFSL)	India	100%	100%

18.2 Balancing of books and reconciliation

The Bank has completed its inter branch reconciliation. The reconciling items have been identified and elimination of reconciling items is in progress. Appropriate adjustments have been incorporated in the financial statements for the purpose of presentation.

Routine matching of select general ledger control account balances with subsidiary ledgers is in progress at few branches and is expected to be completed in due course with no material financial statement impact as on 31 March 2010.

18.3 Employee stock option scheme

ESOS 2002

The employee stock option scheme ("ESOS 2002" or "the scheme") of the Bank was approved by the Board of Directors in their meeting dated 23 July 2001 and by the shareholders at the Annual General Meeting held on 29 September 2001. A total of 500,000 equity shares of Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme was in force. These options will vest over a period of five years from the date of grant i.e. 20% 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. Consequent to the rights issue of the Bank during the financial year 2005-2006, appropriate adjustments were made to the number of outstanding options and initially fixed exercise price. ESOS 2002 was discontinued by the Bank in the Annual General Meeting held on 22 September 2005. No further options have been granted under this scheme.

The movement in ESOS 2002 during the year ended 31 March 2010 is as under:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Stock options outstanding at the beginning of the year	60,305	150,480
Less: Options exercised during the year	57,555	86,041
Less: Options forfeited	2,270	4,134
Stock options outstanding at the end of the year	480	60,305

The weighted average exercise price for the options exercised during the year is Rs. 97.45 (Previous Year - Rs. 91.49).

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 Rs.10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme is in force. These options will 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.

NOTES ON ACCOUNTS

The movement in ESOS 2005 during the year ended 31 March 2010 is as under:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Stock options outstanding at the beginning of the year	681,465	730,451
Add: Options granted during the year	-	3,825
Less: Options exercised during the year	224,122	14,692
Less: Options forfeited	26,479	38,119
Stock options outstanding at the end of the year	430,864	681,465

The weighted average exercise price for the options exercised during the year is Rs. 168.63 (Previous Year- Rs. 121.03).

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 78,00,000 equity shares of Rs. 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) in which the scheme is in force. These options will 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 movement in ESOS 2007 during the year ended 31 March 2010 is as under: -

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Stock options outstanding at the beginning of the year	5,108,366	3,166,500
Add: Options granted during the year	2,380,610	2,001,866
Less: Options exercised during the year	307,277	-
Less: Options forfeited	187,100	60,000
Stock options outstanding at the end of the year	6,994,599	5,108,366

The weighted average exercise price for the options exercised during the year is Rs. 156.39 (Previous Year- Nil).

The details of exercise price for stock options outstanding as at 31 March 2010 are:

Scheme	Range of exercise price (In Rs.)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In Rs.)
ESOS 2002 Tranche II	97.50	480	0.25	97.50
ESOS 2005 Tranche I	92.59 - 136.47	102,649	4.00	123.15
ESOS 2005 (Loyalty Options)	184.82	328,215	4.14	184.82
ESOS 2007 Tranche 1	114.20 - 315.40	6,994,599	5.40	243.73

The details of exercise price for stock options outstanding as at 31 March 2009 are:

Scheme	Range of exercise price (In Rs.)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In Rs.)
ESOS 2002 Tranche I	84.50	720	0.50	84.50
ESOS 2002 Tranche II	97.50	59,585	0.50	97.50
ESOS 2005 Tranche I	92.59 - 136.47	173,785	4.93	122.29
ESOS 2005 (Loyalty Options)	184.82	507,680	5.07	184.82
ESOS 2007 Tranche 1	114.20 - 315.40	5,108,366	5.86	219.55

Total employee compensation cost recognised in Profit and Loss Account for the year ended 31 March 2010 is Rs. 3,536 thousands (Previous Year Rs. 21,184 thousands). Total employee compensation cost outstanding as at 31 March 2010 Rs. 55 thousands (Previous year: Rs. 5,159 thousands).

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

NOTES ON ACCOUNTS

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 shall have been recognised if fair value of options had been used is explained below:

Employee Compensation Cost

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Intrinsic Value	3,536	21,184
Fair value*	84,212	95,753
Excess to be Charged	80,676	74,569

Impact on Profit

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Declared Profit	2,430,572	1,891,792
Less: Adjustment for additional charge due to Fair Value	80,676	74,569
Adjusted Profit	2,349,896	1,817,223

Impact on Earnings Per Share

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Declared in the financial Statements		
Basic (Rs.)	21.69	18.45
Diluted (Rs.)	21.40	18.37
Revised EPS		
Basic (Rs.)	20.97	17.51
Diluted (Rs.)	20.69	17.44

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

Particulars	ESOS 2002		ESOS 2005		ESOS 2007
	Tranche I	Tranche II	Tranche I	Loyalty option	Tranche I
Risk Free Interest Rate**	5.89%	4.63%	6.33% -8.04%	7.72% -7.74%	4.99% - 9.25%
Expected Life (excluding vesting period)	1 Yr	1 Yr	1 Yr	1 Yr	1 Yr
Expected Volatility	44.27%	37.95%	31.62% - 47.40%	45.23%	45.23% - 51.58%
The price of the underlying share in market at the time of option grant (as per NSE) (in Rs.)	255.30	451.30	162.60 – 260.65	262.60	114.20-315.40
Share Prices adjusted after Rights issue (in Rs.)	97.50	146.58	162.60 – 260.65	262.60	114.20-315.40

* 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

NOTES ON ACCOUNTS

31 March 2010 are:

Particulars	ESOS 2002		ESOS 2005		ESOS 2007
	Tranche I	Tranche II	Tranche I	Loyalty option	
Option price at the date of grant (in Rs.)	-	75.41	59.37 - 180.50	119.70 - 135.55	36.25 - 153.16

18.4 Provisions and contingencies debited to the profit and loss account include

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision for income tax (including deferred tax)	1,296,112	1,032,256
Provision for wealth tax	1,908	1,000
Provision for fringe benefit tax	-	27,382
Provision/ write off of NPAs	2,296,263	1,063,400
Depreciation/ write off of investments (net)	(17,619)	(46,472)
Provision for standard assets	-	153,300
Provision for restructured advances	256,314	54,495
Others *	169,540	76,906
Total	4,002,518	2,362,267

* 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.

18.5 Details of provisions

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	317,952	248,143
Additions during the year	144,496	81,123
Reversals during the year	33,746	10,981
Amounts used	662	333
Closing Balance	428,040	317,952

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.

18.6 Provisions for income taxes during the year

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision for income tax (including deferred tax)	1,296,112	1,032,256
Fringe benefit tax	-	27,382

NOTES ON ACCOUNTS

18.7 Investments

18.7.1 Non-performing non SLR investments

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	-	41,406
Additions during the year	-	-
Reduction during the year	-	41,406
Closing balance	-	-
Total provisions held	-	-

18.7.2 Value of Investments

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Gross value of Investments		
a. In India	104,749,368	104,993,185
b. Outside India	-	-
Provisions for depreciation		
a. In India	41,165	58,784
b. Outside India	-	-
Net value of Investments		
a. In India	104,708,203	104,934,401
b. Outside India	-	-

18.7.3 Movement of provisions held towards depreciation on investments

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	58,784	146,662
Add: Provisions made during the year	-	-
Less: Write-off/write-back of excess provisions during the year	17,619	87,878
Closing balance	41,165	58,784

18.8 Advances

18.8.1 Information with respect to loan assets subjected to restructuring

(a) Particulars of assets restructured:

(Rs. in thousands)

Particulars		CDR Mechanism		SME Debt restructuring		Others	
		31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Standard advances	No. of Borrowers	2	1	-	-	13	42
restructured	Amount outstanding	1,347,129	203,590	-	-	998,223	1,623,939
	Sacrifice*	199,952	32,045	-	-	5,362	22,451
Sub standard advances	No. of Borrowers	-	-	-	-	-	-
restructured	Amount outstanding	-	-	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Doubtful advances	No. of Borrowers	-	-	-	-	1	-
restructured	Amount outstanding	-	-	-	-	398,586	-
	Sacrifice*	-	-	-	-	36,882	-
Total	No. of Borrowers	2	1	-	-	14	42
	Amount outstanding	1,347,129	203,590	-	-	1,396,809	1,623,939
	Sacrifice*	199,952	32,045	-	-	42,244	22,451

*Sacrifice is diminution in the fair value

NOTES ON ACCOUNTS

18.8.2 Movement of Gross NPAs*

(Rs. in thousands)

Particulars	31 March 2010	31 March 2009
Opening Balance	2,093,900	1,162,400
Additions (fresh NPAs) during the year	4,100,326	3,318,100
Total (A)	6,194,226	4,480,500
Less:-		
(i) Upgradations	-	71,370
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,552,857	1,251,830
(iii) Write- offs (including technical write offs)	2,296,263	1,063,400
Total (B)	3,849,120	2,386,600
Closing Balance (A-B)	2,345,106	2,093,900

*Gross NPAs as per item 2 of Annex to DBOD.BP.BC.No. 46/21.04.048/2009-10 dated September 24, 2009.

18.8.3 Movement in NPAs is set out below

(Rs. In thousands)

Particulars	Gross*	Net*
Opening balance as on 1 April 2008	1,162,400	1,032,300
Additions during the year ended 31 March 2009	3,318,100	3,318,100
Reductions (including write offs) during the year ended 31 March 2009	2,386,600	2,346,260
Closing balance as on 31 March 2009	2,093,900	2,004,140
NPAs to advances (%)#		1.20
Additions during the year ended 31 March 2010	4,100,326	4,100,326
Reductions (including write offs) during the year ended 31 March 2010	3,849,120	3,886,199
Closing balance as on 31 March 2010	2,345,106	2,218,267
NPAs to advances (%)#		1.20
Provisioning Coverage Ratio (%)#		60.19

* After considering technical write off

Provision held against the NPA sold of Rs.50,500 thousands and Rs.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. A provision of Rs. 14,457 thousands held against agricultural loans covered by Agri Debt Waiver scheme has not been reversed to the profit and loss account pending receipt from RBI and is retained as provision for NPAs.

18.8.4 Movement in provisions for NPA

(Rs. In thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Opening balance	-	-
Additions during the year	2,296,263	1,063,400
Technical write-offs/write backs during the year	2,296,263	1,063,400
Closing Balance	-	-

18.8.5 Provisions on standard asset

(Rs. in thousands)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision towards standard assets during the year	-	153,300
Cumulative provision for standard assets as at year end	1,008,100	1,008,100

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

NOTES ON ACCOUNTS

18.8.6 Purchase/ sale of non performing assets

No NPA accounts were sold during the year ended 31 March 2010 (Previous year - Nil).

No non performing financial assets were purchased during the year (Previous year - Nil).

18.8.7 Securitisation of financial assets

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Total number of accounts	-	-
Total number of transactions	-	-
Book value (net of provisions) of accounts sold (Rs. in thousands)	-	-
Aggregate consideration received (Rs. in thousands)	-	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value (Rs. in thousands)	-	-

Contribution Agreement

The Bank invests in SPVs through contribution agreements and such amounts invested are recorded as loans and advances. The interest is recognised based on net yields on these transactions.

18.8.8 (a) Exposure to capital market

(Rs. in thousands)

Sl. No.	Particulars	As at 31 March 2010	As at 31 March 2009
(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;	5,415	5,415
(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;	2,015,705	3,730,772
(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;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	858,857	567,750
(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;	-	-
(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		2,879,977	4,303,937

Point (ii) above includes loans to investment companies amounting to Rs. 2,000,000 thousands (Previous year: Rs. 3,700,000 thousands) secured by bank deposits.

NOTES ON ACCOUNTS

(b) Exposure to real estate sector

(Rs. in thousand)

Particulars	As at 31 March 2010	As at 31 March 2009
(a) Direct exposure		
(i) Residential mortgages (fully secured)		
Individual housing loans up to Rs. 20 lakhs	8,938,258	8,224,100
Others	28,340,397	22,283,114
(ii) Commercial real estate		
Fund Based	9,595,305	5,609,890
Non- Fund Based	634,805	253,900
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	1,404,695	1,583,100
b. Commercial real estate	-	-
(b) Indirect exposure		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	7,024,159	4,944,000
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
Total	55,937,619	42,898,104

18.9 Fixed Assets

18.9.1 Capital work in progress

The Capital work in progress (Premises) of Rs. 2,017,211 thousands (Previous year Rs. 1,279,533 thousands) includes Rs. 1,321,766 thousands (Previous year Rs.1,014,513 thousands) towards the lease premium paid to Mumbai Metropolitan Regional Development Authority (MMRDA) in connection with the lease of land. The Bank has entered into an agreement to lease with MMRDA, however lease agreement with MMRDA will be executed at a later date upon completion of the construction and obtaining other necessary approvals.

18.9.2 Leases

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:

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Not later than one year	67,332	118,025
Later than one year and not later than five years	15,380	75,895
Later than five years	-	-
Total minimum lease rental commitments	82,712	193,920

Additionally, the Bank also leases office/branch premises under cancelable operating lease agreements. Total lease rental expenditure under cancelable and non-cancelable operating leases debited to profit and loss account in the current year is Rs. 562,413 thousands (Previous year: Rs. 431,065 thousands).

NOTES ON ACCOUNTS

Finance leases

The Bank has taken assets under finance leases / hire purchases. Future minimum lease payments under finance leases are as follows:

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Not later than one year	-	1,080
Later than one year and not later than five years	-	1,890
Later than five years	-	-
Total	-	2,970
Less : Finance charges	-	(516)
Present value of finance lease obligation	-	2,454

The present value of finance lease liabilities is as follows:

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Not later than one year	-	1,003
Later than one year and not later than five years	-	1,451
Later than five years	-	-
Total	-	2,454

18.10 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

Particulars	As at 31 March 2010	As at 31 March 2009
Earnings for the year (Rs. in thousands)	2,430,572	1,891,792
Basic weighted average number of shares (Nos)	112,066,989	102,550,549
Basic EPS (Rs.)	21.69	18.45
Dilutive effect of stock options (Nos)	1,508,631	422,835
Diluted weighted average number of shares (Nos)	113,575,620	102,973,384
Diluted EPS (Rs.)	21.40	18.37
Nominal value of shares (Rs.)	10	10

18.11 Deferred taxes

In accordance with Accounting Standard 22 "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India, provision for taxation for the year is arrived at after considering deferred tax credit of Rs.282,879 thousands (Previous year Rs. 327,470 thousands) for the current year.

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

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
Deferred tax assets		
on account of provisions	830,893	550,846
on leave encashment	188,534	176,760
on investments	868,845	835,176
on pension fund	169,308	211,635
on Gratuity	396	98
Total deferred tax asset	2,057,976	1,774,515
Deferred tax liabilities		
on depreciation on fixed assets	134,190	133,608
on bad debts claim	160,738	160,738
Total deferred tax liability	294,928	294,346
Net deferred tax assets	1,763,048	1,480,169

NOTES ON ACCOUNTS

18.12 Intangibles

(Rs. in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block
	As at 1 April 2009	Additions	Deletions	As at 31 March 2010	As at 1 April 2009	Charge for the year	Deletions	As at 31 March 2010	As at 31 March 2010
Intangible assets									
Application software	652,300	145,466	-	797,766	539,643	118,357	-	658,000	139,766
Total	652,300	145,466	-	797,766	539,643	118,357	-	658,000	139,766
Previous year	559,547	92,753	-	652,300	450,843	88,800	-	539,643	112,657

18.13 Related party transactions

List of related parties

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

ING Bank N.V. and its branches

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. Vaughn Richtor (till 6 April 2009)

- Mr. Shailendra Bhandari (w.e.f. 6 August 2009)

The above list does not include the related parties, which are having transactions with the Bank by way of deposit accounts.

(Rs. in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Investment in Tier I Bonds	Maximum		Maximum
	1,005,302	-	1,005,302
	(1,078,062)	(-)	(1,078,062)
	Outstanding		Outstanding
	1,005,302	-	1,005,302
Investment in Tier II Bonds	(1,078,062)	(-)	(1,078,062)
	Maximum		Maximum
	10,000	-	10,000
	(10,000)	(-)	(10,000)
	Outstanding		Outstanding
Investment in Upper Tier II Bonds	10,000	-	10,000
	(10,000)	(-)	(10,000)
	Maximum		Maximum
	3,031,546	-	3,031,546
	(3,250,958)	(-)	(3,250,958)
Deposits kept with Bank including lease deposit	Outstanding		Outstanding
	3,031,546	-	3,031,546
	(3,250,958)	(-)	(3,250,958)
	Maximum		Maximum
	912,120	-	912,120
	(553,884)	(-)	(553,884)
	Outstanding		Outstanding
	556,165	-	556,165
	(548,246)	(-)	(548,246)

NOTES ON ACCOUNTS

(Rs. in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Investment	Maximum - (6,598,680) Outstanding - (3,100,288)	- (-) - (-)	Maximum - (6,598,680) Outstanding - (3,100,288)
Borrowing	Maximum 13,963,900 (16,534,720) Outstanding 9,895,575 (15,773,920)	- (-) - (-)	Maximum 13,963,900 (16,534,720) Outstanding 9,895,575 (15,773,920)
Call borrowing	Maximum 628,600 (-) Outstanding - (-)	- (-) - (-)	Maximum 628,600 (-) Outstanding - (-)
Lending	Maximum - (659,360) Outstanding - (-)	- (-) - (-)	Maximum - (659,360) Outstanding - (-)
Interest paid	297,503 (958,301)	- (-)	297,503 (958,301)
Interest received	- (384,637)	- (-)	- (384,637)
Interest accrued but not due (payable)	15,693 (74,909)	- (-)	15,693 (74,909)
Purchase and sale of securities	- (18,374,176)	- (-)	- (18,374,176)
Reimbursement received	1,613 (295,807)	- (-)	1,613 (295,807)
Contribution to employee welfare funds - Paid	316,214 (494,656)	- (-)	316,214 (494,656)
Contribution to employee welfare funds- Payable	790,757 (-)	- (-)	790,757 (-)
Managerial remuneration	- (-)	7,644 (9,850)	7,644 (9,850)
Letter of Credit / Letter of undertaking / Stand by LC issued	7,853,931 (1,040,000)	- (-)	7,853,931 (1,040,000)

NOTES ON ACCOUNTS

(Rs. in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Bank guarantees Received	- (2,610,250)	- (-)	- (2,610,250)
Bank guarantees- Issued	4,314,403 (2,277,060)	- (-)	4,314,403 (2,277,060)
Derivative transactions - notional outstanding	Maximum 79,457,481 (63,609,230) Outstanding 71,839,393 (63,609,230)	- (-) - (-)	Maximum 79,457,481 (63,609,230) Outstanding 71,839,393 (63,609,230)
Forward transactions	Maximum 44,436,632 (62,828,064) Outstanding 23,829,744 (37,433,704)	- (-) - (-)	Maximum 44,436,632 (62,828,064) Outstanding 23,829,744 (37,433,704)
Premium received	2,199 (45,268)	- (-)	2,199 (45,268)
Premium paid	14,053 (98,078)	- (-)	14,053 (98,078)
Commission received	12,835 (5,043)	- (-)	12,835 (5,043)
Gain on Liquidation	19,117 (-)	- (-)	19,117 (-)
Invocation of Guarantee	1,411,485 (-)	- (-)	1,411,485 (-)
Repayment of Guarantee	1,411,485 (-)	- (-)	1,411,485 (-)
Guaranteed Interest	10,799 (-)	- (-)	10,799 (-)
Profit / exchange difference on remittance	24,219 (-)	- (-)	24,219 (-)

18.14 Segmental Reporting:

Segment Information – Basis of preparation

As per the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007, the classification of exposures to the respective segments is now being followed. The business segments have been identified and reported based on the organization structure, the nature of products and services, the internal business reporting system and the guidelines prescribed by RBI. 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 Rs. 5 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 the 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. 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

The Bank operates in one geographical segment i.e. Domestic.

NOTES ON ACCOUNTS

Segment Results for the year ended 31 March 2010

(Rs. in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010
Revenue	18,186,041	14,225,374	22,627,228	-	55,038,643
Less: Inter segment revenue	(11,306,947)	(2,784,641)	(12,409,278)	-	(26,500,866)
Net Revenue	6,879,094	11,440,733	10,217,950	-	28,537,777
Result	(124,523)	3,506,846	3,087,729	-	6,470,052
Unallocated expenses					36,962
Operating Profit					6,433,090
Provisions and contingencies	49,430	1,418,431	1,245,190	-	2,713,051
Unallocated provision & contingencies					(8,553)
Taxes			5,165		1,298,020
Net Profit	(173,953)	2,088,415	1,837,374	-	2,430,572
Other Information	As at 31 March 2010	As at 31 March 2010	As at 31 March 2010	As at 31 March 2010	As at 31 March 2010
Segment Assets	138,356,343	115,876,679	79,966,215		334,199,237
Unallocated Assets					4,613,797
Total Assets	138,356,343	115,876,679	79,966,215	-	338,813,034
Segment Liabilities	33,056,874	85,562,828	174,008,163		292,627,865
Unallocated Liabilities					22,807,140
Capital and Reserve & Surpluses			63,348		23,378,029
Total Liabilities	33,056,874	85,562,828	174,071,511	-	338,813,034

Segment Results for the year ended 31 March 2009

(Rs. in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009
Revenue	20,704,210	17,045,590	22,997,435	-	60,747,235
Less: Inter segment revenue	(15,112,928)	(5,187,358)	(12,566,698)	-	(32,866,984)
Net Revenue	5,591,282	11,858,232	10,430,737	-	27,880,251
Result	789,608	2,203,866	1,282,843	-	4,276,317
Unallocated expenses					22,258
Operating Profit					4,254,059
Provisions and contingencies	(9,590)	253,228	1,032,001	-	1,275,639
Unallocated provision & contingencies					25,990
Taxes			1,906		1,060,638
Net Profit	799,198	1,950,638	248,936	-	1,891,792
Other Information	As at 31 March 2009	As at 31 March 2009	As at 31 March 2009	As at 31 March 2009	As at 31 March 2009
Segment Assets	137,518,494	99,850,789	77,381,137		314,750,420
Unallocated Assets					3,934,527
Total Assets	137,518,494	99,850,789	77,381,137	-	318,684,947
Segment Liabilities	31,174,041	56,988,780	191,897,194		280,060,015
Unallocated Liabilities					21,534,568
Capital and Reserve & Surpluses			61,415		17,090,364
Total Liabilities	31,174,041	56,988,780	191,958,609	-	318,684,947

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 ON ACCOUNTS

18.15 Off Balance Sheet Items

18.15.1 Derivative contracts

Interest Rate Swaps

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
The notional principal of swap agreements	201,932,639	189,569,034
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	1,294,207	1,788,597
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with banks (76%)	Predominantly with Banks (78%)
The fair value of the swap book [asset / (liabilities)]	(37,961)	(328,168)

MTM netted off counterparty wise.

Forward Rate Agreements (FRA)

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
The notional principal of FRA Agreements	898,000	8,779,666
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	146	15,126
Collateral required by the bank upon entering into FRA	-	-
Concentration of credit risk arising from the FRA	Banks only (100%)	Banks only (100%)
The fair value of the swap book [asset / (liabilities)]	11.43	189.94

MTM netted off counterparty wise.

Derivatives: Currency Swaps

(Rs. in thousands)

Particulars	As at 31 March 2010	As at 31 March 2009
The notional principal of swap agreements	60,052,518	43,037,434
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	1,781,588	2,209,882
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks (74%)	Predominantly with Banks (51%)
The fair value of the swap book [asset / (liabilities)]	15,592	873,625

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 31st March 2010 is Rs 262,883,157 thousands (Previous year Rs. 241,386,135 thousands).

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2010

Nature	Number	Notional Principal (Rs. in thousands)	Benchmark	Terms
Trading	103	35,250,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	126	57,220,500	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	29	9,500,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	35	13,840,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	115,810,500		

Indian Rupee – Interest Rate Swaps for the year ended 31 March 2009

Nature	Number	Notional Principal (Rs. in thousands)	Benchmark	Terms
Trading	124	42,000,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	132	42,300,000	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	42	12,600,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	46	16,000,000	MIFOR	Fixed Receivable vs Floating Payable
	Total	112,900,000		

NOTES ON ACCOUNTS

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2010
(Rs. in thousand)

Nature	Number	Notional Principal (Rs. in thousands)	Benchmark	Terms
Trading	81	47,453,848	LIBOR	Fixed Payable vs Floating Receivable
Trading	88	42,264,589	LIBOR	Fixed Receivable vs Floating Payable
Trading	39	28,859,014	LIBOR	Float Receivable vs Float Payable
Trading	6	4,072,689	Principal	Fixed Payable
Trading	2	676,382	Principal	Fixed Receivable
Trading	12	4,526,106	Principal	Fixed Received vs Fixed Paid
Trading	41	12,331,165	Principal	Principal only Swaps
Hedging	2	3,031,546	LIBOR	Float Receivable vs Float Payable
Hedging	4	3,857,318	LIBOR	Fixed Payable vs Floating Receivable
	Total	147,072,657		

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2009
(Rs. in thousand)

Nature	Number	Notional Principal (Rs. in thousands)	Benchmark	Terms
Trading	68	41,359,123	LIBOR	Fixed Payable vs Floating Receivable
Trading	77	41,545,871	LIBOR	Fixed Receivable vs Floating Payable
Trading	22	19,288,788	LIBOR	Float Receivable vs Float Payable
Trading	7	4,077,563	Principal	Fixed Payable
Trading	3	870,431	Principal	Fixed Receivable
Trading	4	2,363,134	Principal	Fixed Received vs Fixed Paid
Trading	28	11,430,503	Principal	Principal only Swaps
Hedging	2	3,250,958	LIBOR	Float Receivable vs Float Payable
Hedging	4	4,299,761	LIBOR	Fixed Payable vs Floating Receivable
	Total	128,486,132		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2010 is Rs. (22,358) thousands (Previous year Rs. 545,647 thousands), which represents the net mark to market loss on swap contracts. As at 31 March 2010 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 74.76% (Previous year: 62.85%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of Rs. 1,132 thousands (Previous year: Rs. 1,568 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 Options are covered on exactly back-to-back basis and hence have a nil fair value on a net basis. As at 31 March 2010 notional outstanding for outstanding option contracts is Rs 137,180,790 thousands (Previous year: Rs 97,469,778 thousands).

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

No Exchange Traded Interest Rate Derivatives, Forward Rate Agreements and Currency Swaps were entered during the year ended 31 March 2010 (Previous year: Nil).

18.15.3 Risk exposure on derivatives

The Bank currently deals in various derivative products, i.e., Rupee and Foreign Currency Interest Rate Swaps, Currency Swaps, Forward Rate Agreement, 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

NOTES ON ACCOUNTS

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 and envisages methodologies of identification, quantification of risk on the basis of Loan Equivalent Factor, risk rating and mitigation of the credit concentration risk by stipulating counterparty wise as well as product wise exposure ceiling. 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 an 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:

(Rs. in thousands)

Sl. No	Particulars	Currency derivatives		Interest rate derivatives	
		As at 31 March 2010	As at 31 March 2009	As at 31 March 2010	As at 31 March 2009
(i)	Derivatives (Notional Principal Amount) *				
	a) For hedging	6,888,865	7,550,719	-	-
	b) For trading	53,163,653	35,486,715	202,830,639	198,340,701
(ii)	Marked to Market Positions				
	a) Asset (+)	2,306,880	2,439,926	2,489,272	3,572,301
	b) Liability (-)	2,291,288	1,566,300	2,527,222	3,900,280
(iii)	Credit Exposure	7,896,989	7,031,208	4,402,320	5,356,859
(iv)	Likely impact of one percentage change in interest rate (100 X PV01) #				
	a) on hedging derivatives			192,031	236,495
	b) on trading derivatives			(78,851)	(79,727)
(v)	Maximum and Minimum of 100 X PV01 #				
	a) on hedging				
	- Maximum			445,943	247,520
	- Minimum			191,499	20,458
	b) on trading				
	- Maximum			120,851	90,129
	- Minimum			66,071	28

Amounts stated are inclusive of impact of Currency swaps and Interest Rate Swaps.

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

18.16 Capital (Tier I) raised during the year 2009-10

During the year 2009-10 the Bank raised Tier I capital of Rs. 4,159,132 thousands by way of Qualified Institutions Placement (QIP) and preferential allotment. Pursuant to the resolution passed by the Shareholders of the Bank at the Annual General Meeting (AGM) held on 4 September 2009, the Bank allotted 9,270,455 equity shares of face value of Rs.10 each by way of QIP to Qualified Institutional Buyers (QIBs) and 7,493,478 equity shares of face value of Rs.10 each by way of preferential allotment to ING Group, for cash at a price of Rs. 248.10 including a premium of Rs. 238.10 per equity share to augment the resources of the Bank.

The Bank has incurred expenses of Rs. 32,090 thousands towards payment of commission to the Book Running Lead Managers in connection with the QIP and has adjusted this amount against 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.

18.17 Gratuity, Pension and Leave Benefit plans

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

In case of IVFSL it has a defined gratuity plan. It has a policy for availment of leave and it does not provide for encashment of leave.

NOTES ON ACCOUNTS

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)

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
1. Current service cost	50,793	51,352	141,121	130,405
2. Interest cost on benefit obligation	49,532	45,126	142,516	124,717
3. Expected return on plan assets	(53,674)	(52,716)	(111,394)	(103,073)
4. Net actuarial (gain)/ loss recognized in the year	(66,030)	(40,210)	162,948	133,947
5. Past service cost	44,529	-	-	-
6. Net expenses (1+2+3+4+5)	25,150	3,552	335,191	285,996
Actual return on plan assets	68,931	59,737	117,094	96,068

(Rs. in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
1. Current service cost	12,238	9,615	19,584	20,143
2. Interest cost on benefit obligation	28,129	25,477	14,779	11,626
3. Net actuarial (gain)/ loss recognized in the year	(90)	(2,430)	(40,000)	(10,194)
4. Past service cost	-	-	-	-
5. Net expenses recognised in profit and loss (1+2+3+4)	40,277	32,662	(5,637)	21,575

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Present value of obligation	669,785	607,879	2,045,609	1,886,910
Fair value of plan assets	(689,308)	(652,552)	(1,254,852)	(1,220,561)
Liability (Assets)	(19,523)	(44,673)	790,757	666,349
Liability (Asset) recognized in the Balance Sheet	(19,523)	(44,673)	790,757	666,349

(Rs. in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Present value of obligation	383,727	343,450	170,949	176,585
Fair value of plan assets	-	-	-	-
Liability (Assets)	383,727	343,450	170,949	176,585
Liability (Asset) recognized in the Balance Sheet	383,727	343,450	170,949	176,585

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Opening defined benefit obligation	607,879	584,975	1,886,910	1,726,164
Interest cost	49,532	45,126	142,516	124,717
Current service cost	50,793	51,352	141,121	130,405
Past service cost	44,529	-	-	-
Benefits paid	(32,175)	(40,386)	(293,586)	(221,318)
Actuarial (gains) / losses on obligation	(50,773)	(33,188)	168,648	126,942
Closing defined benefit obligation	669,785	607,879	2,045,609	1,886,910

NOTES ON ACCOUNTS

(Rs. in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Opening defined benefit obligation	343,450	349,241	176,586	155,010
Interest cost	28,129	25,477	14,779	11,626
Current service cost	12,238	9,615	19,584	20,143
Benefits paid	-	(38,453)	-	-
Actuarial (gains) / losses on obligation	(90)	(2,430)	(40,000)	(10,194)
Closing defined benefit obligation	383,727	343,450	170,949	176,585

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Opening fair value of plan assets	652,552	633,200	1,220,561	949,400
Expected return	53,674	52,716	111,394	103,073
Contributions by employer	-	-	210,783	396,411
Benefits paid	(32,175)	(40,385)	(293,586)	(221,318)
Actuarial gains / (losses)	15,257	7,021	5,700	(7,005)
Closing fair value of plan assets	689,308	652,552	1,254,852	1,220,561

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 2010	31 March 2009	31 March 2010	31 March 2009
Investments with insurer	0.90%	-	100%	100%
Investment in Government/ PSU bonds/securities	99.10%	100%	-	-

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

Particulars	Gratuity				Pension			
	31 March 2010		31 March 2009		31 March 2010		31 March 2009	
	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL
Discount rate (%) p.a.	8.37	8.58 (CTC), 8.59 (Others)	7.99	7.93	8.19	-	7.72	-
Expected rate of return on assets (%)	8.00	-	8.02	-	9.00	-	9.50	-
Employee turnover % p.a.	1 (IBA), 25 (Others)	12 (CTC), 97 (Others)	1 (IBA), 28 (Others)	97	1 (IBA)	-	1 (IBA)	-

Particulars	Leave Encashment				Leave Availment			
	31 March 2010		31 March 2009		31 March 2010		31 March 2009	
	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL
Discount rate (%) p.a.	8.19	-	7.72	-	8.37	8.58	7.99	7.95
Expected rate of return on assets (%)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Employee turnover % p.a.	1 (IBA), 25 (Others)	-	1 (IBA), 28 (Others)	-	1 (IBA), 25 (Others)	12 (CTC)	1 (IBA), 28 (Others)	97 (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 2010.

NOTES ON ACCOUNTS

18.18 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.

18.19 Other Disclosures

18.19.1 Penalties levied by RBI on the Bank

During the year there were no penalties levied by RBI on the Bank (previous year Nil.)

18.19.2 Letters of Comforts issued by the Bank

The Bank has 262 (Previous year: 153) letter of comforts/ undertaking issued and outstanding as on 31 March 2010 amounting to Rs. 8,449,626 thousands (Previous year: Rs. 6,469,577 thousands).

18.19.3 Draw down from Reserves

The Bank has utilized the securities premium account for meeting direct expenses of Rs. 38,115 thousands relating to the QIP issue, as per the RBI mail box clarification dated 9 October 2007.

18.19.4 Fees/remuneration received from Bancassurance business:

The fees / remuneration from bancassurance business for the year ended 31 March 2010 is Rs. 466,310 thousands (Previous year – Rs. 314,835 thousands) including rental income of Rs. 28,891 thousands (Previous year – Rs. 29,287 thousands).

18.19.5 Prior Period Item

In earlier years, the Bank had participated in a tender floated by the Mumbai Metropolitan Region Development Authority ('MMRDA') for allotment of a plot of land on an 80 year lease in an area reserved for banks. Due to certain restraints, the Bank had sought additional time to pay certain installments. Eventually as part of a settlement with MMRDA, the Bank paid the pending installment along with incremental amount of Rs. 307,252 thousands which was expensed off during the years 2003-04, 2004-05 and 2005-06. Thereafter, the Bank has entered into an agreement to lease with MMRDA and commenced construction of the Building which is nearing completion. Since the Bank paid the incremental amount before the right to lease was acquired, the incremental amount of Rs. 307,252 thousands is considered as part of the acquisition cost of the leased premises.

As a result, the current year's profit before tax and profit after tax are higher by Rs. 307,252 thousands and Rs. 202,817 thousands respectively and the fixed assets are higher by Rs. 307,252 thousands.

18.19.6 Previous year's figures

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

Signatures to Schedules 1 to 18

K.R. Ramamoorthy
Chairman

Arun Thiagarajan
Director

Place: Bangalore
Date: 29 April 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Rs in thousands)

PARTICULARS		31 March 2010	31 March 2009
(A)	Cash Flow from Operating Activities		
	Net Profit before Tax	3,728,266	2,952,103
	Adjustments for :		
	Depreciation charges	433,576	436,384
	Employee compensation expense (ESOS)	3,536	21,184
	Provision/write off of Advances	2,296,263	1,063,400
	Profit on revaluation of investment	989,272	505,775
	Provision for Standard Assets	-	153,300
	Other Provisions	426,757	131,402
	Lease Adjustment Account	(22,216)	(24,824)
	(Profit)/Loss on Sale of Non banking Assets (net)	-	(10,847)
	(Profit)/Loss on Sale of Assets (net)	(933)	(45,959)
	Dividend received from subsidiary/others	(2,000)	(3,000)
	Cash Generated from Operation	7,852,521	5,178,918
	Less: Direct Taxes Paid	1,380,500	941,871
		6,472,021	4,237,047
	Adjustments for :		
	Decrease / (Increase) in Advances	(19,805,301)	(22,106,007)
	Decrease / (Increase) in Other assets	5,170,801	(8,887,783)
	Non-Banking Assets sold	65,775	29,343
	Decrease/ (Increase) in Investments	(763,073)	(42,527,047)
	Increase / (Decrease) in Deposits	9,761,575	43,895,914
	Increase / (Decrease) in Other liabilities	(1,277,881)	2,856,085
	Net Cash flow from / (used in) Operating Activities	(376,083)	(22,502,448)
(B)	Cash Flow from Investing Activities		
	Movement in Work in Progress	(557,218)	(301,791)
	Purchase of Fixed assets / leased assets	(460,906)	(506,881)
	Sale of Fixed assets/ Leased assets	12,907	55,863
	Dividend received from subsidiary/others	2,000	3,000
	Sale proceeds - investments	-	-
	Net Cash flow used in Investing Activities	(1,003,217)	(749,809)
(C)	Cash Flow from Financing Activities		
	Proceeds from issue of shares	173,624	1,298
	Share premium collected	4,039,246	9,662
	Dividend Paid	(240,083)	(179,833)
	Increase/ (Decrease) in Borrowings	4,860,685	14,385,698
	Net Cash Flow from Financing Activities	8,833,472	14,216,825
	Net Increase/ (Decrease) in Cash and Cash Equivalents	7,454,172	(9,035,432)
	Cash and Cash equivalents as at the beginning of the year	22,816,275	31,851,707
	(Including Money At Call and Short Notice)		
	Cash and Cash equivalents as at the end of the year	30,270,447	22,816,275
	(Including Money At Call and Short Notice)		

As per our report of even date

For S.R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

For and on behalf of the Board

per Viren H. Mehta
Partner
Membership No.: 048749

K.R. Ramamoorthy
Chairman

Arun Thiagarajan
Director

Place : Bangalore
Date : 29 April 2010

CONTENTS	Page No.
1. Scope of Application	133
2. Capital Structure	133
3. Capital Adequacy	134
4. Credit risk : General Disclosures for All Banks	135
5. Credit Risk : Disclosures of Portfolios subject to the Standardised approach	138
6. Credit Risk Mitigation : Disclosures for Standardised Approach	139
7. Securitisation : Disclosure for Standardised Approach	139
8. Market Risk in Trading Book	141
9. Operational Risk	142
10. Interest Rate Risk in the Banking Book (IRRBB)	143

1. Scope of application

ING Vysya Bank is the controlling entity for the group, which includes its wholly owned subsidiary ING Vysya Financial services Limited (IVFSL). IVFSL is engaged in touch point verification for liability products on behalf of the Bank. The consolidation with the subsidiary ING Vysya Financial Services Limited is as per Accounting Standard 21 (AS-21). While computing the consolidated 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 Rs.350 Crore consisting of 35 Crore equity shares of Rs.10/- each. As of March 2010, the issued capital stood at Rs.120.28 Crore consisting of 12.03 Crore of equity shares of Rs.10/- each. The subscribed and paid up share capital is Rs.119.97 Crore consisting of 11.997 Crore equity shares of Rs. 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 Lower Tier 2 bonds are cumulative and have an original maturity between 9-10 years. The interest on these bonds is payable annually.

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.

During the year, Bank allotted 9,270,455 equity shares of face value Rs. 10/- each by way of Qualified Institutional Placement (QIP), with Qualified Institutional Buyers (QIB) and 7,493,478 equity shares of face value Rs. 10/- each by way of preferential allotment to ING Group, for cash at a price of Rs. 248.10 including a premium of Rs. 238.10 per equity share to augment the resources of the Bank.

Capital Funds	(Rs. in Crore)
Tier I Capital	2,072.47
Total Capital Funds	3054.99
Tier I Capital	
Paid-up Capital	119.97
Reserves and Surplus	2,088.96
Innovative Perpetual Debt Instruments	100.53
Total Tier I Capital (Unadjusted)	2309.46
Deductions	
Investments in Subsidiaries	1.05
Deferred Tax Asset	176.15
Other Intangible Assets	13.99
Total Deductions	191.19

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2010

Total Tier I Capital (Adjusted)	2118.27
Less: Liquidity adjustment and credit spread adjustment to Tier I capital has been made under Basel II based on latest guidelines on the new capital adequacy framework	45.80
Tier I Capital	2,072.47
Tier II Capital	1,046.09
Upper Tier II Bonds	303.15
Subordinated Debt eligible for Lower II	520.00
Revaluation Reserves	48.61
General Provisions and loss Reserves	100.81
Others	11.00
Total Tier II Capital (Unadjusted)	983.57
Deductions	
Investments in Subsidiaries	1.05
Total Deductions	1.05
Total Tier II Capital (Adjusted)	982.52
Tier I & Tier II Capital	3054.99
Total Risk Weighted Assets	20,494.42
Capital Adequacy Ratio of the Bank – Total	14.91%
Capital Adequacy Ratio of the Bank - Tier I	10.11%

Debt capital instruments eligible for inclusion under Tier-1 and Tier-2 capital

(Rs. in Crore)

	Tier 1	Upper Tier 2	Lower Tier 2
Total amount outstanding as at 31 March 2010 – INR and Foreign currency	100.53 (JPY 2.09 bln)	303.15 (JPY 6.31 bln)	600.00
Amount raised during the year – INR and Foreign currency	Nil	Nil	Nil
Amount eligible to be reckoned as capital funds - INR	100.53	303.15	520.00

Note: Foreign Currency amounts are reported in INR at the forex rate as at 31 March 2010.

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 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 31 March 2010 is presented below:

(Rs. in Crore)

	Capital requirements for Risk Types	Amount
A	Capital requirements for Credit Risk	
	Portfolios subject to standardized approach	1644.44
	- Of which Securitization exposures	2.06
B	Capital requirements for Market Risk	
	Standardized duration approach	
	Interest rate risk	45.02
	Foreign exchange risk (including gold)	13.50
	Equity risk	1.57
	Credit Spread Adjustment and Liquidity Adjustment	45.80
C	Capital requirements for Operational Risk	
	Basic Indicator approach	139.96
	Capital Adequacy Ratio of the Bank – Total	14.91%
	Capital Adequacy Ratio of the Bank - Tier I	10.11%

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

Risk Management and Review Committee of the Board (RMRC) is responsible for managing Credit Risk function, among others, and meets at least once a quarter.

Credit Risk Management Department (CRMD), headed by Chief Risk Officer (CRO), manages this function at the departmental level, both at Corporate Office and Regional levels. The Chief Risk Officer (CRO) is assisted by senior executives dealing with credit risk of Wholesale assets, Retail assets and Consumer Finance portfolio, to ensure that the growth in business is consistent with the internal risk appetite of the Bank and the credit quality of the portfolio is maintained at all times. Specialized Credit Risk Officers handle risk areas of Counterparty Risk, Country Risk, etc.

The organization structure further consists of:

- Credit Policy Committee, reporting to RMRC, which is involved in formulating all relevant policy guidelines and procedures, and for immediate action on RBI guidelines on credit related matters;
- Board Credit Committee, Executive Credit Committee, Zonal Credit Committee, and other executives at Corporate Office, Zonal Offices and Regional Offices, who have delegated credit approval power, as per well-defined guidelines;
- Operations Department to assure high standards of loan documentation, security creation and compliance with pre-disbursal terms and conditions;
- Asset Recovery Committees and Loan Review Department, which track delinquencies, identify 'Watch List' accounts, and give guidance on remedial management;
- Collections Department and Special Loans 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 Audit Department, which performs the on-site audit of loans.

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 what constitutes an "Acceptable Borrower / Facility" for the Bank. It also adheres to assessing financial requirements of the borrower, and specifies the exposure and the product lending norms. The exposure norms-prudential, industry, sector, etc., are also outlined in this document. The policy also specifies the norms relating to review / renewal of loans, conducting of sample review of credit approvals by higher authorities, conducting of portfolio review and review of irregular / stressed accounts. In addition, there are 'Restricted Lists' of industries to which either exposures should not be taken or taken selectively by the Bank. The 'Negative Lists' of industries / activities to which Bank ensures that exposures are not taken are in areas which are not in line with the Risk Appetite statement of the Bank.

The Bank follows the below mentioned principles to manage credit risk:

- Standard appraisal and underwriting standards for approval of credit exposures is followed. Different rating models, depending upon the type of borrower and size of exposure, are prescribed. For Corporates, commodity traders, banks & financial institutions, etc., 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. Consumer assets and certain template products under Business Banking are put through score card based selection methods.

- Credit policy prescribes exposure and tenor caps based on risk rating of the borrower. 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 exposures.
- There is emphasis on efficient credit administration, comprising of obtaining proper legal documentation, putting through day-to-day transactions, periodical unit visits and security verification, monitoring & follow-up and recovery.
- Country risk, counterparty risk are reviewed by specialized desks and deviations from established procedures or limits are reviewed on a regular basis by various Committees like Executive Credit Committee (ECC), RMRC, etc.
- Credit Audits are conducted at various offices which act as dispensation points / approval authorities in addition to vertical audit of various credit products. Risk based audit of branches also addresses credit risk aspects at the time of audit of branches / offices. In addition to this, risk department visits branches and conducts sample reviews of credits approved at the branch / business unit level for better credit administration.

As a general principle, the Credit Risk Policy stipulates churning of 5% of accounts on a Year-on-Year basis.

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 Rs 1 Crore) and Regional EARMCs (for outstanding of $<$ Rs 1 Crore) are the acting bodies for reviewing irregular accounts and suggest strategies for recovery. Portfolio / Industry / Product reviews are placed to the Risk Management Committees for their review and feedback.

In the current financial year, increased stress in borrower accounts and consumer loans was noticed. This was mainly due to the slowing down of the economy, reduced exports from India, elongated working capital cycle and job losses in some segments etc. Appropriate remedial steps were and are being taken to address the situation.

Due to volatile foreign exchange rate movements, negative Mark to Market (MTM) exposures were noticed for some customers on whom the Bank had taken Derivative exposures. These were dealt with appropriately based on size and complexity of the problem.

Restructuring of loans affected by business slow-down or for other valid reasons, was done in accordance with RBI's guidelines.

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. An 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' 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.

The Bank classifies an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2010

- 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.

Credit risk exposure

Gross Credit Risk / Exposures as on 31-03-10	Rs. in Crore
Fund based exposure, of which	31,654.40
Non- Fund based exposure	6,202.90
Total	37,857.30

Notes :

- Fund based exposures include Funded Advances outstanding of Rs. 18507.1 cr, Investments of Rs.10473 cr, others Rs. 2674 cr. and excludes Cash in hand.
- Non fund based exposures include Letter of Credit, Bank Guarantees and MTM.
- The above numbers excludes fixed assets and other assets, although they have been reckoned as exposures and capital maintained for the same.

The Bank has exposures in the domestic segment only.

Distribution of credit risk exposure by Industry type

(Rs. in Crore)

Industry classification	Total Fund based Outstanding (excluding investments)
Agri and allied activities	1961.0
Industry – Micro, Small, Medium & Large	6265.5
Services	1244.7
Trade	2034.4
Commercial Real Estate	495.3
NBFC	1433.1
Consumer Finance	4101.6
Others	971.5
Total	18507.1

Residual contractual maturity breakdown of assets

(Rs. in Crore)

Maturity Bucket	Cash and Balances with Banks	Investments	Advances	Other Assets including Fixed Assets
1- 14 days	1760.3	2515.7	2126.2	15.5
15 to 28 days	85.4	439.7	1311.7	36.3
29 days to 3 months	361.7	1736.8	2328.0	87.2
Over 3 months and up to 6 months	166.9	795.4	2213.8	119.3
Over 6 months and up to 1 year	302.4	1250.1	1794.2	436.6
Over 1 year and up to 3 years	79.9	1115.4	4043.6	294.9
Over 3 years and up to 5 years	130.4	847.3	1769.4	302.9
Over 5 years	140.1	1772.5	2920.2	580.4
Total	3027.1	10472.9	18507.1	1873.1

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2010

Movement of NPAs and Provision for NPAs

Amount of NPAs (Gross):

(Rs. in Crore)

	31.03.2009	31.03.2010
Substandard	204.88	221.80
Doubtful 1	45.90	149.47
Doubtful 2	31.18	56.40
Doubtful 3	7.62	18.02
Loss	23.62	111.51
Gross NPA	313.20	557.20

Net NPAs:

(Rs. in Crore)

	31.03.2009	31.03.2010
Net NPA	200.41	221.83

NPA Ratios:

	31.03.2009	31.03.2010
Gross NPAs to gross advances	1.86%	2.96%
Net NPAs to net advances	1.20%	1.20%

Movement of NPAs (Gross):

(Rs. in Crore)

	31.03.2009	31.03.2010
Opening bal. as on 01-04	203.15	313.20
(+) Additions	331.81	410.03
(-) Reductions	221.76	166.03
Closing bal. as on 31-03	313.20	557.20

Movement of provisions for NPAs:

(Rs. in Crore)

	31.03.2009	31.03.2010
Opening bal as on 01-04	86.91	103.81
(+) Provisions made during the period	106.43	229.63
(-) Write-off	89.53	10.75
Closing bal as on 31-03	103.81	322.69

Movement of Non-Performing Investments (NPIs) and Provision for depreciation on investments :

Amount of Non-Performing Investment: Nil

Amount of provisions held for Non-Performing Investments : Nil

Movement of provisions for depreciation on investments

(Rs. in Crore)

	31.03.2009	31.03.2010
Opening bal.as on 01.04	14.67	5.88
(+) Provisions made during the period	-	-
(-) Write-off/Write-back of excess provisions	8.79	1.76
Closing bal.as on 31.03	5.88	4.12

5. Credit Risk: Disclosures for Portfolios subject to the Standardized Approach

Use of rating agencies

RBI has identified four domestic credit rating agencies (CARE, CRISIL, FITCH India and ICRA Limited) and three international credit rating agencies (Fitch, Moodys and Standard & Poor) whose rating assessments can be used by the Banks for their capital assessment under standardized approach. Bank loan rating as well as issuer 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

Risk bucket	Amount outstanding (Rs. in Crore) as on 31-03-10
Below 100% risk weight	25,174.95
100% risk weight	10,939.33
More than 100% risk weight	1,740.92
Deducted	2.10

6. Credit Risk Mitigation: Disclosures for Standardized Approaches

The Credit Risk Mitigation and Collateral Management Policy approved by the Board sets the framework for collateral acceptability, 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 five years. Periodicity for unit visits also is prescribed in the Credit Risk Policy and the Credit Risk Manuals. The Bank has set up Credit Operation 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 collateral, Guarantees provided by promoters/ Central Government/ State Government/ Banks/ Financial Institutions/ Other Corporates/ ECGC, etc.

- the exposure (after where applicable on- or off-balance sheet netting) that is covered by eligible financial collateral after the application of haircuts – INR 916.92 Crore.

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.

- the exposure (after where applicable on- or off-balance sheet netting) that is covered by guarantees / credit derivatives (where specifically permitted by RBI) - INR 1030.11 Crore.*

** 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's role is limited as an investor. The outstanding book value of securitized exposure as on 31 Mar'10 was Rs 114.65 Crore (with the highest credit quality "AAA"). The Bank monitors market risk on the securitization exposures mainly through daily calculation of mark to market and Value at Risk measures.

In accordance with the RBI guidelines, with effect from 1 February 2006, the Bank accounts for any loss arising from securitization immediately at the time of sale. The profit / premium arising from securitization is amortized over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold.

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2010

Portfolio buy-outs

In addition to the above, the Bank purchases loans through direct assignments. The primary objective for undertaking portfolio buy-out activity is to increase the Bank's portfolio. The main portfolios that are purchased are Road Transport Operator loans, Housing Loans, Loans to SHGs through the MFIs, Loan for purchase of Agricultural implements, Gold loan portfolios. These buyouts are as per the Underwriting standards of the Bank.

Quantitative Disclosures – Banking book

- a) 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.

Risk Type	Rs. in Crore
Exposure	114.65
Rating	AAA
RWA	22.93
Capital Charge	2.06

- b) 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 31st March 2010

(Rs. in Crore)

S. No	Type of securitization	Amount (in Cr. BV)
Securities purchased		
1.	Home and Home equity loans	114.65
2.	Liquidity facility	Nil
3.	Credit enhancement	Nil
4.	Other commitments	Nil

Note: The above mentioned securitized portfolio is classified under AFS category of Investment book.

- c) Aggregate amount of securitization exposures retained or purchased separately for:
- Securitization exposures retained or purchased subject to Comprehensive Risk Measure for specific risk; and

S. No	Type of securitization	Amount (in INR Cr. BV)
Securities purchased		
1.	Home and Home equity loans	114.65
2.	Liquidity facility	Nil
3.	Credit enhancement	Nil
4.	Other commitments	Nil

- Risk weight bands of securitization exposures on the basis of book value

(Rs. in Crore)

Risk weight bands	Amount
Less than 100%	114.65
100%	-
More than 100%	-
Deductions	
- Entirely from Tier I capital	-
- Credit enhancing Interest Only Strips deducted from Total Capital	-
- Credit enhancement (cash collateral)	-

Note: The above mentioned securitized portfolio is classified under AFS category of investment book.

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 Board has approved the Investment Policy for the financial year 2009-10. 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 Value at Risk, Basis Points Value, 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 and Liability Management (ALM) and investment policies related matters. The Financial Markets (FM) Department, on behalf of ALCO, manages the day-to-day operations. ALCO reports to the Board through 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.

Financial Market Operations operates independently of the dealing room, with its own independent processing systems. Their staff handles all confirmations, payments and authorizations in the Financial Market operations systems, etc.

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.

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2010

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:

- The risks pertaining to interest rate related instruments and equities in the trading book
- Foreign exchange risk (including open position in precious metals) throughout the bank (both banking and trading books)

Capital requirements for Market Risk

(Rs. in Crore as of 31st March 10)

Interest Rate (a+b)	
a. General Market Risk	42.76
b. Specific Risk	2.26
Equity(a+b)	1.58
a. General Market Risk	0.79
b. Specific Risk	0.79
Foreign Exchange and Gold	13.50
Total Capital Charge for Market Risk	60.10
RWA for market risks	667.78

Adjustments of Rs. 45.80 Crore were made to Tier I capital on account of Credit Spread and Liquidity factors as shown in Section 2.

9. Operational risk

ING Vysya Bank Limited 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. It also includes the risk of reputation loss as well as legal risk; whereas strategic and business risks are not included.

The Bank has various Policies (Operational Risk Policy, Information Risk Policy, Security Policy, Outsourcing Policy, Crisis Management Policy and Anti-Fraud Policy) in place to ensure effective management of Operational risks.

Key stages of the operational risk management processes is risk identification, risk measurement, risk monitoring and risk mitigation. In order to make the 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.

Operational Risk Management framework

For effective management of the Bank's operational risk exposure, the Bank has set up an independent Operational Risk Management function, which is responsible to develop and implement policies and procedures for effective management of the Bank's operational risk exposure. The unit follows the Board approved Operational Risk Management Policy for effective implementation of operational risk management across various business units of the Bank.

Risk management structure

An Operational Risk Committee (ORC) with representation from all business lines and critical support functions has been set up to ensure effective implementation of the operational risk management across all units of the Bank. The committee meets once in every month and discusses the operational issues identified and takes necessary steps to mitigate the risks. The Bank also has Regional Operational Risk Committees (RORC) at the regional level that meet regularly to discuss the region's operational issues and takes necessary steps to mitigate the risks.

In addition to the ORC and RORC, Risk Management and Review Committee (RMRC) of the Board at the highest 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.

Risk Reporting

A clear defined risk reporting system has been set up in the Bank. At the regional level, RORCs have been set up to monitor the operational risks with representation from the departments and senior management at the regional level. At the Corporate Office level, ORC has been set up with representation from the departments and senior management from all business lines and critical support functions of the Bank. The committees meet periodically to discuss operational risk issues and take necessary steps to mitigate the risks.

The Bank uses the Non-Financial Risk Dashboard (NFRD) as an operational risk reporting tool. This report highlights the identified operational risks as well as the action taken to mitigate the risks. It also provides an overview on the progress of the mitigation plans of the identified operational risks.

Strategies and Processes

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 Bank has developed a comprehensive framework supporting the process of identifying, measuring, monitoring, and managing operational, information and security 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.

Risk Management Processes	Examples of risk management tools
Risk Governance	- Operational Risk Committee
	- Compliance program
	- Product Approval process
	- Risk awareness training
Risk Identification	- Risk and Control Self Assessments
	- Risk Awareness programs
Risk Measurement	- Incident Reporting and Analysis
	- Quality of Control Scorecards
Risk Monitoring	- Audit Findings Action Tracking
	- Key Risk Indicator reporting
	- Operational risk dashboard
Risk Mitigation	- Information Security plans and implementation
	- Crisis management planning
	- Personal and physical security planning

The Bank has an internal risk footprint, which it uses as threshold to decide the severity of an operational event. Further, the Bank has a centralized loss data capture mechanism that it uses for the quantification of the operational losses. The Bank currently uses a scorecard approach to measure the effectiveness of the operational risk management across the Bank. This approach is based on the maturity of the operational risk management in the Bank.

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, viz., 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.

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2010

Interest rate risk arising due to re-pricing of those assets and liabilities which do not have a maturity date (e.g. Current and 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 deposits pre-closures is also managed by levying a penalty on such transaction. 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 and option pricing theories.

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)
- Earning 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

(Original currency in mln as of 31-Mar-10)

	TOTAL (INR)	INR	EUR	USD	GBP	JPY
Net Interest Income year 1						
EaR +100 bps parallel (ramped)	54.2	0.2	0.2	0.0	0.0	33.0
Net Interest Income year 2						
EaR +100 bps parallel (ramped)	(50.8)	0.3	0.1	0.0	0.0	(77.0)
Net Interest Income year 3						
EaR +100 bps parallel (ramped)	(48.1)	0.3	0.1	0.0	0.0	(72.0)

Economic value perspective

(INR in mln as of 31-Mar-10)

NPV Impact	Total	INR	EUR	USD	GBP	JPY
+ 50 bps	(250.06)	(292.39)	25.70	15.07	1.53	0.00
+100 bps	(500.11)	(584.77)	51.40	30.13	3.06	0.00



ING VYSYA BANK LIMITED

Regd. & Corporate Office: 'ING Vysya House', 22, M.G. Road, Bangalore – 560 001, India.
www.ingvysyabank.com