

# 80<sup>th</sup> ANNUAL REPORT 2010 - 11



# 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
2001-02	8068.28	4418.33	3597.20	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	2210.95	25	6249	482	13
2010-11	30194.25	23602.14	11020.67	3349.02	318.65	120.99	2503.30	30*	7041	511	13

\* Subject to approval of shareholders



## 80<sup>th</sup> ANNUAL GENERAL MEETING

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

Day/Date : Wednesday, 07-Sep-2011

Time : 11.00 A.M.

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## BOARD OF DIRECTORS

Arun Thiagarajan  
Chairman (from 09-Aug-2010)

K R Ramamoorthy  
(Chairman upto 07-Jul-2010)

Shailendra Bhandari  
Managing Director and CEO

## OTHER DIRECTORS

Aditya Krishna  
Lars Kramer  
Meleveetil Damodaran  
Philippe Damas  
Richard Cox  
Ryan Padgett (upto 10-Dec-2010)  
Santosh Ramesh Desai  
Vaughn Nigel Richtor  
Peter Staal  
Vikram Talwar (from 20-Dec-2010)  
Mark Edwin Newman (from 20-Apr-2011)

## 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  
Email: einward.ris@karvy.com



## SENIOR MANAGEMENT TEAM

Shailendra Bhandari  
Managing Director & CEO

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

Janak Desai  
Country Head – Wholesale Banking

Jayant Mehrotra  
Chief Financial Officer

Jan Van Wellen  
Chief Risk Officer

Meenakshi A  
Head – Operations

Manjunatha M S R  
Chief Audit Executive

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 Eightieth Annual Report of the Bank together with the Audited Statements of Accounts for the year ended 31-Mar-2011, Auditors' Report thereon and other documents and statements as are required.

### Financial and Business Performance

For the year ended 31-Mar-2011, the Bank posted a net profit of Rs. 319 Crore compared to Rs. 242 Crore for 2009-10. The pre-tax profit improved to Rs. 484 Crore compared to Rs. 372 Crore during the previous year. The **Net Interest Income** for the year 2010-11 increased to Rs. 1,007 Crore registering an increase of 21%.

The aggregate business of the Bank reached Rs. 53,796 Crore as at 31-Mar-2011 compared to Rs. 44,372 Crore as at 31-Mar-2010. The **Total Deposits** of the Bank increased to Rs. 30,194 Crore registering a growth of 17%. The **Net Advances** increased to Rs. 23,602 Crore for year ended 31 March 2011 from Rs. 18,507 Crore at the end of the previous year recording a growth of 28%.

The Bank has exceeded the regulatory target of 40% of Adjusted Net Bank Credit for Priority Sector Lending, having achieved a level of 43.5% (previous year 41.8%). Export advances increased to Rs.1,241.55 Crore from Rs.1,062.92 Crore at the end of the previous year. The export credit as a percentage of adjusted net bank credit stood at 5.26%. As of 31-Mar-2011, the outstanding credit to Scheduled Caste /Scheduled Tribe borrowers stood at Rs.30.06 Crore and the percentage of recovery to demand as on 31-Mar-2011 was 63.04% (previous year 26.31%) of the amounts fallen due. The Net NPA Ratio as of 31-Mar-2011 is 0.39% as against 1.20% as of 31-Mar-2010.

### Paid up-capital and Capital Adequacy Ratio

The paid-up capital of the Bank stood at Rs. 120.99 Crore as at 31-Mar-2011 as compared to Rs. 119.97 Crore as at 31-Mar-2010.

The Bank has adopted the New Capital Adequacy Framework (Basel II) from 31 March 2009. Under this framework, the Capital Adequacy Ratio (CAR) stood at 12.94% as at 31-Mar-2011 as against the Reserve Bank of India's (RBI) stipulated minimum of 9%. Of this, Tier I Capital was 9.36% and Tier II Capital 3.58% as compared to 10.11% and 4.80% respectively as at 31-Mar-2010.

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.79.66 Crore (previous year Rs. 60.55 Crore) to Statutory Reserve and Rs.7.56 Crore (previous year Rs. 7.02 Crore) to Capital Reserve for the year ended 31 March 2011. Further, Directors also propose to transfer an amount of Rs. 11.00 Crore from Investment Reserve for the year ended 31 March 2011 as against transfer of Rs. 0.87 Crore to Investment Reserve during the previous year.

Taking into account the regulatory restrictions, the Board of Directors recommend the payment of dividend at 30% on the face value of fully paid-up shares increasing from 25% of the previous year. The outflow on account of the proposed dividend, including the dividend tax, would be Rs. 42.19 Crore.

The dividend recommended, on approval would be paid to all those shareholders whose names appear as Beneficial Owners as at the end of 12-Aug-2011 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 12-Aug-2011.

### 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 2010-11, eligible employees were granted 2,08,500 options under ESOS 2007 reaching a cumulative grant of 77,57,476 options.

The shareholders of the Bank approved the Employee Stock Option Scheme 2010 on 01-Jul-2010 with 1,15,00,000 stock options. Under this Scheme, during the financial year 2010-11, eligible employees were granted 36,77,500 options.

The eligible employees were vested with 23,17,403 options under ESOS 2007 and 4,625 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 and new schemes are furnished in Annexure-I to this report.

## DIRECTORS' REPORT

### Capital Raising

The Bank obtained Shareholders' consent through a Special Resolution vide postal ballot on 08-Jun-2011 for raising Tier I equity capital by issuing up to 28,571,428 equity shares of Rs.10/- each, of which, up to 15,314,079 equity shares would be for Qualified Institution Placement (QIP) and up to 13,257,349 equity shares for Preferential Issue to the ING Group, Foreign Promoters subject to the necessary statutory approvals.

In terms of the shareholders' and other regulatory approvals, your Bank completed during June, 2011 infusion of equity capital of Rs. 969.49 Crore comprising private placement of 15,000,014 equity shares to Qualified Institutional Buyers (QIBs) at Rs. 342.09 per share and Preferential Allotment of 10,306,908 equity shares to ING Mauritius Holdings and 29,50,441 equity shares to ING Mauritius Investments I, wholly owned subsidiaries of ING Group at Rs. 344.23 per share.

### 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.

The Bank confirms that the proper systems have been in place to ensure compliance of all laws applicable to the Bank.

### 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 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.

IVFSL has earned a net profit of Rs. 0.28 Crore for the year 2010-11, as against Rs. 0.81 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.

The affairs of the subsidiary company for the year 2010-11 have been reviewed.

### Directors

Mr. Ryan Padgett, who has since completed eight continuous years as a Director of the Bank on 10-Dec-2010, relinquished from the office of Director effective 10-Dec-2010. The Board placed on record its appreciation for the valuable contributions rendered by him during his tenure as Director on the Board.

Mr. Vikram Talwar and Mr. Mark Edwin Newman were appointed as Additional Directors by the Board effective 20-Dec-2010 and 20-Apr-2011 respectively, to hold office till the 80th AGM. Notices as required under Section 257 of the Companies Act, 1956 have been received by the Bank in respect of both the directors for their appointment as Directors of the Bank. Proposals to appoint them as Directors, liable to retire by rotation, are being placed before the shareholders at the ensuing AGM.

### Part-time Chairman

In terms of RBI Letter DBOD No. 20390/08.57.001/2008-09 dated 28-May-2009, Mr. K R Ramamoorthy has relinquished his office as the Part-time Chairman of the Bank effective 07-Jul-2010. Further, in terms of RBI Circular vide DBOD No. BC.24/06.139.001/2002-03 dated 09-Sept-2002, he has also relinquished his position as Independent and Non-executive Director effective 07-Jul-2010. The Board placed on record its appreciation for the invaluable guidance provided, services rendered by Mr. Ramamoorthy during almost 14 years of his association with the Bank.

## DIRECTORS' REPORT

In terms of approval of Reserve Bank of India vide its letter DBOD.APPTS. 2137 /08.57.001/2010-11 dated 04-Aug-2010, Mr. Arun Thiagarajan has been appointed as the Part-time Chairman of the Bank for a period three years effective 09-Aug-2010 on the terms and conditions specified therein. A resolution for payment of remuneration to Mr. Arun Thiagarajan is being included in the Notice convening the 80th Annual General Meeting for approval of the shareholders.

### Retirement of Directors by rotation

Mr. Philippe Damas and Mr. Meleveetil Damodaran are retiring by rotation at the forthcoming AGM and are eligible for re-appointment. Mr. Meleveetil Damodaran has offered himself for re-appointment. A brief resume of Mr. Damodaran is furnished in the Annexure to the Notice convening the ensuing Annual General Meeting.

Mr. Philippe Damas has expressed his desire not to seek re-appointment as a Director. A resolution is proposed to the members in the Notice of the current AGM to this effect and also not to fill up the vacancy caused by the retirement of Mr. Philippe Damas at the meeting or any adjournment thereof.

### 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 first appointed as auditors of the Bank at the 76th Annual General Meeting (AGM) held on 28-Jun-2007 and re-appointed at the successive AGMs thereafter would be retiring at the conclusion of the forthcoming AGM. They have been the Statutory Auditors for four consecutive years, which is the maximum term for Statutory Auditors of banking companies as per the directives issued by the Reserve Bank of India.

As approved by Reserve Bank of India vide its letter No. DBS.ARS.No. 16054/08:27:005/2010-11 dated 18-May-2011, it is proposed to appoint M/s. B S R & Co., Chartered Accountants as Statutory Auditors of the Bank for the financial year 2011-12. Shareholders are requested to approve the appointment of said firm as Statutory Auditors and authorize the Board of Directors to determine the remuneration payable to the said auditors and also to appoint Branch auditors and finalize their remuneration.

### 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-2011 on a going concern basis.

### Acknowledgements

The Board of Directors place on record their gratitude for the guidance and cooperation received from the Reserve Bank of India and other regulatory bodies. The Directors also place on record their appreciation of the encouragement and patronage received from valued customers 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 encouragement, trust and support.

For and on behalf of the Board

Place : Bangalore  
Date : 18-Jul-2011

Arun Thiagarajan  
Chairman

## ANNEXURE - I TO DIRECTORS' REPORT

### Statutory Disclosures as of 31-Mar-2011 regarding ESOS under Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Particulars	ESOS Scheme 2002 (as modified in 2005)	ESOS Scheme 2005		ESOS Scheme 2007	ESOS Scheme 2010
	Tranche 2	Tranche 1	Tranche 2 (Loyalty Options)		
Options Granted - Pre Right Issue 2005	160,490	-	-	-	-
- Post Right Issue 2005	429,524	465,212	525,285	7,757,476	3,677,500
AGM Resolution	29-Sep-01	22-Sep-05	22-Sep-05	11-May-07	1-Jul-10
Options Vested - Pre Right Issue	28,868	-	-	-	-
- Post Right Issue	339,536	296,582	508,100	5,241,199	-
Options Exercised - Pre Right Issue	27,568	-	-	-	-
- Post Right Issue	294,077	257,179	276,475	1,141,726	-
Total number of Shares arising as a result of exercise of Option					
Pre Right Issue	27,568	-	-	-	-
Post Right Issue	294,077	257,179	276,475	1,141,726	-
Options Lapsed					
Pre Right Issue	25,541	-	-	-	-
Post Right Issue	135,447	158,044	35,380	550,750	82,000
Variation of terms of options	NIL	NIL	NIL	NIL	NIL
Money realised by exercise of options (in Rs.)	28,672,507.50	31,603,331.00	51,098,109.50	227,913,195.00	-
Total number of options in force	-	49,989	213,430	6,065,000	3,595,500
Pricing Formula ESOS 2002 & ESOS 2005	Exercise price is equivalent to 75% of the average price of the shares during the past six months in the Stock Exchange where the Stocks are traded in highest number.				
Pricing Formula ESOS 2007 & ESOS 2010	Exercise price is latest available closing price, prior to the date of meeting of the board of directors in which options are granted in the Stock Exchange where the Shares are traded in the highest number.				

#### Employee wise details of grant under all ESOS Schemes to Senior Managerial Personnel

Particulars	2010-2011	2009-10
Mr. Ashok Rao B	40,000	30,000
Mr. Janak Desai	55,000	90,000
Mr. Jan Van Wellen	-	-
Mr. Jayant Mehrotra	50,000	125,000
Mr. Manjunatha M S R	50,000	-
Ms. Meenakshi A	35,000	25,000
Mr. Prasad C V G	25,000	25,000
Mr. Prasad J M	40,000	30,000
Mr. Samir Bimal	37,500	35,000
Mr. Shailendra Bhandari	700,000	-
Mr. Uday Sareen	65,000	62,110
Mr. Appa Rao M V S	-	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 the year.	Nil	Nil
Identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (exclude outstanding warrants and conversions) of the company at the time of grant.	Nil	Nil

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



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### MACRO ECONOMIC AND BANKING INDUSTRY DEVELOPMENTS

Real Gross Domestic Product (GDP) growth for the fourth quarter of 2010-11 was at 7.8% and for the year 2010-11 was placed at 8.5%. The robust growth momentum reflected the continued buoyancy of services sector and further pickup in agricultural performance due to a normal South-West monsoon. Industrial growth, though moderated on account of the base effect, remained on the higher side. The growth momentum seen so far and the lead indications that this performance would be sustained in the near future are reflected in the forward looking surveys conducted by various agencies.

Wholesale Price Index (WPI) inflation is persisting at over 8% and is expected to remain at that level in March-2011. Going forward, factors which may exert further upward pressure on inflation are: (a) higher international commodity prices, especially oil, (b) increase in global food prices (c) return of pricing power to corporates, (d) improving bargaining power of both organised and unorganised labour, with Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) contributing to the wage pressures in the farming and unorganised manufacturing sectors, (e) capacity constraints in several sectors, particularly farm products, (f) continuous upward revision in minimum support prices reflecting rising input costs.

In financial year 2010-11, the government has estimated fiscal deficit (in FY11) to contract to 5.1% against an initial target of 5.5%. Further consolidation towards 4.6% of GDP is budgeted for 2011-12.

The Indian financial markets remained orderly, notwithstanding the impact of global developments and tight liquidity conditions in domestic markets. Call rate firmed up in step with policy rates and tight liquidity conditions. It mostly remained above the upper bound of the Liquidity Adjustment Facility (LAF) corridor during the third quarter of 2010-11. Both commercial paper (CP) and certificate of deposit (CD) markets remained active as alternative sources of finance. The yield curve for Government Securities (G-Sec) shifted, reflecting expectation of policy rate changes in an inflationary environment. The Indian Rupee appreciated moderately against the US dollar and stock prices rose on the back of foreign portfolio inflows. Prices in the housing market in general continued the rising trend during the second half of 2010-11.

### BANKING INDUSTRY DEVELOPMENT

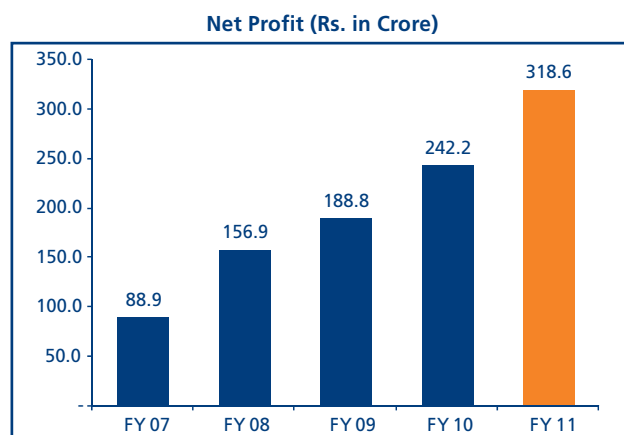
In financial year 2010-11, the repo and the reverse repo rates have been raised by 175 basis points and 225 basis points, respectively in a calibrated manner, as part of the normalization of policy. The increase in Cash Reserve Ratio (CRR) in February and April 2010 contributed to the gradual tightening of liquidity. Liquidity conditions remained tight during the third quarter of 2010-11, warranting liquidity easing measures by the Reserve Bank. The tight liquidity conditions since end -October 2010 were primarily on account of unusually large unspent cash balances of the government.

The divergence between the growth rates of credit and aggregate deposits of Scheduled Commercial Banks (SCBs) widened during the third quarter of 2010-11 (the gap peaked at 9 percentage points in mid- December), emerging thereby as a structural source of pressure on liquidity. While the year-on-year non-food credit growth at 23% upto February was above the indicative projection of 20%, the pace of credit expansion moderated since -December 2010 narrowing the divergence.

### OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE

During the financial year 2010-11, the Bank has reported healthy improvement in its financial, business and other operating parameters.

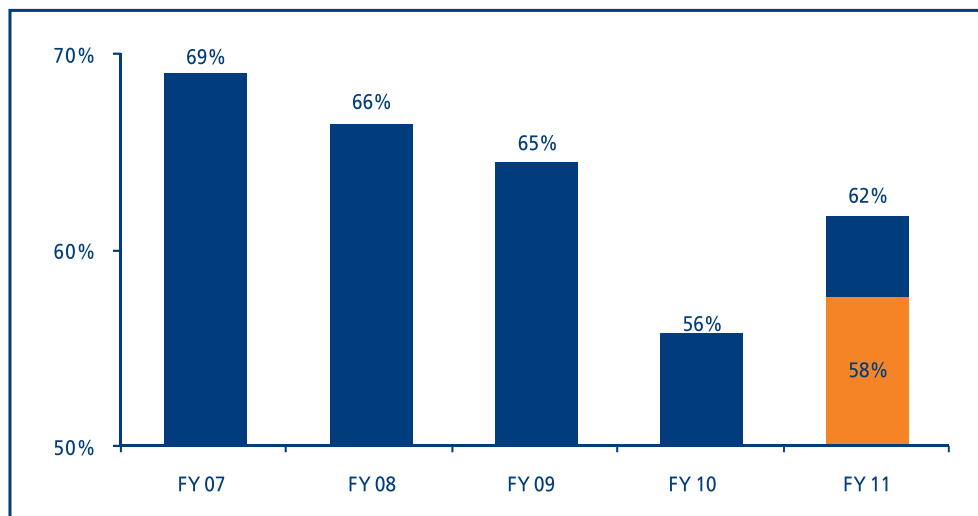
The Bank recorded a net Profit After Tax (PAT) of Rs. 319 Crore for the year 2010-11, an increase of 32% from Rs.242 Crore reported in the previous year.



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

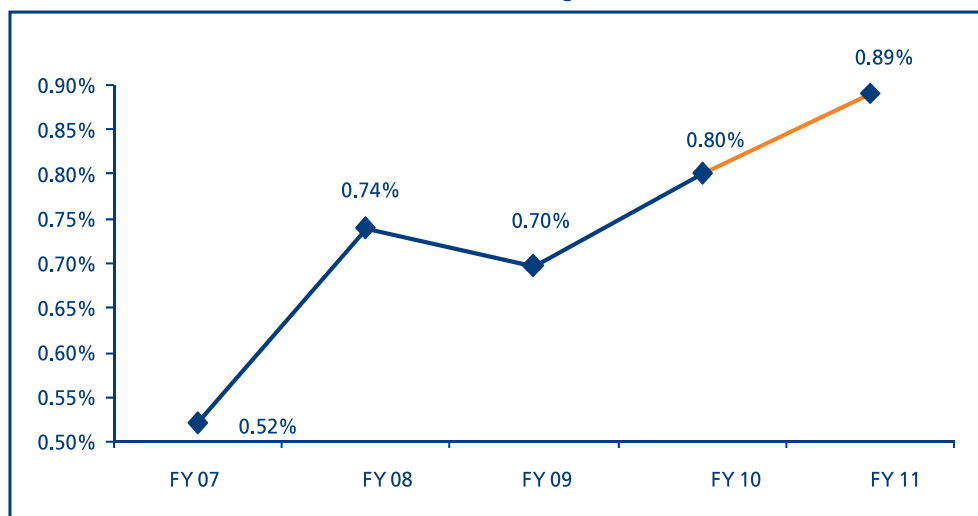
The Net Total Income of the Bank for the year rose by 15% to Rs. 1,662 Crore from Rs. 1,450 Crore reported during the previous year. During this period, the Net Interest Income (NII) grew by 21% to Rs. 1,007 Crore from Rs. 830 Crore reported in the previous year. Fee and Other Income increased by 6% to Rs. 655 Crore from Rs. 620 Crore. Operating expenses increased by 27% to Rs. 1,026 Crore from Rs. 808 Crore in the previous year. The Cost to Income Ratio has increased from 56% to 62%. Adjusting for the one-time additional charge of Rs. 68 Crore towards the second pension option and enhancement in gratuity limits, the Cost to Income Ratio has increased from 56% to 58%.

**Cost to Income Ratio**



Return on Average assets increased to 0.89% from 0.80% reported in the previous year.

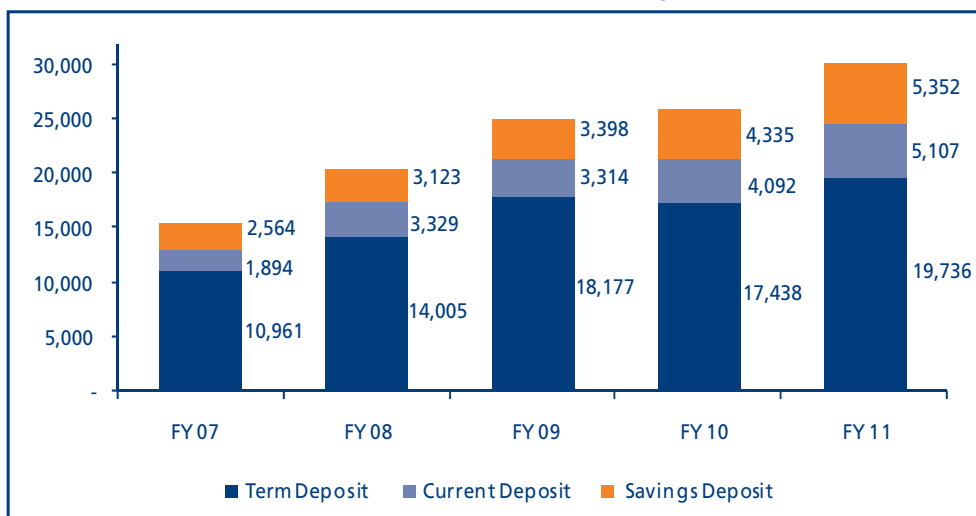
**Return on Average Assets**



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

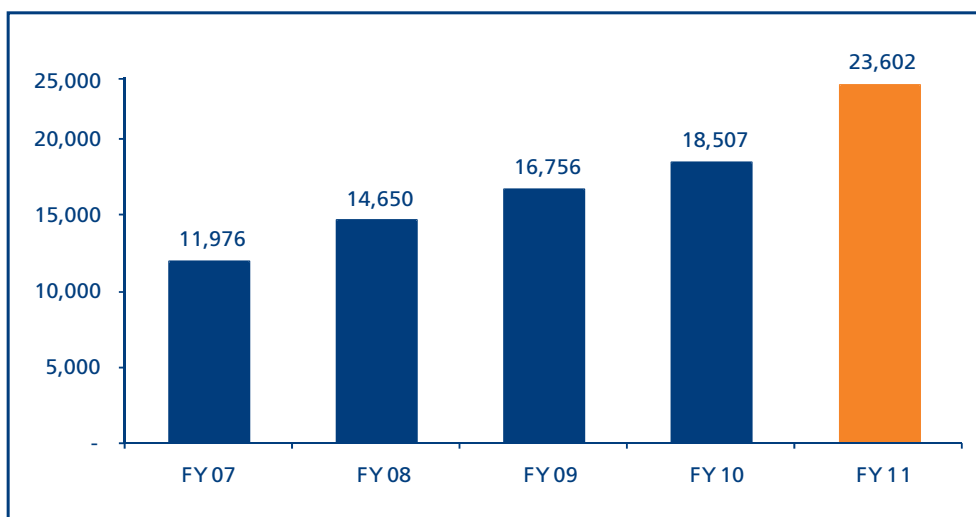
Total deposits of the Bank aggregated to Rs. 30,194 Crore, an increase of 17% over the previous year. The Bank focused on improving the mix of low cost deposits during the year. The Current and Savings Account (CASA) deposits increased by 24% from Rs.8,427 Crore at March 2010 to Rs.10,459 Crore at March 2011. Consequently, CASA deposits as a proportion of total deposits increased to 35% against 33% in the previous year.

**Deposits Growth with breakup of Current, Savings and Term Deposit**



Total assets increased by 15% to Rs. 39,014 Crore from Rs. 33,880 Crore at March 2010. Net Advances increased by 28% to Rs.23,602 Crore from Rs. 18,507 Crore at March 2010.

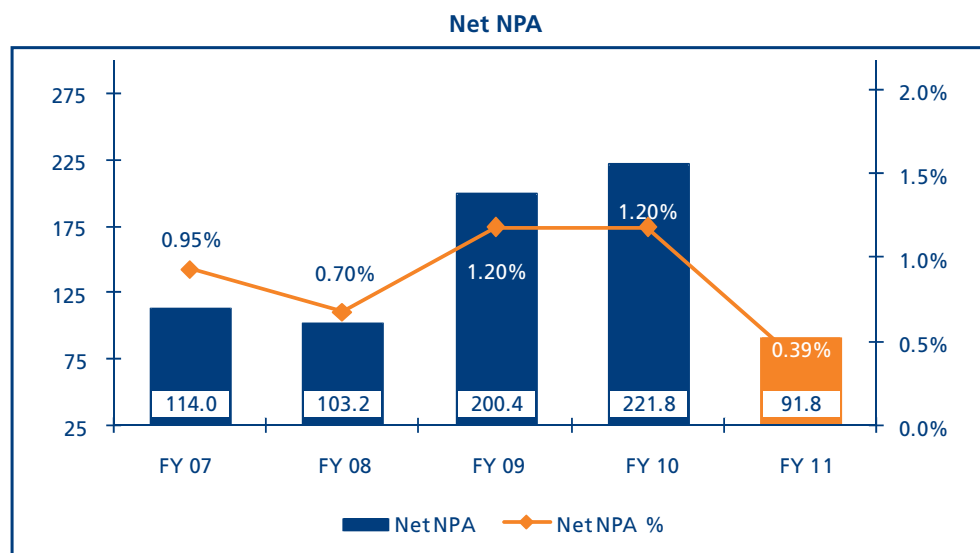
**Net Advances**



Retail Bank advances (including SME) contributed to 58% of the advances. Net Priority Sector Advances stood at Rs.8,045 Crore as of 31-Mar-2011 and constituted 43.5% of adjusted Net Bank Credit as against the target of 40% stipulated by the RBI.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The net NPA of the Bank as at March 2011 stood at Rs. 92 Crore, which was 0.39% of Net Advances as against 1.20% of the previous year.



### INTERNAL CONTROL SYSTEMS

The internal control system of the Bank is reinforced through three layers of defence i.e. Business Units, Risk Management (credit, operational, market risk) & Compliance 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 underlying risks identified & managed effectively. The internal control of the Bank is aligned with the overall organizational structure. Apart from basic operational controls at 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 periodic 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. 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 2010-11 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.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### BRANCH BANKING

During the year 2010-11, the Bank opened 29 new branches across India, taking the number of branches and extension counters (excluding RCCs and ARMBs) from 481 to 510. The ATM Network touched 400, with the opening of 43 ATMs. In the process, the Bank entered eight new centers namely; Patiala in Punjab, Jammu in J&K, Bodakdev and Jamnagar in Gujarat, Aligarh & Mathura in Uttar Pradesh, Barbil in Orissa and Bhilainagar in Chattisgarh, giving the bank a larger national foot print.

In terms of the mix of the branches, the network is fairly spread across all the population groups with Metro - 31%, Urban - 34%, Semi Urban - 18% and Rural - 17%.

The Bank launched new products and services in 2010-11 with the aim of expanding the product suite and catering to the needs of the consumer. 'ING Fortuna Trade' the online trading platform for the Bank's customers made trading in stocks and shares easier. The Bank 'ING Zwipe Savings Account' aimed at the young urban consumer. The product offers round-the-year discounts across hundreds of brands and merchant outlets. For the conventional customer ING Active Deposit was launched to provide interest rate of a term deposit with flexibility of Savings Account. As and when the depositor needs funds, he can withdraw part of the deposit or in full through a cheque, ATM or mobile or internet banking. In order to address the growing minor account segment, 'ING Zing Savings Account' for children was launched. ING Zing is designed by kids and for kids – everything from product features, discount offers, user guide and to the look of the Debit Card was selected and approved by a set of kids in the age group of 7-13. The product provides an ideal mix of the independence that kids today desire and instill the financial responsibility in them, in a fun way.

The Bank continued to focus on deepening existing relationships with cross-selling financial products. Wealth Management products were a key focus across the network, the Bank had invested in technology and people to achieve this objective. Customers were offered products across mutual funds, life insurance, general insurance and other investment related products through the financial planning module. The Bank also continued to focus on increasing the usage of Internet Banking. Online Shopping was introduced, enabling purchase of tickets for travel and movie and other products and services across more than 5,000 websites. The Internet Banking channel was made safer by introducing SMS based One Time Activation Code (OTAC) for fund transfers and online shopping. The annual spend through Debit Cards by the customers for shopping increased by 44% in the current year. This was a result of sustained customer education and promotional offers.

A global initiative by ING, the Net Promoter Score (NPS) programme was launched during the year in India. NPS is a powerful customer advocacy tool that allows customer to instantly rate the quality of service and give feedback to the Bank on how to further improve it. This information is used to enhance our products and service and as a result enhance customer loyalty.

The Bank continued to invest in above the line advertising with the 'Be Good at Money' campaign at all leading airports, TV and online advertising, this resulted on improved awareness of the brand. Micro-marketing is a key focus area with more than 1,200 events across the country.

'www.kidzzbank.com' aimed at children is a virtual bank, which helps kids learn about finance and banking through interactive games and quizzes. Kids can create their own login, earn points by winning games, redeem their points for fun rewards and post updates to their facebook account. The Bank's website was also launched in Hindi, Kannada and Telugu.

### BUSINESS BANKING (SME)

The importance of SME sector is well known and regarded as the backbone of any economy. India has a vibrant SME sector that plays an important role in sustaining economic growth, increasing trade, generating employment and creating new entrepreneurship in India. The Bank has traditionally focused on Micro, Small and Medium Enterprise business, partnering with their growth through decades. The Business Banking segment serves the needs of business enterprises with annual sales turnover of up to 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 also contributed significantly towards priority sector advances of the Bank. The clear focus, strategy, underwriting capability backed with a strong relationship and acquisitions team, has helped ensure strong growth in this segment. The SME portfolio grew by 45% and fees grew by 30% during the year.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### CONSUMER LOANS

Consumer Assets include Home Loans, Home Equity Loans, Loan against Commercial Property, Loans for Commercial Vehicles & Construction Equipment, Personal Loans and Auto Loans. Home Loan constitutes a large part of the Banks consumer loan portfolio, with a substantial base of salaried customers. Home Equity and Loan against Commercial Property is targeted towards self employed customer segment and have witnessed the fastest growth. The Bank is also increasing focus on Personal Loans, primarily targeted at salaried customer segment. The Bank also increased focus towards higher yield segments in Commercial Vehicle Loans.

The Bank's focus area of growth for the coming year will continue to be Home Equity Loans, Loan against Commercial Property and Personal Loans.

### AGRICULTURAL AND RURAL BANKING (ARB)

The Bank has a network of 85 rural branches mostly spread in AP, Karnataka and Tamil Nadu. The Bank has a wide range of products like Kisan Credit Card, Produce Loans and Gold loans. Working Capital and Agriculture Term Loans for Poultry, Dairy etc. are also being offered to cater diverse needs of the farming community. The Bank has accelerated retail agricultural lending at a few places in North India, has plans to expand further in Central and West especially in Rajasthan, Uttarakhand, Maharashtra, Gujarat and Madhya Pradesh.

Under the Financial Inclusion (FI) Programme, bank has been allocated with 296 villages. Bank has opened 90,000 'No Frill' savings bank accounts so far. With two service providers / Business correspondents, Bank has issued over one lakh smart cards, (enrolled more than 1.30 lakh beneficiaries) 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.

### PRIVATE BANKING

In its aim to become an advising private banking 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. In an environment which saw increased volatility due to global and local economic factors, the Private Banking business continue to grow in a profitable manner. All core business parameters – Assets Under Management (AUM), revenues and contribution showed healthy increase year-on-year. New client additions doubled over the additions in the previous year. Differentiated product initiatives were introduced during the year which were well received by the clients. People continue to be an area of focus and the team was enhanced as well as a number of skill enhancement initiatives were undertaken during the year in order to deliver a bespoke service proposition to clients.

### 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 grown by 28% during the year, with emphasis on asset quality and tighter credit controls.

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

In order to give increased focus to servicing our multinational clients who are investing in India, WSB has decided to create a separate International Clients (IC) group, within C&IB, with effect from April 2011. The IC group currently services over 125 clients. With this, the Bank hopes to bring seamless servicing capability, thus helping its global clients in their business in India.

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 year C&IB portfolio grew by 28%.

### 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) and Corporate Finance (CF) were the new products launched during the last financial year. Whilst the DCM initiatives have seen reasonable traction in the market and resultant deals flow, the CF stream is yet to stabilize. The Bank expects a considerable revenue accretion in the DCM space during FY 12, on the back of a few successes during FY11.

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 47 new lending relationships across different sectors. During the year, EC portfolio grew by 21%.

### 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 ended Mar 2011 continued to see heightened volatility across markets. The domestic markets saw steadily tighter monetary policies and liquidity conditions, resulting in a higher and more volatile rate environment. The Bank exploited market opportunities as and when they were available and continued its focus on franchise driven flows. The Bank made deeper inroads into client segments along with expanding its offerings to new customers and counterparties. The Financial Markets unit, in line with the strategy of the Bank, further integrated its offerings with the other products and relationships of other units so as to make it more comprehensive client solutions.

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 continued to be an active player in the chosen asset classes. The unit has not only been an active market maker internally and externally but has also demonstrated agility and consistency in exploiting trading opportunities in volatile markets.

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

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

In a year which saw large swings in liquidity conditions and volatility in rates, the Asset & Liability Management (ALM) Desk played a pivotal role in managing the balance sheet, both on liquidity and interest rate risks. The ALM unit has been proactive in its approach and has provided valuable feedback to Asset Liability Committee (ALCO) for timely decisions.

A large effort was undertaken this year to streamline processes and derive more benefits from the enhancements made to systems in the recent years. The successful completion of this exercise has bolstered the platforms of the bank for greater efficiencies as well as for future growth.

### RISK MANAGEMENT AND PORTFOLIO QUALITY

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

#### 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 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 Clients, 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 at least 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 'Client 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. Portfolio quality of Consumer Assets is reviewed monthly and appropriate corrective action 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 become fully compliant with Basel II norms.

Though the Indian economy performed reasonably well, some corporates still felt the impact of the lackluster global economy. While exporters continued to face issues in importing countries, domestic businesses experienced issues due to e.g. the volatility and increases in raw material cost, elongated payment cycles and FX fluctuations, leading to cash-flow and debt servicing stresses. The Bank continued to provide support to viable businesses by participation in restructuring plans agreed under the Corporate Debt Restructuring (CDR) Scheme. In other cases, steps had to be taken to contain exposures, improve recoveries or obtain additional collaterals.



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

One particular segment where clients are facing serious issues is in Micro Finance. Following the promulgation of the MFI Ordinance by the State Government of Andhra Pradesh, collections by the MFIs have fallen drastically, leading several MFIs to seek a restructuring of their borrowings through CDR.

The Bank is confident that the robust risk management practices put in place will enable the Bank to manage issues arising out of such events.

### 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, MRM provides inputs for calculating the Bank's Base Rate, in line with the relevant circular guidelines from RBI and ALCO sets the ING Vysya Base Rate (IVBR), ING Vysya Reference Rate (IVRR) and spreads for various products, based on the Bank's strategy.

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, monitoring and reporting 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 regulator'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 regular basis. The Operational Risk Management Policy is approved by the Risk Management and Review Committee (RMRC). This Committee reviews the ORM Policy regularly. The Country Operational Risk Committee (ORC) and Business Line Operational Risk Committees meet on a periodic basis to discuss and take decisions on operational risk issues pertaining to their specific domains.

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.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

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) is the technology organization that manages the Bank's IT needs. ITSMG is responsible for all aspects of technology, from conceptualizing technology strategy in harmony with business strategy, to running day to day operations at the workplace and data centers. The group is playing an increasingly active role in not just running efficient operations, but in assisting business in winning at the marketplace. Overall, ITSMG's technology initiatives are aimed at enhancing value, offering improved convenience and service to customers while optimizing costs. Indeed, the declared Mission Statement for ITSMG is "To be a strategic business partner based on service excellence through technical leadership in a secure and cost effective manner."

The Bank has a technology blue print aligned to the business strategy. The IT strategy has supported business initiatives by continuously updating our technology and process platforms. Our IT infrastructure is built on a robust architecture which links our network of branches, marketing offices and ATMs. The Bank also has a Disaster Recovery (DR) System located in Hyderabad which replicates all data on a real time basis for most critical applications & the same is validated and evidenced to the regulator through periodic DR drills.

While the Bank has a wide range of customer access channels viz; Branch, ATM, Call centre, Internet Banking and Mobile Banking, a key differentiator is in that ING Vysya Bank is one of the few banks in the country who can offer the capability of dedicated Host-to-Host integration to the ERP systems of our Corporate and Business banking customers. This is backed by our enhancements made to our payments infrastructure such that the Bank offer the fastest domestic electronic payments channels in the country. The Bank has also invested in Risk management and anti-fraud systems to protect the interests of our valued customers.

Over the last couple of years, the focus of technology has shifted to supporting business through specific initiatives in the areas of virtualization and service oriented architecture. ING Vysya Bank is one of the few banks who have implemented key production systems in a virtualized environment. Large scale adoption of service oriented architecture through the implementation of Enterprise service bus has resulted in extensive reuse leading to quicker time to market.

All these innovative initiatives have gained external recognition in the form of awards from reputed forums; the prestigious CIO 100 award for 2009-10 and CIO special mention for innovation.

### OPERATIONS

Operations continued its focus on cost quality, time and flexibility towards meeting its customer obligations in a compliant and cost efficient manner. With stability in turn around times, regulatory reporting etc., operations focused on making processes effective and customer friendly. A retail liabilities unit was set-up in Mumbai which enabled us further improvement in customer turn around times. During the year, the Bank has implemented digitized archival solutions for our consumer assets and retail liabilities resulting in improved customer services in those areas. Dashboards to give an overview to business were developed earlier and have evolved over the year to reach standards such that business, risk and operations use them effectively to effect corrective / preventive action where required. Changes in the regulatory environment for the wealth management business necessitated quick and large scale changes in the area of operations which were done with zero impact on customers and business. Foreign Exchange Services were launched during the year in select branches and is an area of focus. The Bank's cash management services which is ISO certified underwent a re-certification process during the year and the Bank is in the process of getting our Treasury back office services ISO certified. To improve capabilities of our human capital, an identified group within operations underwent training in six sigma methodologies. The fundamental shift in identifying projects, was one towards customer orientation rather than process improvement. One of the projects nearing completion is a project for early realization of outstation cheques for collection – today 90 - 95% of the outstation cheques deposited by our customers are credited to their accounts within 5 days where cheques are drawn on our bank locations and within RBI stipulated timelines for the rest of the locations. Operations continues to strive towards all round excellence in a responsive manner.

### INTERNAL AUDIT

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.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

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. The annual audit plan of the Bank is based on the Risk Assessment of the various auditable entities identified within the Bank. Keeping in view the increased level of automation and centralization of certain processes, separate business processes audits of support functions are performed. Audits are segregated into branch audits, business process audits, credit audits / inspection, Information System audits, Management Audit of controlling offices, etc with dedicated teams with the required skill sets. In addition, key functions such as Financial Markets, Retail Deposits and Investment Operations, Centralized Trade Finance Operations, Centralized Back Office Operations of Private Banking, amongst others, are covered under concurrent audit to strengthen the verification of controls. The audit programmes or Risk Control Matrix used for audits includes verification of Regulatory compliance at the units subjected to audits. Audit tools are used for analyzing available centralized data and to provide input/samples for the field auditors.

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

### COMPLIANCE

This year the primary focus of the Bank was to deepen the compliance framework in the organization that has been established and bring in efficiency in processes to enhance the Bank's transaction monitoring capability. A new Anti Fraud & Anti Money Laundering tool was successfully implemented. Special emphasis was placed on increasing the skill level of the Compliance department through, both structured and unstructured training courses. In addition as an ongoing process to embed the Compliance culture throughout the Bank, Compliance Risk awareness was created through e-learning modules for specified target groups.

### HUMAN CAPITAL MANAGEMENT

During the year, there was an improvement in the Bank's response rate and the overall engagement scores in the Employee Engagement Survey. The scores on all the sub-parameters viz., Shared direction, Performance execution, & Human Capital have also increased substantially as compared to the previous year.

A new Employer Branding initiative called "Scaling Heights – The ING Way" has been launched. This initiative aims at providing a unique on-boarding experience and is focused on our key message, which is 'Value Based Growth'. Every touch point with prospective employees, right from sourcing to on-boarding, reinforces this message.

The Talent engagement initiative has been stepped up this year. Post review of the talent list, a letter signed by the Managing Director, recognizing each individual was given to all the Talents. In addition, we have outlined the IDPs of all talents and have drawn a Talent Management calendar for implementation across the organization.

A structured succession plan has been implemented with identification of planned/crisis successors for each line of business and support functions, covering all critical and one down roles to the Senior Leadership Team.

A set of top 100 managers across the Bank got together to decide the direction towards achieving the aspiration of "being one of the top five private banks".

The Bank continues to make a substantive investment in training and development. Sales, service and compliance training continued to be the focus areas for the year. A Training Dash Board for all standard roles in Retail and Operations has been implemented, and all mandatory training programs are tracked.

Sales integrity is placed high on the table and in line with it; a project titled Customer Suitability has been launched across ING. The initiative is rolled out in the form of two sub programs called "Promoting Integrity Program" (PIP) and "The 5 golden rules" for selling. A program titled Master Class has been initiated for all newly joined branch heads and branch operations head to align them to the varied policies and procedures of ING Vysya Bank. Additionally, Development Tracks, aimed at skill building for employees who aspire to take on higher responsibilities was reinforced with additional programs this year. 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 5000 employees have undergone training on various modules through a total of 240 programs.

### 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 grow low cost deposits.
- Increasing cross sell by deepening of existing relationships.
- Continuing to expand the distribution.
- 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.
- Credit environment in the economy and increase in Non Performing Assets (NPAs).
- Impact of Global events on the Indian economy.

### OUTLOOK

The Bank expects GDP growth for the year 2011-12 to be around 8% with WPI inflation expected to moderate to 7% y-o-y. The Bank expects the sector to grow advances by around 20% in 2011-12 and deposits around 18%. The Indian Banking industry has performed well during the last financial year. However, concerns on inflation remains and could impact growth in next fiscal.

## NON FINANCIAL REPORTING

### CORPORATE SOCIAL AND ENVIRONMENTAL PERFORMANCE REPORT

Your Directors are pleased to present the Report for the year 2010-11 dealing with Corporate Social and Environmental Performance.

#### 1.0 CORPORATE SOCIAL RESPONSIBILITY (CSR) PERFORMANCE

##### 1.1 Drusti Dhanush School Children Eye Screening

During the year, the Bank has donated an amount of Rs.12,00,000/- to B.W.Lions Superspeciality Eye Hospital (BWLSEH), a Unit of Lions Club of Bangalore West Trust towards annual maintenance of a Mobile Vehicle. As part of its fight against blindness and to provide quality ophthalmological services to the poorest of the poor, the Hospital will deploy this Mobile Vehicle for Screening of school children's eyes at their doorsteps in rural areas and urban slums under its Program called "Drusti Dhanush School Children Eye Screening".

##### 1.2 ING Vysya Foundation

ING Vysya Foundation (IVF) was incorporated in October 2004 to promote Corporate Social Responsibility of ING Group entities in India. The Bank is a 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" program (CFC) of ING Group.

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

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

We have continued our partnership with 11 NGOs to achieve our goal:

S. No.	Name of the NGO Partner	Location	Program
1	Akshara Foundation	Bangalore	Community Library program
2	Akshara Foundation	Bangalore	Pre-school program
3	Sukrupa	Bangalore	Residential program for children with single parents/orphans
4	Makkala Jagriti	Bangalore	Community Learning centre for children living in slums
5	Christel House	Bangalore	Formal school for children living in slums
6	Samarthanam Trust	Bangalore	Higher education for visually impaired youth
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

In the year 2010 – 2011, ING Vysya Foundation has implemented several new initiatives. One such program was to provide financial education to children from low-income groups. This initiative aims at providing financial education to children from class V onwards in the school/NGO that ING Vysya Foundation supports and to facilitate a process by which under-served children and their parents have access to basic financial products and services. The Foundation, in collaboration with the Global Corporate Responsibility Team of ING has supported a unique program titled "Learning on wheels". This program is being implemented in Mehbodabad, Lucknow by IIMPACT, a partner organization of ING Vysya Foundation. This unique project was started in August 2010 with the sole aim of bringing science education and knowledge of environment friendly behaviours at the doorstep of children. This initiative is primarily focused on out-of-school girls, studying in IIMPACT learning centers and community at large. The objective of this program is to simplify scientific concepts for children and make them understand the complex theoretical scientific concepts of their textbooks in a fun manner through models, games, activities and hands on experiments. The project is operated through a mobile van, fitted with physical models, games, learning materials, activity materials and equipment for conducting experiments. There are specialist instructors who travel with the van to villages and conduct interactive sessions with children and community members. After every session, children are asked to conduct experiments and to undertake small projects to decipher the mysteries of science. The project as of now covers about 90 villages with over 3000 beneficiary girls, in the age group of 8-17.

**Volunteer program:** IVF provides opportunities to employees who want 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 and around 1700 employees volunteered 5100 hours (average 3 hours per volunteer) in various volunteer initiatives, including CFC

## NON FINANCIAL REPORTING

*day involvement throughout the year.* In India, 'ING Global Challenge – Chances for Children' has seen involvement of 1,100 employees from the Bank, along with 1,200 children in 38 locations across India. Musical shows, painting competitions, fun picnic, cricket matches, visit to various historical sites and many more events were conducted all over India.

**Annual Fund raising Campaign – "I believe I can Fly - 2010":** IVF launched an annual fund raising campaign during the month of November 2010. The employees of the Bank actively participated in the campaign and helped in raising around Rs.38 Lakh towards this cause. The amounts so collected will contribute to educate children under the care of existing partners.

### 2.0 Sustainable Development

The Bank has taken the following initiatives towards the Sustainable Development:

- 2.1.1 The Bank runs a kids portal to educate children on nature, environment and saving of money. On entering the portal viz. [www.kidzzbank.com](http://www.kidzzbank.com), children are taken on a voyage of discovery, hand held by the portal pal "NEO".
- 2.1.2 The Bank and its employees participated in the global movement called "Earth Hour" to show solidarity against climate change. In Bangalore, ING Vysya Bank, like in previous year, participated in spreading 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 '60' Earth Hour' program by switching off lights for an hour, from 8.30 pm to 9.30 pm on 26-Mar-2011.
- 2.1.3. 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 3-year plan for Financial Inclusion with the objective to ensure that all the villages having a population of above 2,000 are financially included and have access to basic banking products and services.

### 3.0 ENVIRONMENTAL PERFORMANCE

#### 3.1. Policies

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

- I) General Environmental and Social Risk (G-ESR) policy;
- II) Equator Principles (EP) policy; and
- 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

The Bank has also adopted the Equator Principles (EP). 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 are 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.

#### 3.2 Environmental and Social Performance

Every year the Bank submits the Annual Environmental and Social Performance Report to International Finance Corporation (IFC), as a confirmation of the Bank's compliance with the Environmental Management System and its Project Environmental and Social Compliance.

#### 3.3 General ESR Framework

In its G-ESR Policy, the Bank has specified rigorous standards for providing finance and services to several segments to ensure adherence to our strict social responsibility principles. These include:

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

#### 3.4 Specific ESR Principles

The S-ESR Policy reflects the Bank's concern on segments like Forestry & Plantations, Natural Resources & Chemicals. Proposals are reviewed based on Risk Filters and evaluated through questionnaires, to avoid funding of projects in Protected areas, avoid sectors that are vulnerable to Labour and Human Rights violations or adversely impact the environment, and the like.

## 1. CORPORATE GOVERNANCE

### 1.1 Bank's Philosophy

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

### 1.2 Mission of the Bank

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

### 1.3 Vision of the Bank

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

## 2. BOARD OF DIRECTORS

### 2.1 Composition

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

Mr. Arun Thiagarajan, Non-Executive and Independent Director is the Chairman of the Bank. As of 31-Mar-2011, the Board has 11 Directors out of which, four are Independent Directors, in compliance with the requirements under Clause 49 of the Listing Agreement.

Ten out of eleven Directors as against the requirement of six possess the prescribed special knowledge or practical experience and meet the conditionalities of Section 10A(2) of the Banking Regulation Act, 1949. Out of these ten, three Directors as against the requirement 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-2011 is given below:

NAME OF THE DIRECTOR (Mr.)	DESIGNATION	CATEGORY	AREA OF EXPERTISE
Arun Thiagarajan	Chairman	Non-Executive, Independent and compliant with Sec 10A(2)	Strategic Planning, Technology & Systems, Economics and Finance
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, Strategic Planning, Credit Recovery
Lars Kramer	Director	Non-Executive, Non-Independent # and compliant with Sec 10A(2)	Accountancy, Banking, Economics, Finance and Strategic Planning
Philippe Damas	Director	Non-Executive, Non- Independent# and compliant with Sec 10A(2)	Banking (especially Retail & Wealth Management). Human Resource Development, Strategic Planning, Finance
Richard Cox	Director	Non- Executive, Non- Independent# and compliant with Sec 10A(2)	Banking and Risk Management
Vikram Talwar	Director	Non-Executive, Independent and compliant with Sec 10A(2)	Banking and Technology & Systems
Peter Staal	Director	Non- Executive, Non- Independent# and compliant with Sec 10A(2)	Banking, Finance, Economics, Risk Management, Strategic Planning, Treasury Operations, Credit Recovery and Agriculture & Rural Economy
Meleveetil Damodaran	Director	Non- Executive, Non- Independent# and compliant with Sec 10A(2)	Banking, Economics, Finance, Law and Agriculture & Rural Economy
Santosh Ramesh Desai	Director	Non-Executive and Independent	Marketing, Branding and Strategic Planning

# 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.

Resignation/ Cessation:	
Name (Mr.)	Date of Cessation/Retirement
K R Ramamoorthy	In terms of RBI Letter DBOD No. 20390/08.57.001/2008-09 dated 28-May-2009, Mr. K R Ramamoorthy has relinquished his office as the Part-time Chairman of the Bank effective 07-Jul-2010. Further, in terms of RBI Circular vide DBOD No. BC.24/06.139.001/2002-03 dated 09-Sept-2002, he has also relinquished his position as Non-Executive Director effective 07-Jul-2010.
Ryan Andrew Padgett	Upon completion of eight continuous years as a Director of the Bank on 10-Dec-2010, Mr. Ryan Andrew Padgett relinquished his office as Director effective 10-Dec-2010

### Appointments

Name (Mr.)	Date of Appointment
Lars Kramer	Appointed by the Board of Directors effective 28-Apr-2010, in the casual vacancy arising out of resignation of Mr Wilfred Nagel who was appointed at the AGM on 04-Sep-2009 as Director liable to retire by rotation.
Vikram Talwar	Appointed by the Board of Directors as an Additional Director effective 20-Dec-2010. He will hold the office up to the date of 80 <sup>th</sup> AGM.

Part-time Chairman	
Arun Thiagarajan	In terms of approval of Reserve Bank of India vide its letter DBOD.APPTS. 2137 /08.57.001/2010-11 dated 04-Aug-2010, Mr. Arun Thiagarajan has been appointed as the Part-time Chairman of the Bank for a period three years effective 09-Aug-2010 on the terms and conditions mentioned in the said letter. A resolution for payment of remuneration to Mr. Arun Thiagarajan is being included in the Notice convening the 80th Annual General Meeting for approval of the shareholders.

### 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 80<sup>th</sup> Annual General Meeting (AGM)

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

Mr. Philippe Damas and Mr. Meleveetil Damodaran are retiring by rotation at the forthcoming AGM and are eligible for re-appointment. Mr. Meleveetil Damodaran has offered himself for re-appointment. Mr. Philippe Damas has expressed his desire not to seek re-appointment as a Director. A resolution is proposed to the members in the Notice of the current AGM to this effect and also not to fill up the vacancy caused by the retirement of Mr. Philippe Damas at the meeting or any adjournment thereof.



**Director seeking appointment:**

Mr. Vikram Talwar, appointed by the Board as an Additional Director effective 20-Dec-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. Vikram Talwar as a Director of the Bank. A proposal to appoint Mr. Vikram Talwar 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 enclosed to 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](http://www.ingvysyabank.com).

**2.3 Board Meetings**

During the year, six 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: 29-Apr-2010, 01-July-2010, 22-Jul-2010, 18-Oct-2010, 19-Oct-2010 and 18-Jan-2011.

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

Name of the Director (Mr.)	No. of Board meetings held during 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
<b>Persons who have been Directors throughout the year 2010-11</b>							
Arun Thiagarajan	6	6	0	Present	9	6	-
Shailendra Bhandari	6	6	0	Present	-	-	-
Vaughn Nigel Richtor	6	6	0	Present	-	-	-
Aditya Krishna	6	6	0	Present	3	-	-
Philippe Damas	6	6	0	Present	-	-	-
Richard Cox	6	5	0	Present	-	-	-
Lars Kramer	6	4	0	Present	-	-	-
Santosh Ramesh Desai	6	6	0	Present	2	-	-
Meleveetil Damodaran	6	6	0	Present	6	4	1
Peter Staal	6	5	0	Present	-	-	-
Vikram Talwar	1	0	0	Present	1	-	-
<b>Persons who ceased to be Directors during the year 2010-11</b>							
K R Ramamoorthy	2	2	0	-	1	-	-
Ryan Andrew Padgett	5	4	0	-	-	-	-

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 conflict with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.
- To focus on the objective of unqualified financial statements.

##### Composition and Meetings

ACB consists of five members, out of which, three are Independent Directors. Mr. Arun Thiagarajan was the Chairman of the Committee up to 08-Aug-2010. Mr. Aditya Krishna, Non Executive & Independent Director was appointed as the Chairman of the Committee effective 18-Jan-2011. The Corporate Secretary of the Bank acts as Secretary to the Committee in terms of Clause 49 of the Listing Agreement. During the year 2010-11, the Committee met six times. The dates of the meetings held were: 29-Apr-2010, 22-July-2010, 18-Oct-2010, 19-Oct-2010, 18-Jan-2011 and 17-Mar-2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video conference
Aditya Krishna, Chairman (effective 18-Jan-2011)	6	6	0
Arun Thiagarajan	6	6	0
Philippe Damas	6	5	1
Lars Kramer	5	4	0
Vikram Talwar (effective 20-Dec-2010)	2	0	1
Richard Cox (Up to 28-Apr-2010)	1	0	0
K R Ramamoorthy (Relinquished as Part Time Chairman and Non Executive Independent Director effective 07-Jul-2010)	1	1	0
Santosh Ramesh Desai (from 20-Sep-2010 to 20-Dec-2010)	2	2	0

### 3.2 Risk Management and Review Committee (RMRC)

#### Scope and Terms of Reference

- To review and approve the Bank's overall risk appetite and set limits for individual types of risk, including credit, market and operational risk.
- To approve material changes to the overall risk appetite and monitor the Bank's risk profile, including risk trends and concentration.
- To ensure that the principal risks facing the Bank have been identified and are appropriately managed.
- To assess existing and potential risks for the Bank.
- To ensure effective management of the above risks.
- To review constantly and realign changes to credit, market and operational risk policy.
- To monitor and approve credit portfolio and trading limits.
- To ensure minimal risks arising from portfolio concentration.
- 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. Vaughn Nigel Richtor was appointed as the Chairman of the Committee effective 22-Jul-2010. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2010-11, the Committee met four times. The dates of the meetings held were: 29-Apr-2010, 22-Jul-2010, 18-Oct-2010 and 18-Jan-2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele / Video Conference
Vaughn Nigel Richtor, Chairman ( <i>effective 22-Jul-2010</i> )	4	4	-
Arun Thiagarajan	4	4	-
Peter Henri Maria Staal ( <i>effective 22-Jul-2010</i> )	3	3	-
Shailendra Bhandari	4	4	-
Lars Kramer ( <i>effective 22-Jul-2010</i> )	3	0	-
Richard Cox	4	3	-
K R Ramamoorthy ( <i>Relinquished as Part Time Chairman and Non Executive Independent Director effective 07-Jul-2010</i> )	1	1	-
Ryan Padgett ( <i>Relinquished as Director effective 10-Dec-2010</i> )	3	2	-

### 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.
- 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 2010-11, the Committee met five times. The dates of the meetings held were: 29-Apr-2010, 01-July-2010, 22-July-2010, 18-Oct-2010 and 06-Dec-2010.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video Conference
Philippe Damas, Chairman	5	4	1
Santosh Ramesh Desai ( <i>effective 18-Jan-2011</i> )	0	0	-
Arun Thiagarajan	5	5	-
Aditya Krishna	5	4	-
Vaughn Nigel Richtor	5	5	-
K R Ramamoorthy ( <i>Relinquished as Part Time Chairman and Non Executive Independent Director effective 07-Jul-2010</i> )	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 136 complaints from the shareholders all of which stand resolved. As on 31-Mar-2011, 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

## CORPORATE GOVERNANCE REPORT

Committee. During the year 2010-11, the Committee met two times. The dates of the meetings held were: 22-Jul-2010 and 18-Jan-2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video Conference
Arun Thiagarajan, Chairman	2	2	-
Santosh Ramesh Desai	2	2	-
Shailendra Bhandari	2	2	-
Aditya Krishna	2	2	-
Peter Henri Maria Staal (effective 22-Jul-2010)	2	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. 1 Crore and above (RBI 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 four members. Mr. Shailendra Bhandari is the Chairman of the Committee and the Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2010-11, the Committee met two times. The dates of the meetings held were: 22-Jul-2010 and 18-Jan-2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video Conference
Shailendra Bhandari, Chairman	2	2	-
Peter Henri Staal (effective 22-Jul-2010)	2	1	-
Arun Thiagarajan	2	2	-
Philippe Damas	2	2	-
Ryan Padgett (Relinquished as Director effective 10-Dec-2010)	1	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.

## CORPORATE GOVERNANCE REPORT

### 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 2010-11, the Committee met two times. The dates of the meetings held were: 29-Apr-2010 and 18-Oct-2010.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings Attended in person	No. of Meetings Attended through Tele/ Video Conference
Aditya Krishna, Chairman	2	2	-
Vaughn Nigel Richtor (effective 22-Jul-2010)	1	1	-
Shailendra Bhandari	2	2	-
Santosh Ramesh Desai	2	2	-
K R Ramamoorthy (Relinquished as Part Time Chairman and Non Executive Independent Director effective 07-Jul-2010)	1	1	-

### 3.7 Board Credit Committee (BCC)

#### Scope and Terms of Reference

- To approve proposals that are in excess of Triple Signature powers under Signature Approval Process.

### 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 2010-11, the Committee met four times. The dates of the meetings held were: 29-Apr-2010, 22-Jul-2010, 18-Oct-2010, and 18-Jan-2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person	No. of Meetings attended through Tele/ Video conference
Richard Cox, Chairman	4	3	-
Shailendra Bhandari	4	4	-
Vaughn Nigel Richtor	4	4	-
Ryan Padgett (Alternate to Richard Cox up to 10-Dec-2010)	3	1	-
Meleveetil Damodaran	4	4	-

## 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.

All the Non-Executive Independent Directors and two Non-Independent Directors who are not on the rolls of ING are paid sitting fees of Rs.20,000/- for each Board/Committee meeting attended. Other Directors belonging to Promoter Group have not drawn any sitting fees for the meetings attended during the year.

Mr. Arun Thiagarajan, Non- Executive & Independent Director, holds 18,080 equity shares of the Bank as on 31-Mar-2011.

Mr. Aditya Krishna, Non-Executive & Independent Director, holds 40,000 equity shares of the Bank as on 31-Mar-2011.

#### 4.2 Remuneration to Directors

Mr. Shailendra Bhandari was appointed as the Managing Director and CEO of the Bank for a period of three years 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	7,800,000 p.a.
Perquisite:	
Free Furnished House	Minimum cost of Rs.1,450,000/- p.a.
Cars	Bank's car for official purposes and leased car for personal use.
Driver's Salary	Rs.108,000/- per annum
Gratuity	As per Payment of Gratuity Act, 1972
Provident Fund	10% of basic salary
Travelling & Halting Allowances	As decided by Board from time to time.
Medical benefits	Reimbursement up to Rs. 250,000/- for insurance premium. ( per annum)
Performance based Bonus	As decided by Board from time to time.

In terms of RBI's approval dated 31-Mar-2011, Mr. Shailendra Bhandari was paid cash bonus of Rs.1,950,000/- for the year 2009-10 and granted 700,000 Stock Options under Employee Stock Option Scheme, 2010. The said options have not been vested during the year.

#### 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
79 <sup>th</sup> AGM	01-Jul-2010 at 11.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore - 560 001	2
78 <sup>th</sup> AGM	04-Sep-2009 at 11.00 AM at The Auditorium, ING Vysya House, No.22, M.G. Road, Bangalore - 560 001.	3
77 <sup>th</sup> 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

#### 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.

- Penalties imposed during the year 2010-11 by Stock Exchanges / SEBI – Nil
- Penalties imposed during the previous three years already disclosed in the Annual Reports of earlier years – Nil
- Strictures passed during the year 2010-11 by SEBI / Stock Exchange – 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 18th January 2006. Subsequently Operating Guidelines were issued to all the Branches / Offices effective 20th March 2006. RBI's Policy on Protected Disclosure Scheme is also put in place as a sequel to Whistle Blower Policy.

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

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

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

During the year no reference was received from any source under whistle blower policy.

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

### 6.4 Code of Conduct

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

#### Declaration of Compliance with the Code of Conduct

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

Place: Bangalore  
Date: 13-Apr-2011

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.ingvysyabank.com](http://www.ingvysyabank.com), which is accessible to all.
- The Bank, during the year, has organized the following training programmes for the Directors:
  1. On 22-Jul-2010
    - "Mortgage Business"
  2. On 18-Jan-2011
    - a) Competition Law
    - b) Liability/ Suits on Directors
- 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](http://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 ten Secretarial Standards mutatis mutandis with the approval of the Corporate Governance Committee:

1. *Secretarial Standard on Meetings of Board of Directors – SS-1*
2. *Secretarial Standard on General Meetings – SS-2*
3. *Secretarial Standard on Dividend- SS-3*
4. *Secretarial Standard on Registers and Records – SS-4*
5. *Secretarial Standard on Minutes – SS-5*
6. *Secretarial Standard on Transmission of Shares and Debentures – SS-6*
7. *Secretarial Standard on Passing of Resolution by Circulation- SS-7*
8. *Secretarial Standard on Affixing of Common Seal- SS-8*
9. *Secretarial Standard on Forfeiture of Shares- SS-9*
10. *Secretarial Standard on Board's Report-SS-10*

## 7. MEANS OF COMMUNICATION TO THE SHAREHOLDERS/INVESTORS

### 7.1 Investor Relations: Guiding principles

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

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

The Bank has a well-defined Code of Internal Procedures and Conduct for preventing and regulating the practice of Insider Trading, 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](http://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-2011 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	English	Kannada (Regional Language)
Apr 10 – June 10	Mint	Udaya Vani
Jul 10 – Sep 10	Mint	Samyukta Karnataka
Oct 10 – Dec 10	Mint	Samyukta Karnataka
Jan 11- Mar 11 & 2010-11	Mint	Samyukta Karnataka

The quarterly presentations made to investors are also posted on Bank's website viz., [www.ingvysyabank.com](http://www.ingvysyabank.com)

The Bank has published its Balance sheet and Profit & Loss Account together with Auditors' Report in the Business Standard (Bangalore edition) as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulations (companies) Rules, 1949 on 28-Jun-2011.

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](http://www.corpfiling.co.in).

## 8. GENERAL INFORMATION FOR THE SHAREHOLDERS

Financial year 01-Apr-2010 to 31-Mar-2011	
Board Meeting for consideration of / dealing with Accounts for the year 2010-2011	20-Apr-2011
Posting of Annual Reports	12-Aug-2011
Book Closure Date	13-Aug-2011 to 07-Sep-2011
Last date for receipt of Proxy Forms	Upto 11.00 a.m.- 05-Sep-2011
Venue, Date and Time	80th Annual General Meeting 07-Sep-2011, Wednesday, 11.00 a.m. The Auditorium, ING Vysya House, No. 22, Bangalore - 560 001.
Dividend Payment Date	On and from 07-Sep-2011 but not beyond 06-Oct-2011.

## 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-10	331.00	273.00	196,053
May-10	337.90	294.20	148,935
Jun-10	368.40	301.00	229,423
Jul-10	376.80	331.80	394,748
Aug-10	365.90	331.00	141,468
Sep-10	389.30	333.00	181,043
Oct-10	428.00	372.00	246,449
Nov-10	450.00	393.00	99,376
Dec-10	430.00	356.25	55,032
Jan-11	375.00	294.00	124,833
Feb-11	349.00	283.00	46,760
Mar-11	348.50	285.65	88,265

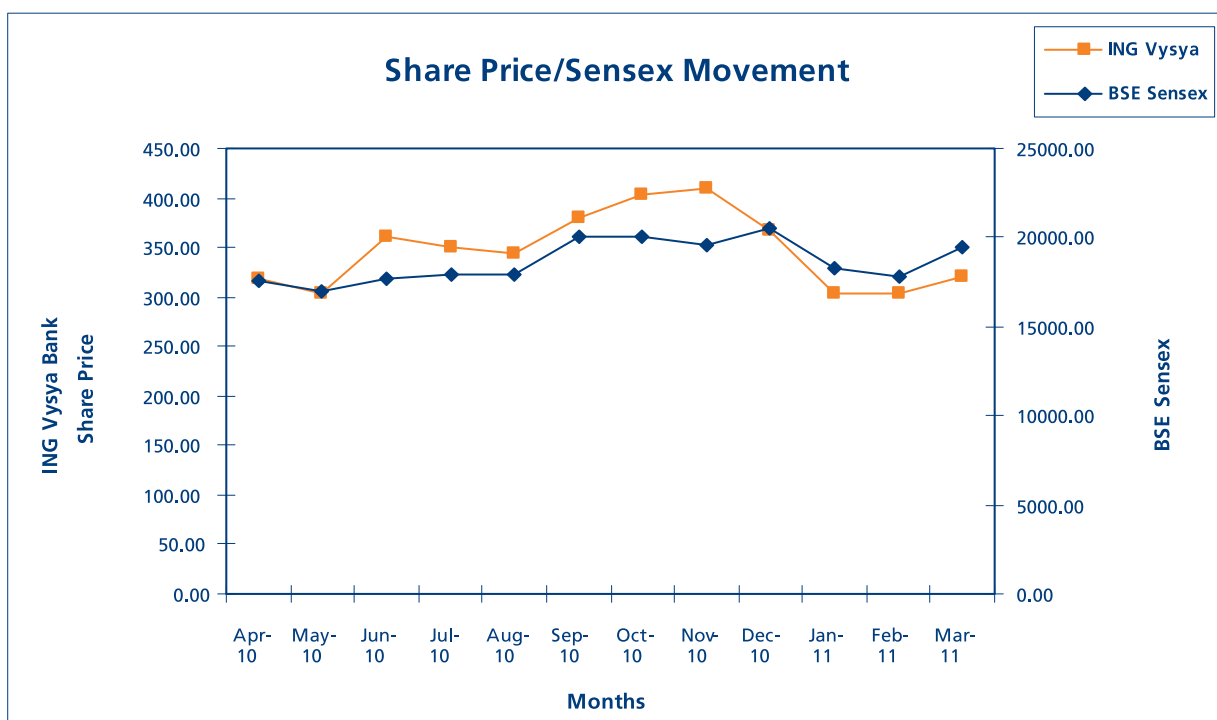
- During the year, the share prices of the Bank varied from a low of Rs. 273.00 (01-Apr-2010) to a high of Rs. 450.00 (1-Nov-2010).

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

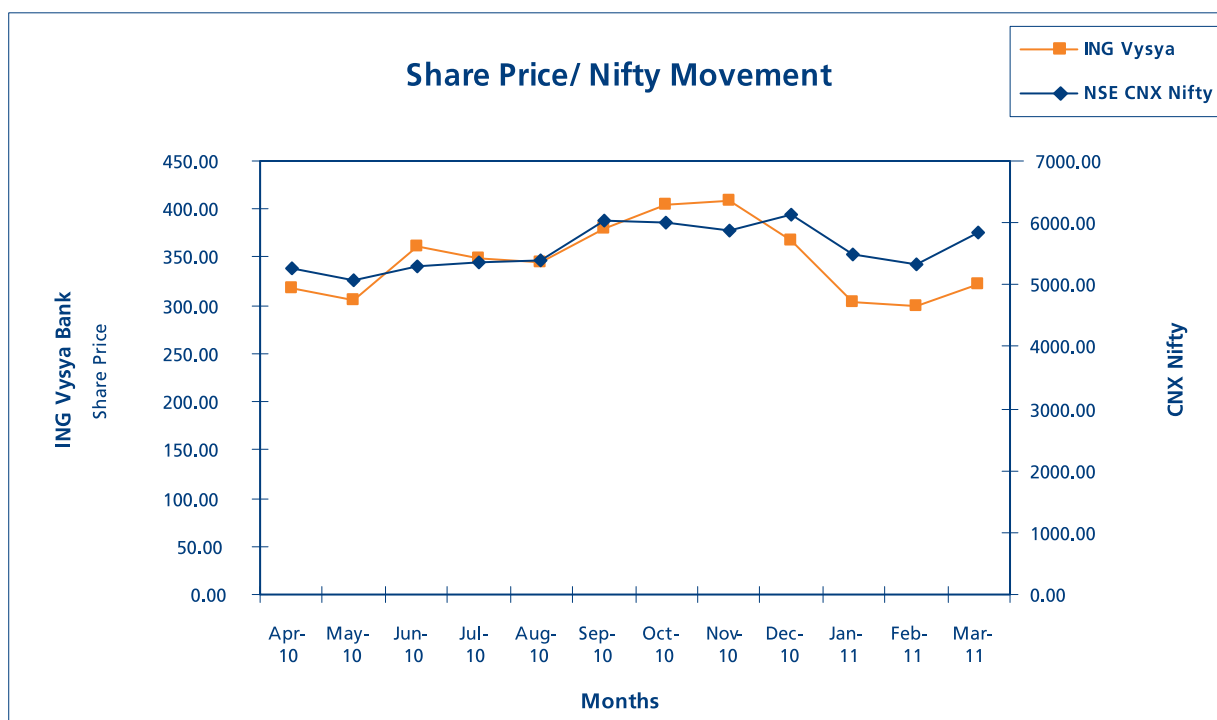
Months	High Price (Rs.)	Low Price (Rs.)	Aggregate Volume (Number of Equity Shares)
Apr-10	330.80	272.15	75,926
May-10	337.80	295.15	51,035
Jun-10	369.90	302.00	146,508
Jul-10	376.30	332.00	109,429
Aug-10	364.65	331.60	50,512
Sep-10	388.90	333.20	63,894
Oct-10	432.00	373.00	68,160
Nov-10	443.90	392.00	24,046
Dec-10	427.20	333.00	11,534
Jan-11	375.00	296.10	34,208
Feb-11	343.00	283.00	19,268
Mar-11	349.00	290.10	28,124

- During the year, the share prices of the Bank varied from a low of Rs. 272.15 (01-Apr-2010) to a high of Rs. 443.90 (1-Nov-2010).
- On 31-Mar-2011, the scrip closed at Rs. 321.05 at NSE and at Rs. 321.25 at BSE

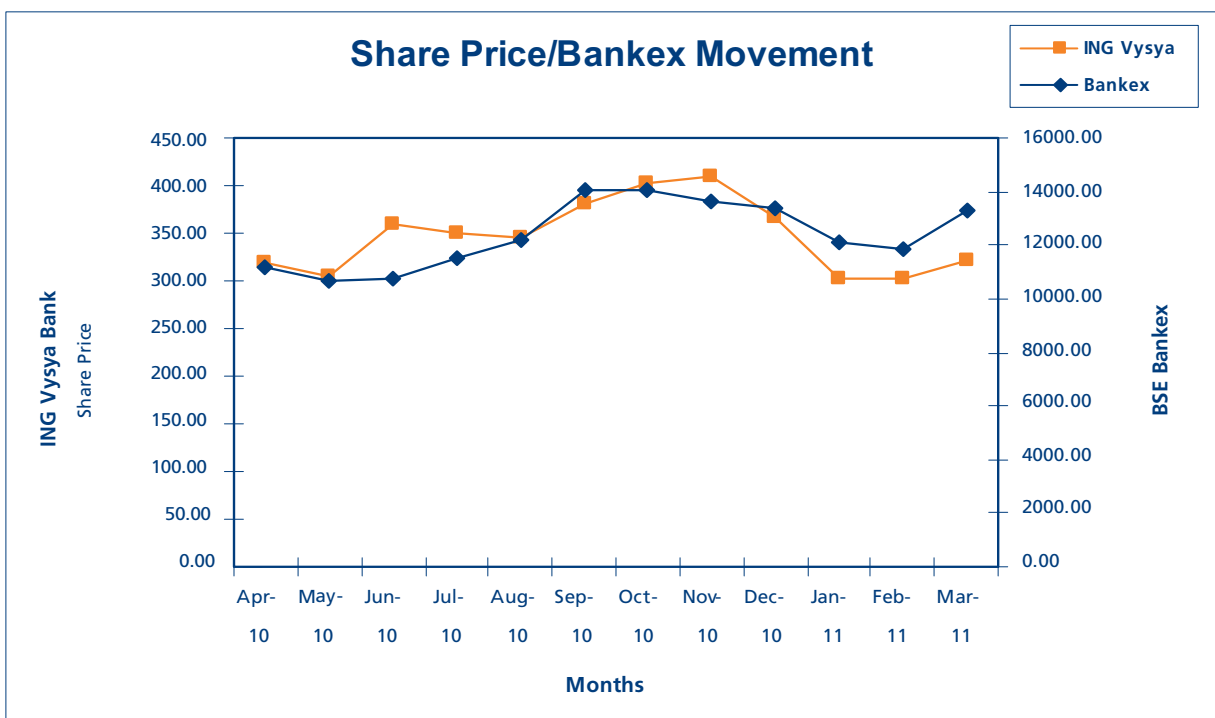
IVBL Share Price in comparison with BSE Sensex 1-Apr-2010 to 31-Mar-2011



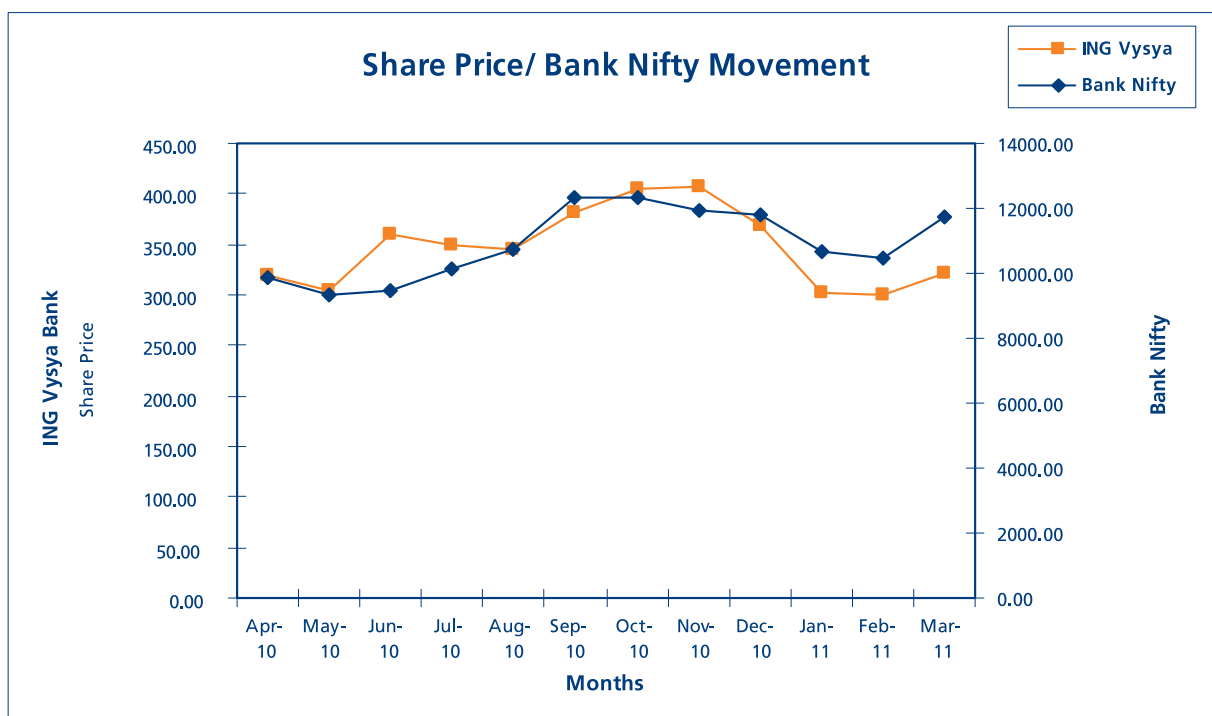
IVBL Share Price in comparison with NSE NIFTY 1-Apr-2010 to 31-Mar-2011



IVBL Share Price in comparison with BSE Bankex 01-Apr-2010 to 31-Mar-2011



IVBL Share Price in comparison with NSE BANK NIFTY 1-Apr-2010 to 31-Mar-2011



### 8.3 Shareholding

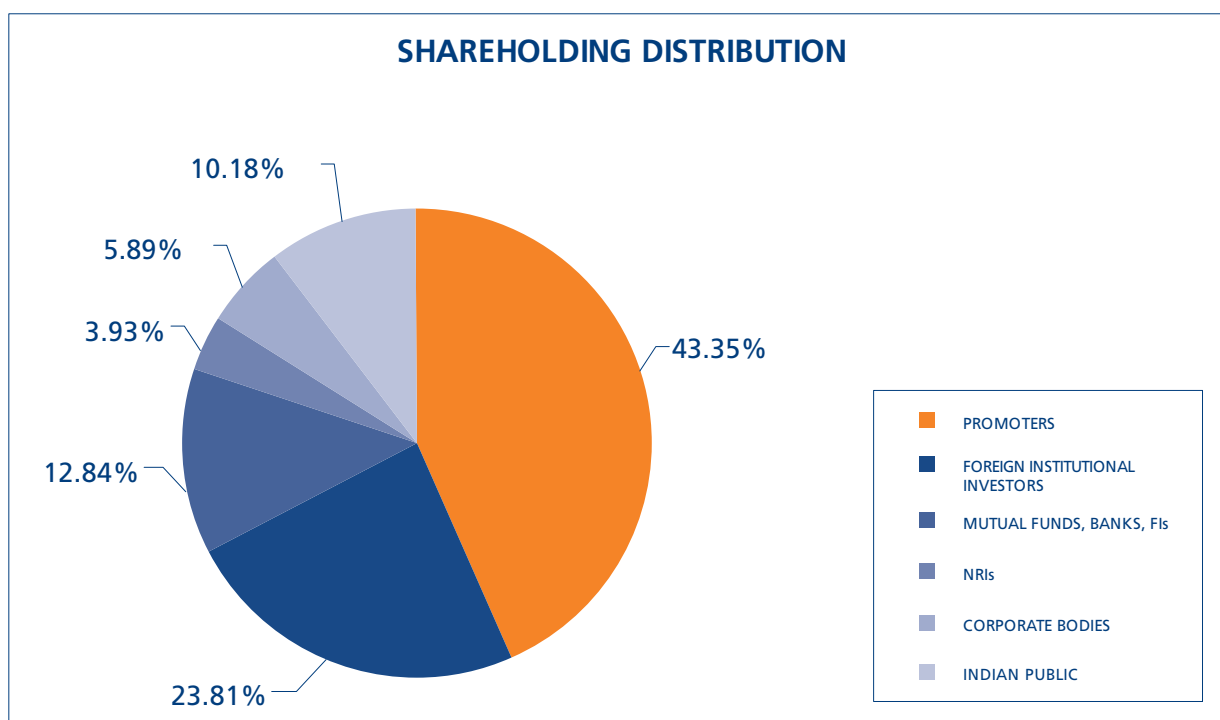
Of the 120,986,738 shares of the Bank as on 31-Mar-2011, 98.37% (the highest ever achieved) of shares are held in demat mode.

A table showing the distribution of shares among Shareholders according to size, class and category of shareholders as on 31-Mar-2011 is given below:

Category	No. of shareholders	Total Shares	% to shareholders	% to paid up capital
Upto 5000	25,269	2,729,363	83.68	2.26
5001 - 10000	2,176	1,623,028	7.21	1.34
10001 - 20000	1,625	2,248,736	5.38	1.86
20001 - 30000	387	956,428	1.28	0.79
30001 - 40000	148	520,688	0.49	0.43
40001 - 50000	121	559,237	0.40	0.46
50001 - 100000	193	1,371,979	0.64	1.13
100001 and above	279	110,977,279	0.92	91.73
<b>Total</b>	<b>30,198</b>	<b>120,986,738</b>	<b>100.00</b>	<b>100.00</b>

### 8.4 Shareholding pattern as on 31-Mar-2011

Sl. No.	Category	No. of Shares	% To Equity
1	PROMOTERS	52,446,905	43.35
2	FOREIGN INSTITUTIONAL INVESTORS	28,803,676	23.81
3	MUTUAL FUNDS, BANKS, FIs	15,530,924	12.84
4	NRIs	4,758,116	3.93
5	CORPORATE BODIES	7,131,217	5.89
6	INDIAN PUBLIC	12,315,900	10.18
	<b>TOTAL</b>	<b>120,986,738</b>	<b>100.00</b>



## 8.5 Aggregate Foreign Investment (AFI) as defined by RBI

As on 31 March, 2011	
Category	%age to equity
FOREIGN PROMOTERS	43.35
FII's	23.81
NRIs	3.93
FOREIGN NATIONALS	0.00
<b>TOTAL</b>	<b>71.09</b>

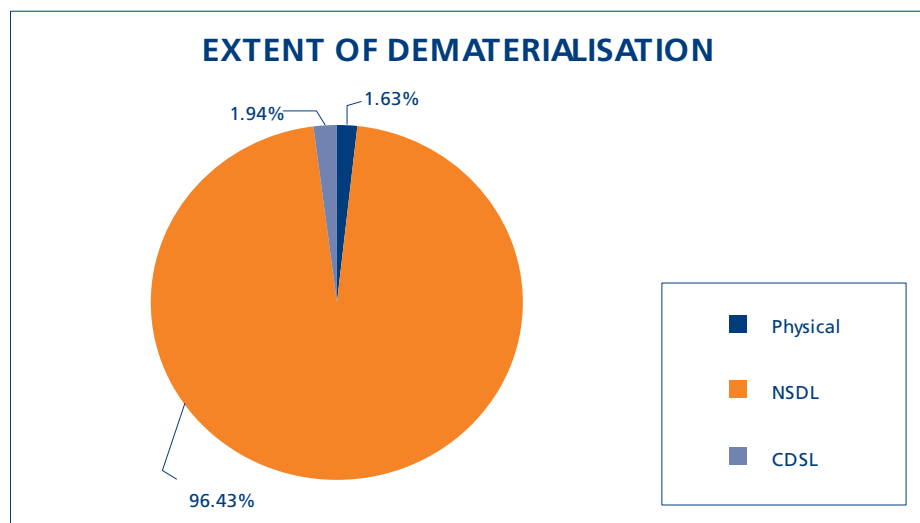
## 8.6 List of Top 10 shareholders as on 31-Mar-2011

Sl. No.	Name	No. of Shares held as on 31-Mar-2011	% to Paid-up Capital
1	ING MAURITIUS HOLDINGS (a wholly owned subsidiary of ING Group)	40,774,773	33.70
2	ING MAURITIUS INVESTMENTS I (a wholly owned subsidiary of ING Group)	11,672,132	9.65
3	ABERDEEN ASSET MANAGERS LIMITED A/C ABERDEEN INTERNATIONAL	5,395,199	4.46
4	DILIP RAMNIKLAL MEHTA	4,500,000	3.72
5	CITIGROUP GLOBAL MARKETS MAURITIUS PRIVATE LIMITED	3,119,340	2.58
6	BIRLA SUN LIFE INSURANCE COMPANY LIMITED	2,525,100	2.09
7	GOVERNMENT PENSION FUND GLOBAL	2,236,344	1.85
8	MORGAN STANLEY MAURITIUS COMPANY LIMITED	1,959,981	1.62
9	FRANKLIN TEMPLETON MUTUAL FUND A/C TEMPLETON INDIA	1,711,180	1.41
10	DSP BLACKROCK INDIA T.I.G.E.R. FUND	1,490,280	1.23
	<b>Total</b>	<b>75,384,329</b>	<b>62.31</b>

## 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). As on 31-Mar-2011, 98.37 % of Bank shares are in demat mode.

Category of share held	No. of Shares	% of Shareholding
Physical mode	1,970,526	1.63%
Demat mode		
NSDL	116,668,776	96.43%
CDSL	2,347,436	1.94%
<b>Total</b>	<b>120,986,738</b>	<b>100.00%</b>



**8.8 STATEMENT SHOWING DETAILS OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2003-04 TO 2009-10 AS ON 31-Mar-2011.**

Sl. No.	Year	Percentage of dividend declared	Amount of unclaimed dividend as on 31-Mar-2011 (Rs.)	Due date for transfer of unclaimed dividend by Bank to Investors Education and Protection Fund (IEPF)
1	2003-04	50%	1,447,540.00	21st October, 2011
2	2004-05	Nil	Nil	N.A.
3	2005-06	Nil	Nil	N.A.
4	2006-07	6.50%	424,622.00	2nd August, 2014
5	2007-08	15%	877,700.00	4th August, 2015
6	2008-09	20%	1,602,038.00	9th October, 2016
7	2009-10	25%	1,680,697.00	5th August, 2017

The Bank has transferred unclaimed dividend of Rs 780,730/- pertaining to 2002-03, to the Investor Education and Protection Fund (IEPF) on 15th November, 2010.

**8.9 Share Transfer System**

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

**8.10 Contact Details**

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

Mr. Jayaraman V. K. Karvy Computershare Private Limited Unit: ING Vysya Bank Limited 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 Ph:040-2342 0815 Fax:040-2342 0814 Email: mailmanager@karvy.com Email: jayaramanvk@karvy.com Website: www.karvycomputershare.com	M.V.S. Appa Rao Corporate Secretary Secretarial Department, ING Vysya Bank Limited, No.22, M G Road, Bangalore – 560 001  Ph : 080 – 2500 5770 (D) 080 – 2500 5000 (G) Ext : 3570 Fax : 080-2500 5555, 2555 9212 E-mail : sharecare@ingvysyabank.com
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**Banking Customer Help Desk:** For Banking services related queries the shareholders /customers may contact /write to Bank at the following:

Customer Care Unit (CCU)  
 "ING Vysya House"  
 No.22, M.G. Road  
 Bangalore – 560 001  
 toll free number 1800 425 9900

**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 2011 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. Without qualifying our opinion, we draw attention to Note 18.3 to the financial statements, which describes deferment of pension liability relating to existing employees of the Bank arising out of the opening of the II Pension Option, to the extent of Rs. 744,009 thousands pursuant to the exemption granted by the Reserve Bank of India to the Bank from application of the provisions of Revised Accounting Standard (AS) 15, Employee Benefits vide its letter to the Bank dated 8 April 2011 regarding Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment
6. 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 2011, 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 2011;
    - 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  
20 April 2011

## BALANCE SHEET AS AT 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2011	31 March 2010
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	1,209,867	1,199,665
Employees' Stock Options Outstanding (Net)		18,796	29,875
Reserves and Surplus	2	25,014,163	22,079,611
Deposits	3	301,942,493	258,653,007
Borrowings	4	41,469,113	36,713,880
Other Liabilities and Provisions	5	20,485,271	20,126,365
<b>TOTAL</b>		<b>390,139,703</b>	<b>338,802,403</b>
<b>ASSETS</b>			
Cash and Balance with Reserve Bank of India	6	21,837,810	23,295,871
Balance with Banks and Money at call and short notice	7	3,376,433	6,974,573
Investments	8	110,206,653	104,729,191
Advances	9	236,021,355	185,071,895
Fixed Assets	10	5,028,353	4,959,331
Other Assets	11	13,669,099	13,771,542
<b>TOTAL</b>		<b>390,139,703</b>	<b>338,802,403</b>
Contingent Liabilities	12	584,086,884	741,337,962
Bills for collection		39,555,957	32,880,705
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

Arun Thiagarajan  
Chairman

Shailendra Bhandari  
Managing Director

Aditya Krishna  
Director

Vaughn Richtor  
Director

Place: Bangalore  
Date: 20 April 2011

Place: Bangalore  
Date: 20 April 2011

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2011	31 March 2010
<b>INCOME</b>			
Interest Earned	13	26,940,641	22,328,904
Other Income	14	6,549,570	6,202,206
<b>TOTAL</b>		<b>33,490,211</b>	<b>28,531,110</b>
<b>EXPENDITURE</b>			
Interest Expended	15	16,875,372	14,030,546
Operating Expenses	16	10,260,179	8,081,040
Provisions and Contingencies		3,168,170	3,997,353
<b>TOTAL</b>		<b>30,303,721</b>	<b>26,108,939</b>
<b>PROFIT</b>			
Net Profit for the year		3,186,490	2,422,171
Profit/(Loss) Brought Forward		3,302,156	2,065,330
<b>TOTAL</b>		<b>6,488,646</b>	<b>4,487,501</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserve		796,622	605,543
Transfer to Capital Reserves		75,566	70,192
Transfer to / (from) Investment Reserve		(109,952)	8,723
Transfer to Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)		130,000	150,000
Proposed Dividend		362,960	299,916
Dividend Tax		58,881	50,971
Balance Carried to Balance Sheet		5,174,569	3,302,156
<b>TOTAL</b>		<b>6,488,646</b>	<b>4,487,501</b>
<b>Earnings Per Share (Rs. Per Equity Share of Rs.10 each)</b>			
Basic		26.45	21.61
Diluted		25.95	21.33
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

Arun Thiagarajan  
Chairman

Shailendra Bhandari  
Managing Director

Aditya Krishna  
Director

Vaughn Richtor  
Director

Place: Bangalore  
Date: 20 April 2011

Place: Bangalore  
Date: 20 April 2011

## SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2011

		(Rs. in thousands)	
PARTICULARS	31 March 2011	31 March 2010	
<b>SCHEDULE I - CAPITAL</b>			
<b>AUTHORISED CAPITAL</b>			
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	
<b>ISSUED CAPITAL</b>			
121,275,144 (Previous Year 120,280,579)			
Equity shares of Rs.10 each	1,212,751	1,202,806	
<b>SUBSCRIBED AND CALLED UP CAPITAL</b>			
120,986,738 (Previous Year 119,966,490)			
Equity Shares of Rs.10 each Fully Called and Paid up	1,209,867	1,199,665	
<b>TOTAL</b>	<b>1,209,867</b>	<b>1,199,665</b>	
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>			
<b>I. STATUTORY RESERVE</b>			
Opening Balance	3,699,840	3,094,297	
Additions during the year	796,622	605,543	
<b>Total (A)</b>	<b>4,496,462</b>	<b>3,699,840</b>	
<b>II. CAPITAL RESERVE</b>			
<b>(a) Revaluation Reserve</b>			
Opening Balance	1,080,202	1,087,689	
Less: Revaluation reserve reversed consequent to sale of assets/ transfer of assets	(30,681)	-	
Less: Depreciation on revalued assets	(7,250)	(7,487)	
<b>Total (B)</b>	<b>1,042,271</b>	<b>1,080,202</b>	
<b>(b) Others</b>			
Opening Balance	1,168,761	1,098,569	
Add: Transfer from Profit and Loss Account	75,566	70,192	
<b>Total (C)</b>	<b>1,244,327</b>	<b>1,168,761</b>	
<b>TOTAL CAPITAL RESERVE (B+C)</b>	<b>2,286,598</b>	<b>2,248,963</b>	
<b>III. SECURITIES PREMIUM</b>			
Opening Balance	11,846,348	7,788,761	
Add: Additions during the year	207,835	4,095,702	
Less: Deductions during the year	-	(38,115)	
<b>Total (D)</b>	<b>12,054,183</b>	<b>11,846,348</b>	
<b>IV. REVENUE AND OTHER RESERVES</b>			
<b>(a) SPECIAL RESERVE (u/s 36 (1) (viii) of Income Tax Act, 1961)</b>			
Opening Balance	317,000	167,000	
Add: Additions during the year	130,000	150,000	
<b>Total (E)</b>	<b>447,000</b>	<b>317,000</b>	
<b>(b) Revenue Reserves</b>			
Opening Balance	555,351	555,351	
Add: Additions during the year	-	-	
<b>Total (F)</b>	<b>555,351</b>	<b>555,351</b>	

## SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2011

(Rs. in thousands)		
PARTICULARS	31 March 2011	31 March 2010
(c) Investment Reserve		
Opening Balance	109,953	101,230
Add: Additions during the year	(109,953)	8,723
Total (G)	-	109,953
Total (IV) (E+F+ G)	1,002,351	982,304
V. Balance in Profit and Loss Account (H)	5,174,569	3,302,156
TOTAL (I to V)	25,014,163	22,079,611

### SCHEDULE 3 - DEPOSITS

A. I. Demand Deposits		
i. From Banks	1,818,419	1,929,844
ii. From Others	49,252,748	38,990,806
II. Savings Bank Deposits	53,515,041	43,349,631
III. Term Deposits		
i. From Banks	61,027,083	51,994,987
ii. From Others	136,329,202	122,387,739
TOTAL(I to III)	301,942,493	258,653,007
B. Deposits of Branches In India	301,942,493	258,653,007
C. Deposits outside India	-	-
TOTAL	301,942,493	258,653,007

### SCHEDULE 4 - BORROWINGS\*

I. Borrowings in India		
i. Reserve Bank of India	-	420,000
ii. Other Banks	1,379,000	1,282,000
iii. Other Institutions and Agencies	16,121,762	21,079,457
II. Borrowings outside India	23,968,351	13,932,423
TOTAL (I to II)	41,469,113	36,713,880

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.10,522,051 thousands as on 31 March 2011 (Previous year Rs.10,036,848 thousands).

### SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	4,385,882	4,548,873
II. Inter Office Adjustments (Net)	287,851	96,172
III. Interest Accrued	1,626,389	1,411,156
IV. Provision against Standard Assets	1,165,100	1,008,100
V. Others ( Including Provisions)	13,020,049	13,062,064
TOTAL (I to V)	20,485,271	20,126,365

## SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2011

		(Rs. in thousands)	
PARTICULARS	31 March 2011	31 March 2010	
<b>SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA</b>			
I. Cash In Hand (Including Foreign Currency Notes)	3,999,906	3,527,902	
II. Balances With Reserve Bank of India			
i. In Current Account	17,837,904	19,767,969	
ii. In Other Accounts	-	-	
<b>TOTAL (I to II)</b>	<b>21,837,810</b>	<b>23,295,871</b>	
<b>SCHEDULE 7-BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>			
I. In India			
i) Balances With Banks			
a) In Current Accounts	1,057,455	1,342,063	
b) In Other Deposit Accounts	519,568	69,568	
ii) Money at Call and Short Notice			
a) With Banks	-	-	
b) With Others	-	4,998,201	
<b>TOTAL (i to ii)</b>	<b>1,577,023</b>	<b>6,409,832</b>	
II. Outside India			
i) Balances With Banks			
a) Current Accounts	2,231	103,618	
b) In Other Deposit Accounts	-	-	
ii) Money at Call and Short Notice			
a) With Banks	1,797,179	461,123	
b) With Others	-	-	
<b>TOTAL (i to ii)</b>	<b>1,799,410</b>	<b>564,741</b>	
<b>GRAND TOTAL (I to II)</b>	<b>3,376,433</b>	<b>6,974,573</b>	
<b>SCHEDULE 8 - INVESTMENTS (NET)</b>			
I. Investments in India			
i) Government Securities ## ** \$	81,915,705	81,938,046	
ii) Other Approved Securities##	-	1,282	
iii) Shares	81,026	5,000	
iv) Debentures and bonds	1,584,771	1,694,686	
v) Subsidiaries/Joint Ventures	20,988	20,988	
vi) Others @	26,604,163	21,069,189	
<b>TOTAL</b>	<b>110,206,653</b>	<b>104,729,191</b>	

## SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2011

		(Rs. in thousands)	
PARTICULARS	31 March 2011	31 March 2010	
<b>II. Investments Outside India</b>	-	-	
<b>TOTAL</b>	<b>110,206,653</b>	<b>104,729,191</b>	
<b>GROSS INVESTMENTS</b>	<b>110,560,795</b>	<b>104,770,356</b>	
<b>LESS: Depreciation/Provision for Investments</b>	<b>(354,142)</b>	<b>(41,165)</b>	
<b>NET INVESTMENTS</b>	<b>110,206,653</b>	<b>104,729,191</b>	
<p>## Includes securities costing Rs. 7.08 crores (previous year 7.13 crores) pledged for availment of telegraphic transfer discounting facility.</p> <p>** Net of Repo borrowings of Rs.211.70 crores (Previous year Rs. NIL ) under the liquidity adjustment facility in line with Reserve bank of India requirements.</p> <p>\$ Includes securities costing Rs.125.32 crores ( previous year Rs. 42.02 crores) pledged for margin requirement.</p> <p>@ Includes deposits with NABARD, NHB and SIDBI of Rs. 2660.42 crores (previous year Rs 2106.92 crores).</p>			
<b>SCHEDULE 9 - ADVANCES (Net of provisions)</b>			
<b>A. i) Bills Purchased and Discounted</b>	<b>6,132,639</b>	<b>9,378,542</b>	
<b>ii) Cash Credits, Overdrafts and Loans repayable on demand</b>	<b>79,751,129</b>	<b>51,498,811</b>	
<b>iii) Term loans</b>	<b>150,137,587</b>	<b>124,194,542</b>	
<b>TOTAL</b>	<b>236,021,355</b>	<b>185,071,895</b>	
<b>B. i) Secured by Tangible Assets*</b>	<b>203,401,560</b>	<b>156,194,572</b>	
<b>ii) Covered by Bank/Government Guarantees</b>	<b>2,178,200</b>	<b>2,609,652</b>	
<b>iii) Unsecured</b>	<b>30,441,595</b>	<b>26,267,671</b>	
<b>TOTAL</b>	<b>236,021,355</b>	<b>185,071,895</b>	
* Includes advances secured against book debts			
<b>C. I ADVANCES IN INDIA</b>			
<b>i) Priority Sector</b>	<b>80,471,218</b>	<b>68,753,470</b>	
<b>ii) Public Sector</b>	<b>1,108</b>	<b>80,849</b>	
<b>iii) Banks</b>	<b>22,959</b>	<b>27,036</b>	
<b>iv) Others</b>	<b>155,526,070</b>	<b>116,210,540</b>	
<b>II ADVANCES OUTSIDE INDIA</b>	<b>-</b>	<b>-</b>	
<b>TOTAL</b>	<b>236,021,355</b>	<b>185,071,895</b>	
<b>SCHEDULE 10 - FIXED ASSETS</b>			
<b>I Premises</b>			
<b>i) At cost as on 31 March of the preceding year (Including Revaluation)</b>	<b>2,106,371</b>	<b>2,104,012</b>	
<b>ii) Additions during the year</b>	<b>2,202,534</b>	<b>2,359</b>	
	<b>4,308,905</b>	<b>2,106,371</b>	
<b>iii) Deductions during the year</b>	<b>(219,252)</b>	<b>-</b>	
<b>iv) Depreciation to date</b>	<b>(332,164)</b>	<b>(270,961)</b>	
<b>I a. Capital Work in Progress</b>	<b>-</b>	<b>2,017,211</b>	
<b>TOTAL (I)</b>	<b>3,757,489</b>	<b>3,852,621</b>	

## SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2011

		(Rs. in thousands)	
PARTICULARS		31 March 2011	31 March 2010
<b>II. Other Fixed Assets ( Including Furniture and Fixtures)</b>			
i) At cost as on 31 March of the preceding year		4,090,295	3,896,292
ii) Additions during the year		534,779	458,547
		4,625,074	4,354,839
iii) Deductions during the year		(53,344)	(264,544)
iv) Depreciation to date		(3,593,681)	(3,199,394)
<b>II a. Capital Work In Progress</b>		135,831	58,825
<b>TOTAL (II)</b>		<b>1,113,880</b>	<b>949,726</b>
<b>III. Lease Fixed Assets</b>			
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		(1,415,336)	(1,394,881)
v) Add: Lease Adjustment Account		269,384	248,929
vi) Less: Provision / Write off of NPAs		(237,649)	(237,649)
<b>TOTAL (III)</b>		<b>156,984</b>	<b>156,984</b>
<b>GRAND TOTAL (I to III)</b>		<b>5,028,353</b>	<b>4,959,331</b>

### SCHEDULE 11 - OTHER ASSETS

I. Inter Office Adjustment ( Net)	-	-
II. Interest Accrued	2,427,704	2,301,509
III. Tax Paid in Advance and Tax deducted at source (Net)	842,612	477,810
IV. Stationery and Stamps	10,750	5,201
V. Non Banking Assets acquired in satisfaction of claims (Net)	-	-
VI. Others#	10,388,033	10,987,022
<b>TOTAL</b>	<b>13,669,099</b>	<b>13,771,542</b>

# Includes deferred tax assets of Rs. 152.81 crores (previous year Rs. 176.15 crores)

### SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims against the bank not acknowledged as debts	50,577	53,858
II. Liability for partly paid investments	-	-
III. Liability on account of Outstanding Forward Exchange Contracts	220,159,702	288,901,171
IV. Liability on account of Outstanding Derivative Contracts	296,867,391	400,063,948
V. Guarantees given on behalf of constituents in India	52,416,602	38,568,374
VI. Acceptances , Endorsements and Other Obligations	13,786,027	12,823,600
VII. Other items for which the bank is contingently liable	806,585	927,011
<b>TOTAL</b>	<b>584,086,884</b>	<b>741,337,962</b>



## SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2011

(Rs. in thousands)		
PARTICULARS	31 March 2011	31 March 2010
<b>SCHEDULE 13 - INTEREST EARNED</b>		
i. Interest/Discount on Advances/Bills	20,326,347	17,093,988
ii. Income on Investments	6,462,988	5,179,095
iii. Interest on Balances with RBI and other inter bank funds	20,508	12,557
iv. Others	130,798	43,264
<b>TOTAL</b>	<b>26,940,641</b>	<b>22,328,904</b>
<b>SCHEDULE 14 - OTHER INCOME</b>		
i. Commission, Exchange and Brokerage	4,188,795	3,490,338
ii. Profit/ (Loss) on sale of Investments (Net)	819,479	797,023
iii. Profit on Revaluation of Investments (Net)	-	-
iv. Profit/ (Loss) on sale of Land, Buildings and Other Assets (Net)	150,870	933
v. Profit on Exchange / Derivative Transactions (Net)	1,021,167	1,032,920
vi. Income earned by way of Dividends etc. from Subsidiaries/Companies and Joint Ventures Abroad/in India	6,575	2,000
vii. Lease Income	10,199	2,049
Add: Lease Equalisation	10,256	22,217
Less: Depreciation	(20,455)	(23,905)
viii. Miscellaneous Income*#	362,684	878,631
<b>TOTAL</b>	<b>6,549,570</b>	<b>6,202,206</b>
* Includes prior period item of Rs. NIL (Previous year-Rs. 307,252) - refer note 18.17.7		
# Includes recovery from written off accounts amounting to Rs. 303,214 thousands (Previous year Rs. 419,899 thousands)		
<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
i. Interest on Deposits	13,567,456	11,690,350
ii. Interest on Reserve Bank of India/Inter-Bank Borrowings	477,773	130,474
iii. Others (Including interest on Tier II Bonds)	2,830,143	2,209,722
<b>TOTAL</b>	<b>16,875,372</b>	<b>14,030,546</b>
<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
i. Payments and Provisions for Employees	6,056,586	4,288,532
ii. Rent, Taxes and Lighting	813,855	765,667
iii. Printing and Stationery	109,239	91,518
iv. Advertisement and Publicity	26,372	43,779
v. Depreciation on Bank's Property	477,310	409,640
vi. Director's Fees, Allowances and Expenses	5,188	5,871
vii. Auditors' Fees and Expenses (Including Branch Auditors)	6,715	6,525
viii. Law Charges	37,580	38,211
ix. Postage, Telegrams, Telephones	208,280	186,552
x. Repairs and Maintenance	276,719	241,647
xi. Insurance	257,620	257,932
xii. Other expenditure	1,984,715	1,745,166
<b>TOTAL</b>	<b>10,260,179</b>	<b>8,081,040</b>

## 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.
- c. at 2.00% on housing loans at teaser rates

## 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 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

## SIGNIFICANT ACCOUNTING POLICIES

the options are granted, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

### 14 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.
- 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.

### 15 TAXES ON INCOME

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted 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.

### 16 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.

### 17 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.

### 18 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 2011.

#### 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 2011 is as under:

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	480	97.50	60,305	97.34
Less: Options exercised during the year	-	-	57,555	97.45
Less: Options forfeited	480	97.50	2,270	97.50
<b>Stock options outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>97.50</b>

##### 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 2011 is as under:

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	430,864	170.13	681,465	168.87
Add: Options granted during the year	-	-	-	-
Less: Options exercised during the year	160,116	165.16	224,122	168.63
Less: Options forfeited	7,329	176.20	26,479	150.59
<b>Stock options outstanding at the end of the year</b>	<b>263,419</b>	<b>172.98</b>	<b>430,864</b>	<b>170.13</b>



## 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 2011 is as under: -

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	6,994,599	243.81	5,108,366	219.55
Add: Options granted during the year	208,500	258.16	2,380,610	282.54
Less: Options exercised during the year	834,449	215.54	307,277	156.39
Less: Options forfeited	303,650	255.66	187,100	220.83
<b>Stock options outstanding at the end of the year</b>	<b>6,065,000</b>	<b>250.02</b>	<b>6,994,599</b>	<b>243.81</b>

### ESOS 2010

The employee stock option scheme ("ESOS 2010" or "the scheme") of the Bank was approved by the Board of Directors at their meeting held on 29 April 2010 and by the shareholders at the last AGM held on 1 July 2010. A total of 1,15,00,000 equity shares of 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 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 2010 during the year ended 31 March 2011 is as under:

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	-	-	-	-
Add: Options granted during the year	3,677,500	358.57	-	-
Less: Options exercised during the year	-	-	-	-
Less: Options forfeited	82,000	349.15	-	-
<b>Stock options outstanding at the end of the year</b>	<b>3,595,500</b>	<b>358.78</b>	<b>-</b>	<b>-</b>

The details of exercise price for stock options outstanding as at 31 March 2011 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 2005 Tranche I	92.59-136.47	49,989	3.07	122.43
ESOS 2005 (Loyalty Options)	184.82	213,430	3.15	184.82
ESOS 2007	114.20 - 380.40	6,065,000	4.54	250.02
ESOS 2010	349.15 - 403.95	3,595,500	6.32	358.78

## NOTES ON ACCOUNTS

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 (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 weighted average share price for all options exercised during the year is Rs. 357.09 per share (Previous Year: Rs. 259.56).

Total employee compensation cost recognized, net of reversals for forfeitures, in Profit and Loss Account for the year ended 31 March 2011 is Rs. (501) thousands (Previous year Rs. 3,536 thousands). Total employee compensation cost outstanding as at 31 March 2011 Rs. 3 thousands (Previous year: Rs. 55 thousands).

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

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 2011	Year ended 31 March 2010
Intrinsic Value	(501)	3,536
Fair value*	288,482	84,212
Excess to be Charged	288,983	80,676

### Impact on Profit

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Net profit after tax	3,186,490	2,422,171
Less: Adjustment for additional charge due to Fair Value	288,983	80,676
Adjusted Profit	2,897,507	2,341,495

### Impact on Earnings Per Share

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Declared in the financial Statements		
Basic (Rs.)	26.45	21.61
Diluted (Rs.)	25.95	21.33
Revised EPS		
Basic (Rs.)	24.05	20.89
Diluted (Rs.)	23.60	20.62



## NOTES ON ACCOUNTS

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

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Risk free interest rate**	6.33% - 8.04%	7.72% - 7.74%	4.99% - 9.25%	6.49% - 7.60%
Expected Life (excluding vesting period)	1 Year	1 Year	1 Year	1 Year
Expected Volatility	31.62% - 47.40%	45.23%	36.71% - 51.58%	36.71%
The price of the underlying share in market at the time of option grant (as per NSE)	162.60 - 260.65	262.60	114.20-380.40	349.15 - 403.95

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

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

The call option values under Black- Scholes Model for option valuation under different schemes for outstanding options as on 31 March 2011 are:

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Option price at the date of grant	59.37 - 180.50	119.70 - 135.55	36.25 - 153.16	90.44 - 160.94
Weighted average Fair Value of the options at the date of grant	82.06	128.94	98.35	115.85

### 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. 109,646 thousands for the year ended 31 March 2011 (Previous year Rs. 93,027 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.

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

During the year, the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result, the Bank has incurred an additional liability of Rs. 1,217,310 thousands. Further, during the year, the limit of gratuity payable to the employees was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of the Bank has increased by Rs. 207,352 thousands.

In terms of Revised Accounting Standard (AS) 15, Employee Benefits, the entire amount of Rs. 1,424,663 thousands is required to be charged to the Profit and Loss Account. However, the Reserve Bank of India has vide their letter dated 8 April 2011 ("the RBI Letter") on Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment, permitted the Bank to amortise the additional liability on account of re-opening of pension option for existing employees who had not opted for pension earlier as well as the enhancement in gratuity limits over a period of five years beginning with the financial year ending 31 March 2011 subject to a minimum of 1/5th of the total amount involved every year.

The Bank has during the current year taken in its Profit and Loss account the full impact of Rs. 287,300 thousands on account of II Pension Option to retired/ separated employees as required by the RBI letter and Rs 207,353 thousands on account of amendment to the Payment of Gratuity Act which is allowed to be amortized over a period of five years by the RBI Letter. Further, the Bank has provided Rs.186,002 thousands representing one-fifth of the full impact of II Pension Option to the existing employees. In terms of the requirements of the RBI Letter, the balance impact of Rs. 744,008 thousands on account of II Pension Option to existing employees shall be provided over the next four years.

## NOTES ON ACCOUNTS

Had the RBI Letter not been issued, the profit of the Bank would have been lower by Rs. 744,008 thousands pursuant to application of the requirements of Revised AS 15.

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

### Profit and Loss account: - Net employee benefit expense (recognized in payment to and provision to employees)

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
1. Current service cost	93,552	50,721	276,820	141,121
2. Interest cost on benefit obligation	51,583	49,509	132,968	142,516
3. Expected return on plan assets	(61,623)	(53,674)	(164,833)	(111,394)
4. Net actuarial (gain)/ loss recognized in the year	86,390	(66,812)	1,213,144	162,948
5. Past service cost	207,353	44,529	-	-
6. Net expenses (1+2+3+4+5)	377,255	24,273	1,458,099*	335,191
Actual return on plan assets	46,500	68,931	1,064,051#	117,094

\* In terms of the requirements of the RBI letter dated 8th April 2011, the Bank has provided Rs. 186,002 thousands representing one-fifth of the full impact of Rs. 930,011 thousands on account of II Pension Option to the existing employees. The balance impact of Rs. 744,008 thousands on account of II Pension Option to existing employees shall be provided over the next four years.

# Includes employee contribution of Rs. 160,436 thousands and transfer of Bank's contribution to Provident fund amounting to Rs. 733,215 thousands.

(Rs. in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
1. Current service cost	25,899	12,238	22,720	19,516
2. Interest cost on benefit obligation	31,811	28,129	14,563	14,764
3. Net actuarial (gain)/ loss recognized in the year	(6,577)	(90)	11,485	(39,942)
4. Past service cost	-	-	-	-
5. Net expenses (1+2+3+4)	51,133	40,277	48,768	(5,662)

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Present value of obligation	964,586	668,621	3,684,462	2,045,609
Fair value of plan assets	(608,017)	(689,308)	(2,215,334)	(1,254,852)
Liability (Assets)	356,569	(20,687)	1,469,128	790,757
Liability (Asset) recognized in the Balance Sheet	356,569	(20,687)	1,469,128	790,757

(Rs. in thousands)

Particulars	Leave encashment		Leave availment	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Present value of obligation	434,860	383,727	219,495	170,727
Fair value of plan assets	-	-	-	-
Liability (Assets)	434,860	383,727	219,495	170,727
Liability (Asset) recognized in the Balance Sheet	434,860	383,727	219,495	170,727

## NOTES ON ACCOUNTS

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Opening defined benefit obligation	668,621	607,592	2,045,609	1,886,910
Interest cost	51,583	49,509	132,968	142,516
Current service cost	93,552	50,721	276,820	141,121
Past service cost	207,353	44,529	-	-
Benefits paid	(127,790)	(32,175)	(883,297)	(293,586)
Actuarial (gains) / losses on obligation	71,267	(51,555)	2,112,362	168,648
Closing defined benefit obligation	964,586	668,621	3,684,462	2,045,609

(Rs. in thousands)

Particulars	Leave encashment		Leave availment	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Opening defined benefit obligation	383,727	343,450	170,727	176,389
Interest cost	31,811	28,129	14,563	14,764
Current service cost	25,899	12,238	22,720	19,516
Benefits paid	-	-	-	-
Actuarial (gains) / losses on obligation	(6,577)	(90)	11,485	(39,942)
Closing defined benefit obligation	434,860	383,727	219,495	170,727

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Opening fair value of plan assets	689,308	652,552	1,254,852	1,220,561
Expected return	61,623	53,674	164,833	111,394
Contributions by employer	-	-	779,729	210,783
Benefits paid	(127,790)	(32,175)	(883,297)	(293,586)
Actuarial gains / (losses)	(15,124)	15,257	899,217	5,700
Closing fair value of plan assets	608,017	689,308	2,215,334	1,254,852

Experience adjustments

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Defined benefit obligations	964,586	668,621	3,684,462	2,045,609
Plan assets	608,017	689,308	2,215,334	1,254,852
(Surplus) / deficit	356,569	(20,687)	1469,128	790,757
Experience adjustments on plan liabilities	85,021	(36,439)	2,257,216	192,955
Experience adjustments on plan assets	(5,393)	13,915	907,893	(488)

(Rs. in thousands)

Particulars	Leave encashment and availment	
	31 March 2011	31 March 2010
Defined benefit obligations	654,355	554,454
Plan assets	-	-
(Surplus) / deficit	654,355	554,454
Experience adjustments on plan liabilities	35,535	(30,907)
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 2011	31 March 2010	31 March 2011	31 March 2010
Investments with insurer	100%	0.90%	100%	100%
Investment in Government/ PSU bonds/securities	-	99.10%	-	-

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

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Discount rate (%) p.a.	8.53	8.37	8.29	8.19
Expected rate of return on assets (%)	9.50	8.00	9.50	9.00
Employee turnover % p.a.	1 (IBA), 27 (Others)	1 (IBA), 25 (Others)	1 (IBA)	1 (IBA)

Particulars	Leave encashment		Leave availment	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Discount rate (%) p.a.	8.29	8.19	8.53	8.37
Expected rate of return on assets (%)	N.A.	N.A.	N.A.	N.A.
Employee turnover % p.a.	1 (IBA), 27 (Others)	1 (IBA), 25 (Others)	1 (IBA), 27 (Others)	1 (IBA), 25 (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 2011.

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

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision for income tax (including deferred tax)	1,649,883	1,290,947
Provision for wealth tax	2,275	1,908
Provision/ write off of non performing advances	1,561,000	2,296,263
Depreciation/ write off (write back) of investments (net)	12,411	(17,619)
Provision/ write off of non performing investments	42,566	-
Provision for standard assets	157,000	-
Provision for restructured advances	(204,074)	256,314
Others *	(52,891)	169,540
<b>Total</b>	<b>3,168,170</b>	<b>3,997,353</b>

\*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 Provisions for income taxes during the year

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision for income tax (including deferred tax)	1,649,883	1,290,947

## NOTES ON ACCOUNTS

### 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 2011 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	41,667	41,667	-	-	-
Financial Institutions	26,604,164	26,604,164	-	-	-
Banks	483,923	223,000	-	-	-
Private Corporates	642,930	390,330	-	381,507	302,255
Subsidiaries/ Joint Ventures	20,988	20,988	-	20,988	20,988
Others *	824,268	824,268	-	-	824,268
Provision held towards depreciation	(326,991)				
<b>Total</b>	<b>28,290,949</b>	<b>28,104,417</b>	<b>-</b>	<b>402,495</b>	<b>1,147,511</b>

\* 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 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	5415	5415	-	5415	5415
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)				
<b>Total</b>	<b>22,789,862</b>	<b>22,807,821</b>	<b>-</b>	<b>26,403</b>	<b>1,172,799</b>

\* 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.

#### 18.6.2 Non-performing non SLR investments

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Opening balance	-	-
Additions during the year	300,066	-
Reduction during the year	-	-
Closing balance	<b>300,066</b>	-
Total provisions held	300,066	-

## NOTES ON ACCOUNTS

### 18.6.3 Repo transactions

The details relating to repo transactions during the year ended 31 March 2011 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 2011
Securities sold under repos #	525,000	22,050,000	10,210,389	2,100,000
Government securities	525,000	22,050,000	10,210,389	2,100,000
Corporate debt securities	-	-	-	-
Securities purchased under reverse repos #	-	-	-	-
Government securities	-	-	-	-
Corporate debt securities	-	-	-	-

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

# Current year's figures are inclusive of LAF Repo Margin.

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	-	-	-	-
Government securities	-	-	-	-
Corporate debt securities	-	-	-	-
Securities purchased under reverse repos	1,500,000	18,000,000	5,986,316	-
Government securities	1,500,000	18,000,000	5,986,316	-
Corporate debt securities	-	-	-	-

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

### 18.6.4 Value of Investments

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Gross value of Investments		
a. In India	110,560,795	104,770,356
b. Outside India	-	-
Provisions for depreciation		
a. In India	354,142	41,165
b. Outside India	-	-
Net value of Investments		
a. In India	110,206,653	104,729,191
b. Outside India	-	-

## NOTES ON ACCOUNTS

### 18.6.5 Movement of provisions held towards depreciation on investments

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Opening balance	41,165	58,784
Add: Provisions made during the year	312,977	-
Less: Write-off/write-back of excess provisions during the year	-	17,619
Closing balance	354,142	41,165

### 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 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Standard advances restructured	No. of Borrowers	2	2	-	-	1	13
	Amount outstanding	262,436	1,347,129	-	-	19,960	998,223
	Sacrifice*	37,864	199,952	-	-	1,490	5,362
Sub standard advances restructured	No. of Borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Doubtful advances restructured	No. of Borrowers	1	-	-	-	-	1
	Amount outstanding	359,186	-	-	-	-	398,586
	Sacrifice*	-	-	-	-	-	36,882
Total	No. of Borrowers	3	2	-	-	1	14
	Amount outstanding	621,622	1,347,129	-	-	19,960	1,396,809
	Sacrifice*	37,864	199,952	-	-	1,490	42,244

\* Sacrifice is diminution in the fair value.

#### 18.7.2 Concentration of advances\*

(Rs. in thousands)

Particulars	31 March 2011	31 March 2010
Total advances to twenty largest borrowers	72,157,735	46,777,075
Percentage of advances to twenty largest borrowers to total advances of the bank	14.07%	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.14/13.03.00/2010-11 dated 1 July 2010.

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 2011	31 March 2010
Total exposures to twenty largest borrowers / customers	72,157,735	46,777,075
Percentage of exposures to twenty largest borrowers / customers to total exposures of the bank on borrowers / customers	14.02%	11.76%

\*Exposures is computed based on credit and investment exposure as prescribed in RBI master circular on exposure norms DBOD.No.Dir.BC.14/13.03.00/2010-11 dated 1 July 2010.

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.

## NOTES ON ACCOUNTS

### 18.7.4 Concentration of NPAs

(Rs. in thousands)

Particulars	31 March 2011	31 March 2010
Total exposure to top four NPA accounts	1,951,994	1,715,799

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

Particulars	31 March 2011	31 March 2010
Agriculture and allied activities	2.96%	2.45%
Industry (Micro & small, medium and large)	2.63%	7.00%
Services	0.94%	1.50%
Personal Loans	51.54%	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 NPAs

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Gross NPAs* as on 1 April 2010	2,345,106	2,093,900
Additions (fresh NPAs) during the year	2,360,155	4,100,326
<b>Total (A)</b>	<b>4,705,261</b>	<b>6,194,226</b>
Less:-		
(i) Upgradations	140,381	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,450,007	1,552,857
(iii) Write-offs (including technical write offs)	1,561,000	2,296,263
<b>Total (B)</b>	<b>3,151,388</b>	<b>3,849,120</b>
<b>Gross NPA as on 31 March 2011 (A-B)</b>	<b>1,553,873</b>	<b>2,345,106</b>

\*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

(Rs. in thousands)

Particulars	Gross*	Net
Opening balance as on 1 April 2009	2,093,900	2,004,140
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
<b>Closing balance as on 31 March 2010</b>	<b>2,345,106</b>	<b>2,218,267</b>
<b>NPAs to advances (%)#</b>		<b>1.20</b>
Provisioning Coverage Ratio (%)#		60.19
Additions during the year ended 31 March 2011	2,360,155	2,360,155
Reductions (including write offs) during the year ended 31 March 2011	3,151,388	3,660,566
<b>Closing balance as on 31 March 2011</b>	<b>1,553,873</b>	<b>917,856</b>
<b>NPAs to advances (%)#</b>		<b>0.39</b>
Provisioning Coverage Ratio (%)#		83.41

\* 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.



## NOTES ON ACCOUNTS

### 18.7.8 Movement in provisions for NPA

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Opening balance	-	-
Additions during the year	1,561,000	2,296,263
Technical write-offs/write backs during the year	1,561,000	2,296,263
Closing Balance	-	-

### 18.7.9 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.

### 18.7.10 Floating provision

The Bank has not created any floating provision.

### 18.7.11 Provisions on standard asset

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision towards standard assets during the year	157,000	-
Cumulative provision for standard assets as at year end	1,165,100	1,008,100

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

### 18.7.12 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 2011.

### 18.7.13 Purchase/ sale of non performing assets

No NPA accounts were purchased during the year ended 31 March 2011 (Previous year – Nil).

Details of non performing financial assets sold :

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
No. of accounts sold	1	-
Aggregate outstanding, net of provisions/ write offs (Rs. in thousands)	-	-
Aggregate consideration received (Rs. in thousands)	15,200	-

### 18.7.14 Sale of financial assets to Securitisation / Reconstruction Company for Asset Reconstruction

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Total number of accounts	2	-
Total number of transactions	2	-
Book value (net of provisions) of accounts sold (Rs. in thousands)	133,154	-
Aggregate consideration received (Rs. in thousands)	135,330	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value (Rs. in thousands)	2,176	-

#### 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.

### 18.7.15 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.

## NOTES ON ACCOUNTS

### 18.7.16 (a) Exposure to capital market

(Rs. in thousands)

Particulars		As at 31 March 2011	As at 31 March 2010
(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;	81,441	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;	2,046,759	2,015,705
(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;	3,414	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	182,128	858,857
(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)	-	-
<b>Total Exposure to Capital Market</b>		<b>2,313,742</b>	<b>2,879,977</b>

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

### (b) Exposure to real estate sector

(Rs. in thousands)

Particulars		As at 31 March 2011	As at 31 March 2010
<b>(a) Direct exposure</b>			
(i)	<b>Residential mortgages (fully secured)</b>		
	Individual housing loans up to 20 lakhs	9,784,719	8,938,258
	Others	33,738,030	28,340,397
(ii)	<b>Commercial real estate</b>		
	Fund Based	10,581,913	9,595,305
	Non- Fund Based	455,887	634,805
(iii)	<b>Investment in mortgage backed securities and other securitised exposures</b>		
	a. Residential	824,268	1,404,695
	b. Commercial real estate	-	-
<b>(b) Indirect exposure</b>			
	Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	3,329,809	7,024,159
	Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
<b>Total</b>		<b>58,714,626</b>	<b>55,937,619</b>

## NOTES ON ACCOUNTS

### 18.7.17 Prudential exposure limits – quantitative disclosures

Details of credit exposures where the Bank has exceeded the prudential exposure during the year ended 31 March 2011:

(Rs. in thousands)

Name of the borrower	Exposure ceiling	Limits sanctioned	Maximum amount outstanding during the year	Outstanding balance as at 31 March 2011	Exposure as a % of capital funds
Sistema Shyam Teleservices Ltd	6,109,980	7,200,000	6,986,389	6,975,320	23.57%
Unitech Wireless (Tamilnadu) Pvt. Ltd	6,109,980	7,600,000	7,632,435	7,632,435	24.98%

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.

### 18.7.18 Risk category wise country exposure

As per the RBI guidelines, the country exposure of the Bank is categorized into various risk categories and depending on the risk category, the banks are required to make provision where net funded exposure to any country exceeds 1% of banks assets. As on the 31 March 2011 net funded exposure to no country has exceeded 1% of total assets of the bank (Previous year – Nil).

### 18.7.19 Concentration of Deposits

(Rs. in thousands)

Particulars	31 March 2011	31 March 2010
Total deposits of twenty largest depositors	72,273,048	63,254,819
Percentage of Deposits of twenty largest depositors to Total deposits of the bank	23.94%	24.46%

## 18.8 Fixed Assets

### 18.8.1 Capital work in progress

The Capital work in progress (Premises) Nil (Previous year Rs. 2,017,211 thousands) includes Nil (Previous year Rs. 1,321,766 thousands) towards the lease premium paid to Mumbai Metropolitan Regional Development Authority (MMRDA) in connection with the lease of land. During the current year, the Bank has completed construction of the building and executed lease agreement with MMRDA. Consequently, the entire amount of capital work in progress including the lease premium has been capitalized in the current year.

### 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

## NOTES ON ACCOUNTS

summary of future minimum lease rental commitments for such non-cancellable operating leases:

(Rs. in thousands)

Particulars	As at 31 March 2011	As at 31 March 2010
Not later than one year	41,066	67,332
Later than one year and not later than five years	46,361	15,380
Later than five years	-	-
<b>Total minimum lease rental commitments</b>	<b>87,427</b>	<b>82,712</b>

Additionally, the Bank also leases office / branch premises under cancellable operating lease agreements. Total lease rental expenditure under cancellable and non-cancellable operating leases debited to profit and loss account in the current year is Rs. 587,924 thousands (Previous year: Rs. 562,413 thousands).

### Finance leases

The Bank has taken no assets under finance leases / hire purchases:

## 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 charge of Rs. 233,362 thousands (Previous year Rs. (282,761) 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 2011	As at 31 March 2010
<b>Deferred tax assets</b>		
on account of provisions	567,288	830,893
on leave encashment	217,360	188,459
on investments	951,295	868,845
on pension fund	124,095	169,308
<b>Total deferred tax asset</b>	<b>1,860,038</b>	<b>2,057,505</b>
<b>Deferred tax liabilities</b>		
on depreciation on fixed assets	174,860	135,312
on bad debts claim	157,085	160,738
<b>Total deferred tax liability</b>	<b>331,945</b>	<b>296,050</b>
<b>Net deferred tax assets</b>	<b>1,528,093</b>	<b>1,761,455</b>

## 18.10 Intangibles

(Rs. in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block
	As at 1 April 2010	Additions	Deletions	As at 31 March 2011	As at 1 April 2010	Charge for the year	Deletions	As at 31 March 2011	As at 31 March 2011
<b>Intangible assets</b>									
Application software*	797,766	101,219	-	898,985	658,000	108,257	-	766,257	132,728
<b>Total</b>	<b>797,766</b>	<b>101,219</b>	<b>-</b>	<b>898,985</b>	<b>658,000</b>	<b>108,257</b>	<b>-</b>	<b>766,257</b>	<b>132,728</b>
<b>Previous year</b>	<b>652,300</b>	<b>145,466</b>	<b>-</b>	<b>797,766</b>	<b>539,643</b>	<b>118,357</b>	<b>-</b>	<b>658,000</b>	<b>139,766</b>

\*forms part of "Other fixed assets" in Schedule 10

## NOTES ON ACCOUNTS

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

During the year 2009 - 10 the Bank had raised Tier I capital of Rs. 4,159,132 thousands by way of Qualified Institutions Placement (QIP) and preferential allotment. The Bank had incurred expenses of Rs. 32,090 thousands towards payment of commission to the Book Running Lead Managers in connection with the QIP and had 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 had sought RBI's approval, which is awaited.

### 18.12 Details of provisions

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Opening balance	428,040	317,952
Additions during the year	40,953	144,496
Reversals during the year	62,979	33,746
Amounts used	625	662
<b>Closing Balance</b>	<b>405,389</b>	<b>428,040</b>

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 2011	As at 31 March 2010
The notional principal of swap agreements	185,426,734	201,932,639
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	986,193	1,294,207
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with banks (73%)	Predominantly with banks (76%)
The fair value of the swap book [asset / (liabilities)]	(256,872)	(37,961)

# MTM netted off counterparty wise

##### Forward Rate Agreements (FRA)

(Rs. in thousands)

Particulars	As at 31 March 2011	As at 31 March 2010
The notional principal of FRA agreements	1,337,885	898,000
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	2,693	146
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)]	45.35	11.43

# MTM netted off counterparty wise.

## NOTES ON ACCOUNTS

### Derivatives: Currency Swaps

(Rs. in thousands)

Particulars	As at 31 March 2011	As at 31 March 2010
The notional principal of swap agreements	61,308,683	60,052,518
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	3,188,415	1,781,588
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks (86%)	Predominantly with Banks (74%)
The fair value of the swap book [asset / (liabilities)]	98,654	15,592

# 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 2011 is Rs. 248,073,272 thousands (Previous year Rs. 262,883,157 thousands).

#### Indian Rupee – Interest Rate Swaps for the year ended 31 March 2011

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	110	35,250,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	102	34,050,000	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	30	10,250,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	39	15,840,000	MIFOR	Fixed Receivable vs Floating Payable
	<b>Total</b>	<b>95,390,000</b>		

#### 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
	<b>Total</b>	<b>115,810,500</b>		

#### Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2011

Nature	Number	Notional Principal (Rs. thousands)	Benchmark	Terms
Trading	87	48,043,752	LIBOR	Fixed Payable vs Floating Receivable
Trading	105	43,568,913	LIBOR	Fixed Receivable vs Floating Payable
Trading	40	30,263,763	LIBOR	Float Receivable vs Float Payable
Trading	8	6,112,460	Principal	Fixed Payable
Trading	3	347,324	Principal	Fixed Receivable
Trading	15	5,328,900	Principal	Fixed Received vs Fixed Paid
Trading	49	5,490,423	Principal	Principal only Swaps
Hedging	2	3,395,919	LIBOR	Float Receivable vs Float Payable
Hedging	4	3,958,776	LIBOR	Fixed Payable vs Floating Receivable
Hedging	7	6,173,044	Principal	Fixed Received vs Fixed Paid
	<b>Total</b>	<b>152,683,274</b>		

## NOTES ON ACCOUNTS

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
	<b>Total</b>	<b>147,072,657</b>		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2011 is Rs. (158,173) thousands (Previous year Rs. (22,358) thousands), which represents the net mark to market loss on swap contracts. As at 31 March 2011 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 81.72% (Previous year: 74.76%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of Rs. 1,810 thousands (Previous year: Rs. 1,132 thousands) on total Interest Rate Swap trading book including Rupee IRS, FX IRS, CS and FRA. Agreements are with Banks/ Financial Institutions and corporate under approved credit lines.

The fair value of the Option Book as at 31 March 2011 on a net basis is Rs. 7,186 thousands. As at 31 March 2011 notional outstanding for outstanding option contracts is Rs. 48,794,119 thousands (Previous year: Rs 137,180,790 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 2011 (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 2011	As at 31 March 2010	As at 31 March 2011	As at 31 March 2010
(i)	Derivatives (Notional Principal Amount) *				
a)	For hedging	13,527,739	6,888,865	-	-
1.2 b)	For trading	47,780,945	53,163,653	186,764,589	202,830,639
(ii)	Marked to Market Positions				
a)	Asset (+)	3,227,057	2,306,880	2,189,838	2,489,272
1.3 b)	Liability (-)	3,128,403	2,291,288	2,446,665	2,527,222
(iii)	Credit Exposure	8,723,282	7,896,989	4,003,632	4,402,320
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #				
a)	on hedging derivatives			159,927	192,031
1.4 b)	on trading derivatives			21,093	(78,851)
(v)	Maximum and Minimum of 100*PV01 #				
a)	on hedging				
-	Maximum			334,086	445,943
1.5 -	Minimum			155,816	191,499
1.6 b)	on trading				
-	Maximum			51,017	120,851
1.7 -	Minimum			(95,400)	66,071

# 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 Bank (Employees) Pension Fund

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

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 - (-) Outstanding - (-)	Maximum 1,201,612 (1,005,302) Outstanding 1,126,132 (1,005,302)	- (-) - (-)	Maximum 1,201,612 (1,005,302) Outstanding 1,126,132 (1,005,302)
Investment in Tier II Bonds	Maximum - (-) Outstanding - (-)	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)	- (-) - (-)	Maximum 10,000 (10,000) Outstanding 10,000 (10,000)
Investment in Upper Tier II Bonds	Maximum - (-) Outstanding - (-)	Maximum 3,623,533 (3,031,546) Outstanding 3,395,919 (3,031,546)	- (-) - (-)	Maximum 3,623,533 (3,031,546) Outstanding 3,395,919 (3,031,546)
Deposits kept with Bank including lease deposit	Maximum 71,304 (89,990) Outstanding 30,435 (35,956)	Maximum 588,470 (912,120) Outstanding 587,841 (556,165)	- (-) - (-)	Maximum 659,774 (1,002,110) Outstanding 618,276 (592,121)
Deposit kept with other banks	Maximum - (-) Outstanding - (-)	Maximum 1,164,120 (1,818,565) Outstanding 14,831 (19,575)	- (-) - (-)	Maximum 1,164,120 (1,818,565) Outstanding 14,831 (19,575)
Investment	Maximum 20,988 (20,988) Outstanding 20,988 (20,988)	Maximum - (-) Outstanding - (-)	- (-) - (-)	Maximum 20,988 (20,988) Outstanding 20,988 (20,988)
Borrowing	Maximum - (-) Outstanding - (-)	Maximum 19,446,300 (13,963,900) Outstanding 19,446,300 (9,895,575)	- (-) - (-)	Maximum 19,446,300 (13,963,900) Outstanding 19,446,300 (9,895,575)
Call borrowing	Maximum - (-) Outstanding - (-)	Maximum 917,600 (628,600) Outstanding - (-)	- (-) - (-)	Maximum 917,600 (628,600) Outstanding - (-)
Lending	Maximum - (-) Outstanding - (-)	Maximum 3,225,960 (-) Outstanding 1,783,800 (-)	- (-) - (-)	Maximum 3,225,960 (-) Outstanding 1,783,800 (-)
Interest paid	1,286 (564)	1,664,586 (297,504)	- (-)	1,665,872 (298,068)
Interest received	- (-)	588,126 (11)	- (-)	588,126 (11)
Charges Paid	- (-)	269 (335)	- (-)	269 (335)
Interest accrued but not due (payable)	638 (508)	58,169 (15,693)	- (-)	58,807 (16,201)

## 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
Interest accrued but not due (receivable)	- (-)	16 (-)	- (-)	16 (-)
Dividend Received	5,528 (-)	- (-)	- (-)	5,528 (-)
Purchase and sale of securities	- (-)	491,185 (-)	- (-)	491,185 (-)
Rendering of services	- (7)	- (-)	- (-)	- (7)
Receivable from rendering of services	- (-)	- (-)	- (-)	- (-)
Reimbursement received	- (-)	6,520 (1,613)	- (-)	6,520 (1,613)
Reimbursement paid	- (764)	22,010 (31,313)	- (-)	22,010 (32,077)
Receiving of services	407,918 (295,613)	- (-)	- (-)	407,918 (295,613)
Receiving of services – outstanding	47,560 (34,042)	- (-)	- (-)	47,560 (34,042)
Contribution to employee welfare funds - Paid	- (-)	932,915 (316,214)	- (-)	932,915 (316,214)
Contribution to employee welfare funds- Payable	- (-)	725,119 (790,757)	- (-)	725,119 (790,757)
Managerial remuneration	- (-)	- (-)	14,969 (7,644)	14,969 (7,644)
Bank guarantees Received	- (-)	1,928,942 (-)	- (-)	1,928,942 (-)
Bank guarantees- Issued	- (-)	- (4,314,403)	- (-)	- (4,314,403)
Derivative transactions - notional outstanding	Maximum - (-) Outstanding - (-)	Maximum 84,396,702 (79,457,481) Outstanding 82,385,030 (71,839,393)	- - (-) - (-)	Maximum 84,396,702 (79,457,481) Outstanding 82,385,030 (71,839,393)
Forward transactions	Maximum - (-) Outstanding - (-)	Maximum 52,336,653 (44,436,632) Outstanding 11,516,484 (23,829,744)	- - (-) - (-)	Maximum 52,336,653 (44,436,632) Outstanding 11,516,484 (23,829,744)
Premium received	- (-)	3,442 (2,199)	- (-)	3,442 (2,199)
Premium paid	- (-)	15,865 (14,053)	- (-)	15,865 (14,053)
Commission received	- (-)	11,119 (12,835)	- (-)	11,119 (12,835)
Gain / (loss) on Liquidation	- (-)	(133) (19,117)	- (-)	(133) (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)

During the year 2010 – 11, 700 thousands (Previous Year: Nil) number of stock options under “ESOS 2010” scheme have been issued to the MD & CEO.

(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 2011	As at 31 March 2010
Tier I capital (Rs. in thousands)	24,636,576	20,724,662
Tier II capital (Rs. in thousands)	9,439,547	9,825,196
<b>Total capital</b>	<b>34,076,123</b>	<b>30,549,858</b>
Capital ratios		
Tier I capital (%)	9.36%	10.11%
Tier II capital (%)	3.58%	4.80%
<b>Total capital (%)</b>	<b>12.94%</b>	<b>14.91%</b>
Percentage of shareholding of the Government of India	-	-
Amount of Innovative Perpetual Debt Instrument (Rs. in thousands)	1,126,132	1,005,302
Amount of subordinated debt outstanding as Tier II capital (Rs. in thousands)	7,815,919	8,231,546

#### 18.15.2 Business ratios and other information are set out below:

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Interest Income as a percentage to working funds \$	7.49%	7.42%
Non-interest income as a percentage to working funds	1.82%	2.06%
Operating profit as a percentage to working funds \$	1.77%	2.13%
Return on assets @	0.89%	0.80%
Business (Deposits plus advances) per employee # (Rs. in thousands)	67,479	62,378
Profit per employee # (Rs. in thousands)	453	388

\$ 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 .

# 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 2011	As at 31 March 2010
Earnings for the year (Rs. in thousands)	3,186,490	2,422,171
Basic weighted average number of shares (Nos)	120,456,832	112,066,989
Basic EPS (Rs.)	26.45	21.61
Dilutive effect of stock options (Nos)	2,320,887	1,508,631
Diluted weighted average number of shares (Nos)	122,777,719	113,575,620
Diluted EPS (Rs.)	25.95	21.33
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 2011

(Rs. in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011
Revenue	22,771,794	17,351,129	24,621,698	-	64,744,621
Less: Inter segment revenue	(15,434,263)	(3,158,734)	(12,661,413)	-	(31,254,410)
<b>Net Revenue</b>	<b>7,337,531</b>	<b>14,192,395</b>	<b>11,960,285</b>	<b>-</b>	<b>33,490,211</b>
Result	782,653	3,282,435	2,289,572	-	6,354,660
Unallocated expenses					
<b>Operating Profit</b>					<b>6,354,660</b>
Provisions and contingencies	12,933	749,756	753,323	-	1,516,012
Unallocated provision & contingencies					-
Taxes					1,652,158
<b>Net Profit</b>					<b>3,186,490</b>
Other Information	As at 31 March 2011	As at 31 March 2011	As at 31 March 2011	As at 31 March 2011	As at 31 March 2011
Segment Assets	138,282,392	149,050,580	98,021,561	-	385,354,533
Unallocated Assets					4,785,170
<b>Total Assets</b>	<b>138,282,392</b>	<b>149,050,580</b>	<b>98,021,561</b>	<b>-</b>	<b>390,139,703</b>
Segment Liabilities	37,367,860	117,079,346	185,989,815	-	340,437,021
Unallocated Liabilities					23,459,856
Capital and Reserve & Surpluses					26,242,826
<b>Total Liabilities</b>	<b>37,367,860</b>	<b>117,079,346</b>	<b>185,989,815</b>	<b>-</b>	<b>390,139,703</b>

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

### Segment Results for the year ended 31 March 2010

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)
<b>Net Revenue</b>	<b>6,879,094</b>	<b>11,440,733</b>	<b>10,211,283</b>	<b>-</b>	<b>28,531,110</b>
Result	(124,523)	3,506,846	3,074,062	-	6,456,385
Unallocated expenses					36,861
<b>Operating Profit</b>					<b>6,419,524</b>
Provisions and contingencies	49,430	1,418,431	1,245,190	-	2,713,051
Unallocated provision & contingencies					(8,553)
Taxes					1,292,855
<b>Net Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,422,171</b>

## NOTES ON ACCOUNTS

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
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
<b>Total Assets</b>	<b>138,356,343</b>	<b>115,876,679</b>	<b>79,955,583</b>	<b>-</b>	<b>338,802,403</b>
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
<b>Total Liabilities</b>	<b>33,056,874</b>	<b>85,562,828</b>	<b>174,061,380</b>	<b>-</b>	<b>338,802,403</b>

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 2011	Year ended 31 March 2010
No. of complaints pending at the beginning of the year	80	89
No. of complaints received during the year	12,528	16,233
No. of complaints redressed during the year	12,564	16,242
No. of complaints pending at the end of the year	44	80

The above details are as certified by the management.

##### 2. Awards passed by Banking Ombudsman:

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
No. of unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by Banking Ombudsman during the year	-	-
No. of Awards implemented during the year	-	-
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.)

## NOTES ON ACCOUNTS

### 18.17.3 Maturity profile of assets and liabilities

Maturity profile of assets and liabilities as at 31 March 2011 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	4,130,754	17,814,834	29,794,164	17,852,203	75,576,127	28,320,474	32,250,617	43,382,859	32,925,419	19,895,042	301,942,493
Advances	3,252,300	17,993,495	9,243,139	13,366,805	24,950,719	22,082,685	31,080,277	47,141,121	26,377,665	40,533,149	236,021,355
Investments	5,945,092	4,864,740	7,192,591	4,561,493	20,908,807	6,909,271	10,167,770	19,176,282	14,226,852	16,253,755	110,206,653
Borrowings	737	2,229,750	5,000,000	1,114,875	11,696,025	4,391,900	3,344,636	5,169,139	1,120,000	7,402,051	41,469,113
Foreign Currency assets	44,909	310,696	348,431	1,057,220	5,075,997	3,128,465	1,833,390	145,158	14,573	111,543	12,070,382
Foreign Currency liabilities	46,457	2,406,433	139,633	1,139,946	8,862,017	1,135,853	3,825,678	3,815,551	390,602	4,673,579	26,435,749

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.

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

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 413 (Previous year: 262) letter of comforts/ undertaking issued and outstanding as on 31 March 2011 amounting to Rs. 11,011,569 thousands (Previous year: Rs. 8,449,626 thousands).

### 18.17.5 Draw down from Reserves

During the year, the Bank has utilized the securities premium account for meeting direct expenses of Nil (Previous Year: Rs. 38,115 thousands) relating to the QIP issue, as per the RBI mail box clarification dated 9 October 2007.

## NOTES ON ACCOUNTS

### 18.17.6 Fees/remuneration received from Bancassurance business:

Sl. No.	Nature of Income	Year ended 31 March 2011	Year ended 31 March 2010
1	For selling life insurance policies	685,435	426,315
2	For selling non life insurance policies	11,474	11,104
3	For selling mutual fund products	300,790	299,558
4	Others	29,477	29,436

### 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 entered into an agreement to lease with MMRDA and commenced construction of the building. Since the Bank paid the incremental amount before the right to lease was acquired, the incremental amount of Rs. 307,252 thousands was considered as part of the acquisition cost of the leased premises in the year 2009 - 10.

As a result, for the year 2009 – 10, profit before tax and profit after tax are higher by Rs. 307,252 thousands and 2,817 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

Arun Thiagarajan  
Chairman

Aditya Krishna  
Director

Vaughn Richtor  
Director

Place : Bangalore  
Date : 20 April 2011



# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Rs in thousands)

PARTICULARS		31 March 2011		31 March 2010	
A)	<b>Cash Flow from Operating Activities</b>				
	Net Profit before Tax and Extraordinary Items	4,838,648		3,715,026	
	Adjustments for :				
	Depreciation charges	497,764		433,545	
	Employee compensation expense (ESOS)	(501)		3,536	
	Provision/write off of Advances	1,561,000		2,296,263	
	(Profit)/Loss on revaluation of investment	975,170		989,272	
	Provision for Standard Assets	157,000		-	
	Other Provisions	(214,397)		425,854	
	Lease Adjustment Account	(20,455)		(22,216)	
	(Profit)/Loss on Sale of Assets (net)	(150,870)		(933)	
	Dividend received from subsidiary/others	(6,575)		(2,000)	
	Cash Generated from Operation	7,636,784		7,838,347	
	Less: Direct Taxes Paid	2,016,960		1,405,670	
			5,619,824		6,432,677
	Adjustments for :				
	Decrease / (Increase) in Advances	(52,510,460)		(19,804,358)	
	Decrease / (Increase) in Other assets	467,245		5,204,843	
	Non-Banking Assets sold	-		65,775	
	Decrease/ (Increase) in Investments	(6,495,200)		(763,073)	
	Increase / (Decrease) in Deposits	43,289,486		9,758,310	
	Increase / (Decrease) in Other liabilities	387,918		(1,270,260)	
	<b>Net Cash flow from / (used in) Operating Activities</b>		(9,241,187)		(376,086)
B)	<b>Cash Flow from Investing Activities</b>				
	Purchase of Fixed assets / leased assets	(797,108)		(1,018,124)	
	Sale of Fixed assets/ Leased assets	363,717		12,907	
	Dividend received from subsidiary/others	6,575		2,000	
C)	<b>Net Cash flow used in Investing Activities</b>		(426,816)		(1,003,217)
	<b>Cash Flow from Financing Activities</b>				
	Proceeds from issue of shares	10,202		173,624	
	Share premium collected	197,254		4,039,246	
	Dividend Paid	(350,887)		(240,083)	
	Increase/ (Decrease) in Borrowings	4,755,233		4,860,685	
	<b>Net Cash Flow from Financing Activities</b>		4,611,802		8,833,472
	<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>		(5,056,201)		7,454,169
	<b>Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)</b>		30,270,444		22,816,275
	<b>Cash and Cash equivalents as at the end of the year (Including Money At Call and Short Notice)</b>		25,214,243		30,270,444

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: 20 April 2011

For and on behalf of the Board

Arun Thiagarajan  
Chairman

Aditya Krishna  
Director

Place: Bangalore  
Date: 20 April 2011

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 2011
3	Number of Equity Shares held by ING Vysya Bank Ltd. And/or its nominees in the subsidiary as on 31 March 2011	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 31 March 2011	Rs. 28.48 lakhs
	b) for the previous financial years of the subsidiary since it became a subsidiary	Rs. 601.59 lakhs
6	Net Aggregate amount of profits/(losses) of the Subsidiary so far as it concerns Members of the ING Vysya Bank Limited dealt with or provided for in the Accounts of ING Vysya Bank Limited	
	a) for the financial year ended on 31 March 2011	Rs. 55.28 lakhs
	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

Arun Thiagarajan  
Chairman

Shailendra Bhandari  
Managing Director

Aditya Krishna  
Director

Vaughn Richtor  
Director

Place : Bangalore

Date : 20 April 2011



#### BOARD OF DIRECTORS

**Ashok Rao B**  
Managing Director and Chief Executive Officer

**M V S Appa Rao**  
Director

**Uday Sareen**  
Director

**Meenakshi A**  
Director

**Srinivas T**  
Company Secretary (till 19-Apr-2011)

**Mayank Verma**  
Company Secretary (from 20-Apr-2011)

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

**Bankers**  
ING Vysya Bank Limited  
Infantry Road  
Bangalore

#### **ING Vysya Financial Services Limited**

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

#### **Registrars & Share Transfer (R&T) Agents**

**Karvy Computershare Private Limited**  
Unit : ING Vysya Financial Services Limited  
17-24, Vittal Rao Nagar  
Madhapur  
Hyderabad – 500 081  
Ph : 040-4465 5000  
Fax : 040-2342 0814

## DIRECTORS' REPORT

To

### The Shareholders

The Board of Directors have pleasure in presenting the Twenty Fourth Annual Report of your Company together with the audited Statement of Accounts for the year ended 31st March 2011 and Auditors' Report thereon.

### PERFORMANCE

Financial results of your Company for the year ended 31st March 2011 are as under:

(Rs. in Lakh)

Particulars	For the year ended 31 March, 2011	For the year ended 31 March, 2010
GROSS INCOME	4110.62	3028.51
Administrative Expenses	4067.41	2895.80
Depreciation	0.02	0.31
OPERATING PROFIT (Profit before tax)	43.19	132.40
PROVISION FOR TAX	13.42	52.84
Deferred Tax Charge / (Credit)	1.29	(1.19)
PROFIT AFTER TAX	28.48	80.75

During the year under report, your company recorded a total income of Rs. 4110.62 Lakh and has posted a Net Profit of Rs. 28.48 Lakh after providing Rs. 0.02 Lakh for depreciation and Rs. 14.71 Lakh for taxation.

### DIVIDEND

The Board of Directors are pleased to recommend dividend at the rate of 10 % i.e. Rs. 0.25 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. 25,48,646/-.

### 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

- The Board of Directors at its meeting held on 19-Apr-2011 re-appointed Mr. Ashok Rao B as the Managing Director & Chief Executive Officer of the Company, without remuneration, for a period of one year effective 30-April-2011. A proposal to re-appoint Mr. Ashok Rao B as Managing Director & CEO, is being placed before the shareholders at the ensuing AGM.
- Ms. Meenakshi A 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. Ranjiv Walia would have held office, if he had not resigned i.e up to 24th AGM to be held in 2011. The Special Notice as required under Section 257 of the Companies Act, 1956 has been received by the Company for the appointment of Ms. Meenakshi A as a Director of the Company. A proposal to appoint Ms. Meenakshi A as a Director, liable to retire by rotation, is being placed before the shareholders at the ensuing AGM.
- Mr. Uday Sareen, Director retires by rotation and is eligible for re-appointment.

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

### Managing Director & Chief Executive Officer

Mr. Ashok Rao B

### Non-Executive Directors

Mr. M V S Appa Rao

Mr. Uday Sareen

Ms. Meenakshi A

During the year 2010-11, four Board Meetings were held. The dates of the Board meetings held were: 20-Apr-2010, 22-Sep-2010, 15-Dec-2010 and 11-Jan-2011.

## DIRECTORS' REPORT

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) they had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March 2011 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-2011 on a going concern basis.

### AUDITORS' REPORT

With reference to the observation made by the auditors in their report towards delay in payment of statutory dues for employees' state insurance, the Directors state that though the Cheque was dropped in the drop box before the due date, the deposit challan could not be sealed at the receiving bank due to change in process.

### AUDITORS

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

Subject to the approval of the shareholders, it is proposed to appoint M/s. B S R & Co, Chartered Accountants as Statutory Auditors of the Company for the financial year 2011-12.

Shareholders are requested to appoint the said auditors and authorize the Board of Directors to fix their remuneration.

### REGISTRARS AND SHARE TRANSFER AGENTS

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

### OUTLOOK

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

### ACKNOWLEDGEMENT

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

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

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

For and on behalf of the Board

**Ashok Rao B**  
Managing Director &  
Chief Executive Officer

**M V S Appa Rao**  
Director

Place : Bangalore  
Date : 19 April 2011

## 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 2011 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 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 2011;
- 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 : 19 April 2011

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/from companies, firms or other parties covered in the register maintained under section 301 of the 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 of 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 any major weakness in the 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.

## AUDITORS' REPORT

- (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 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, employees' state insurance, have generally been regularly deposited with the appropriate authorities though there has been a *slight delay in one case in deposit of employee state insurance*.  
In the case of profession taxes in certain jurisdictions, the Company has represented that payments to authorities have been made on time, however pending registration formalities, the cheques sent to those authorities have not been presented for payment/presented late for payment by those authorities. In view of the foregoing, we are unable to comment on the timely deposit of such dues.  
As explained to us, the Company did not have any dues on account of sales 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, employees' state insurance, income-tax, 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 explanation given to us, there are no amounts in respect of provident fund and professional 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	1,702,793	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 are 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 an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to 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 : 19 April 2011

## BALANCE SHEET AS AT 31 MARCH 2011

(Amount in Rs.)

	Schedules	31 March 2011	31 March 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	22,112,750	22,112,750
Reserves and surplus	2	60,459,005	60,159,413
		<u>82,571,755</u>	<u>82,272,163</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	3	1,122,486	1,122,486
Less : Accumulated depreciation / amortisation		<u>(1,121,858)</u>	<u>(1,119,468)</u>
Net block		<u>628</u>	<u>3,018</u>
<b>Deferred Tax Asset (net)</b>		1,464,378	1,593,277
<b>Current Assets, Loans and Advances</b>			
Sundry debtors	4	47,560,331	34,042,273
Cash and bank balances	5	30,635,443	35,451,495
Loans and advances	6	24,423,332	28,463,979
		<u>102,619,106</u>	<u>97,957,747</u>
<b>Current Liabilities and Provisions</b>			
Current Liabilities	7	17,341,376	9,427,369
Provisions	8	4,170,981	7,854,510
		<u>21,512,357</u>	<u>17,281,879</u>
<b>Net Current Assets</b>		81,106,749	80,675,868
		<u>82,571,755</u>	<u>82,272,163</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 : 19 April 2011

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 : 19 April 2011

M V S Appa Rao  
Director



# **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011**

(Amount in Rs.)

	Schedule	31 March 2011	31 March 2010
<b>Income</b>			
Outsourcing income	9	407,918,306	295,612,908
Other income	10	3,144,216	7,238,370
		<u>411,062,522</u>	<u>302,851,278</u>
<b>Expenditure</b>			
Personnel expenses	11	396,857,652	285,873,017
Operating expenses	12	9,883,311	3,707,384
Depreciation	3	2,390	30,646
		<u>406,743,353</u>	<u>289,611,047</u>
<b>Profit before Tax</b>		<b>4,319,169</b>	<b>13,240,231</b>
Provision for tax			
– current tax		1,342,032	5,283,838
– deferred tax charge/ (credit)		<u>128,899</u>	<u>(118,506)</u>
<b>Net Profit for the year</b>		<b>2,848,238</b>	<b>8,074,899</b>
Profit and Loss account, beginning of the year		<u>36,372,105</u>	<u>35,572,400</u>
Amount available for Appropriations		<u>39,220,343</u>	<u>43,647,299</u>
<b>APPROPRIATIONS</b>			
Proposed dividend		2,211,275	5,528,188
Dividend distribution tax		337,371	939,516
General reserve		71,206	807,490
Amount carried to Balance Sheet		<u>36,600,491</u>	<u>36,372,105</u>
		<u>39,220,343</u>	<u>43,647,299</u>
<b>Earnings per Share (basic and diluted)</b>		<b>0.32</b>	<b>0.91</b>
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 : 19 April 2011

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 : 19 April 2011

M V S Appa Rao  
Director

## SCHEDULES TO THE ACCOUNTS

(Amount in Rs.)

	31 March 2011	31 March 2010
<b>1. Share Capital</b>		
<b>Authorised capital</b>		
40,000,000 (2010 - 40,000,000) equity shares of Rs.2.50 each	100,000,000	100,000,000
<b>Issued, subscribed and paid-up capital</b>		
8,845,100 (2010 - 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 (2010 - 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		
<b>2. Reserves and Surplus</b>		
A. General reserve	23,787,308	22,979,818
Add: Additions during the year	71,206	807,490
Total	<u>23,858,514</u>	<u>23,787,308</u>
B. Profit and Loss Account	36,600,491	36,372,105
	<u>60,459,005</u>	<u>60,159,413</u>

### 3. Fixed Assets

(Amount in Rs.)

	Gross block				Depreciation / Amortisation				Net block	
	As at 1 April 2010	Additions	Deletions	As at 31 March 2011	As at 1 April 2010	For the year	Deletions	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
<b>Tangible Assets</b>										
Computers	882,782	-	-	882,782	882,782	-	-	882,782	-	-
Office equipment	198,156	-	-	198,156	195,138	2,390	-	197,528	628	3,018
<b>Intangible Assets</b>										
Computer software	41,548	-	-	41,548	41,548	-	-	41,548	-	-
<b>Total</b>	<b>1,122,486</b>	<b>-</b>	<b>-</b>	<b>1,122,486</b>	<b>1,119,468</b>	<b>2,390</b>	<b>-</b>	<b>1,121,858</b>	<b>628</b>	<b>3,018</b>
<i>Previous year</i>	<i>1,122,486</i>	<i>-</i>	<i>-</i>	<i>1,122,486</i>	<i>1,088,822</i>	<i>30,646</i>	<i>-</i>	<i>1,119,468</i>	<i>3,018</i>	<i>-</i>

## SCHEDULES TO THE ACCOUNTS

(Amount in Rs.)

	31 March 2011	31 March 2010
<b>4. Sundry Debtors*</b>		
Debtors outstanding for a period exceeding six months		
- Unsecured, considered good	-	206,776
Other Debts		
- Unsecured, considered good	47,560,331	33,835,497
	<u>47,560,331</u>	<u>34,042,273</u>
Less: Provision for doubtful debtors	-	-
	<u>47,560,331</u>	<u>34,042,273</u>
* includes due from companies under same management -Rs. 47,560,331/- (2010 - Rs. 34,042,273/-).		
<b>5. Cash and Bank Balances</b>		
Cash in hand	-	-
Balances with scheduled banks		
- in current account	4,861,354	15,451,495
- in deposit account	25,774,089	20,000,000
	<u>30,635,443</u>	<u>35,451,495</u>
<b>6. Loans and Advances</b>		
Unsecured, considered good		
- Advances recoverable in cash or in kind for value to be received	590,108	829,882
- Advance tax, net of provision (Including FBT)	22,803,356	27,126,340
- Other current assets**	1,029,868	507,757
	<u>24,423,332</u>	<u>28,463,979</u>
** includes due from companies under same management -Rs. 637,783/- (2010 - Rs. 507,757/-).		
<b>7. Current Liabilities</b>		
Sundry creditors for supplies, expenses and services	11,739,825	4,741,073
Other Liabilities	5,601,551	4,686,296
	<u>17,341,376</u>	<u>9,427,369</u>
<b>8. Provisions</b>		
Proposed dividend	2,211,275	5,528,188
Dividend tax	358,724	939,516
Provision for gratuity	1,042,029	1,164,456
Provision for leave	558,953	222,350
	<u>4,170,981</u>	<u>7,854,510</u>

## SCHEDULES TO THE ACCOUNTS

(Amount in Rs.)

	For the year ended 31 March 2011	For the year ended 31 March 2010
<b>9. Income from Outsourcing Activities</b>		
Outsourcing Income	407,918,306	295,612,908
	<u>407,918,306</u>	<u>295,612,908</u>
<b>10. Other Income</b>		
Interest income [TDS Rs. 128,566/-; (2010 - Rs.56,418)]	2,804,706	3,452,548
Recovery from leased assets	336,000	3,514,000
Miscellaneous income	3,510	271,822
	<u>3,144,216</u>	<u>7,238,370</u>
<b>11. Personnel Costs</b>		
Salaries, wages, allowances and bonus	359,793,026	263,789,653
Gratuity	85,859	877,450
Contribution to provident fund and Employee State Insurance	36,928,423	21,184,937
Staff welfare expenses	50,344	20,977
	<u>396,857,652</u>	<u>285,873,017</u>
<b>12. Operating Expenses</b>		
Rates & taxes	53,733	19,404
Advertisement and marketing expenses	780	-
Electricity	-	6,844
Travelling and conveyance/ Relocation	612,723	50,742
Repairs and maintenance charges	39,456	-
Boarding & Loading Charges	841,904	-
Telephone	227,005	94,116
Legal and professional charges	5,894,570	1,767,273
Printing and stationery	416,085	396,928
Auditor's remuneration	345,000	345,000
Staff training expenses	479,709	-
Postage and telegram	65,087	53,557
Interest on tax	188,459	205,027
Insurance	670,573	157,285
Bad Debts - written off	-	595,491
Miscellaneous expenses	48,227	15,717
	<u>9,883,311</u>	<u>3,707,384</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Schedule 13

(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

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

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Key Management Personnel

Ashok Rao – Managing Director & CEO

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

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Outsourcing Income	407,918,306	295,612,908
Interest income	1,285,663	564,175
Electricity	-	6,844
Reimbursement for Fixed Assets	-	764,065
Dividend Paid	5,528,188	-

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

Particulars	31 March 2011	31 March 2010
<b>Receivables:</b>		
Receivables	47,560,331	34,042,273
Interest accrued on bank deposits	637,783	507,757
<b>Balance with Bank</b>		
In current account	4,661,245	15,448,702
In deposit account	25,774,089	20,000,000

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

### 4. Contingent Liabilities and Commitments

Particulars	31 March 2011	31 March 2010
Income tax demand for which appeals pending	856,696	856,696
Service tax demand for which appeals pending	8,826,935	8,826,935
	<b>9,683,631</b>	<b>9,683,631</b>

### 5. Deferred tax

Components of deferred tax asset and liability are as follows:

Particulars	31 March 2011	31 March 2010
Deferred tax asset on account of provision for employee benefits	531,806	471,376
Deferred tax asset on account of depreciation	932,572	1,121,901
<b>Net deferred tax asset</b>	<b>1,464,378</b>	<b>1,593,277</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Earnings Per Share ('EPS')

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

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Profit after tax	2,848,238	8,074,899
Weighted average number of equity shares outstanding during the year considered for computation of Basic and Diluted EPS.	8,845,100	8,845,100
<b>Basic and Diluted earnings per share of face value Rs. 2.50 each</b>	<b>0.32</b>	<b>0.91</b>

### 7. Auditors' Remuneration (excluding service taxes)

Particulars	31 March 2011	31 March 2010
Statutory audit fees	300,000	300,000
Out of pocket expenses	45,000	45,000
	<b>345,000</b>	<b>345,000</b>

### 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 60 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)

Particulars	Gratuity		Leave	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Current service cost	73,605	72,275	69,136	67,633
Interest cost on benefit obligation	90,551	22,960	18,989	15,760
Expected return on plan assets	-	-	-	-
Net actuarial (gain)/ loss recognised in the year	(78,297)	782,215	248,478	(58,044)
Net benefit expense	85,859	877,450	336,603	25,349

#### Balance Sheet

Details of Provision for Gratuity and Leave benefits

Particulars	Gratuity		Leave	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Present value of obligation	1,042,029	1,164,456	558,953	222,350
Fair value of Plan Assets	-	-	-	-
Liabilities (Assets)	1,042,029	1,164,456	558,953	222,350
Unrecognised past service cost	-	-	-	-
Liability (Asset) recognized in the Balance Sheet	1,042,029	1,164,456	558,953	222,350



## NOTES TO THE FINANCIAL STATEMENTS

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

Particulars	Gratuity		Leave	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Present value of obligation beginning of the Period	1,164,456	287,006	222,350	197,001
Interest cost on benefit obligation	90,551	22,960	18,989	15,760
Current service cost	73,605	72,275	69,136	67,633
Benefits paid	(208,286)	-	-	-
Actuarial (gain) / loss on obligation	(78,297)	782,215	248,478	(58,044)
Present value of obligation at end of the period	1,042,029	1,164,456	558,953	222,350

### Experience adjustments

Particulars	Gratuity		Leave	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Experience adjustment	(92,947)	814,740	226,002	(37,056)
Assumption change	14,650	(32,525)	22,476	(20,988)
Total	(78,297)	782,215	248,478	(58,044)

### Assumptions for Gratuity and Leave Benefits

Particulars	31 March 2011	31 March 2010
Discount Rate p.a.	Gratuity – CTC -8.54%, Others - 8.54%; Leave – CTC -8.54%	Gratuity – CTC -8.58%, Others – 8.59%; Leave – CTC -8.58%
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.	10%	8%
Disability	Nil	Nil
Attrition p.a.	Gratuity – CTC -19%; Others – 97% Leave – CTC -19%	Gratuity – CTC -12%; Others – 97% Leave – CTC -12%
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 (2010 - Nil).
11. Managerial remuneration: Nil (2010 - Nil).
12. Capital commitment: Nil (2010 – 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 2011.
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 : 19 April 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Amount in Rs.)

	31 March 2011	31 March 2010
<b>Cash flow from operating activities</b>		
Profit before Taxation	4,319,169	13,240,231
Depreciation	2,390	30,646
Interest income	(2,804,706)	(3,452,548)
Gratuity	85,859	877,450
Leave availment	336,603	25,349
<b>Operating profit before working capital changes</b>	<u>1,939,315</u>	<u>10,721,128</u>
Adjustments for :		
(Increase) / Decrease in loans and advances	(282,337)	(942,667)
(Increase) / Decrease in sundry debtors	(13,518,058)	(34,042,273)
Increase / (Decrease) in current liabilities and provisions	<u>7,705,721</u>	<u>(7,622,525)</u>
<b>Cash generated from operations</b>	<u>(4,155,359)</u>	<u>(31,886,337)</u>
Add: Net Income tax refund / (paid)	2,980,952	25,170,177
<b>Net cash flow from operating activities</b>	<u>(1,174,407)</u>	<u>(6,716,160)</u>
<b>Cash flow from investing activities</b>		
Interest received	2,804,706	3,452,548
<b>Net cash flow from investing activities</b>	<u>2,804,706</u>	<u>3,452,548</u>
<b>Cash flow from financing activities</b>		
Dividend paid	(5,528,188)	-
Tax on dividend	(918,163)	-
	<u>(6,446,351)</u>	<u>-</u>
<b>Net Cash Flow from Financing Activities</b>		
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<u>(4,816,052)</u>	<u>(3,263,612)</u>
Cash and cash equivalents as at the beginning of the year	35,451,495	38,715,107
Cash and cash equivalents as at the end of the year	30,635,443	35,451,495
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<u>(4,816,052)</u>	<u>(3,263,612)</u>
Cash and cash equivalents include the following:		
Cash on hand	-	-
Balances with scheduled banks in		
- Current Accounts	4,861,354	15,451,495
- Fixed Deposit	25,774,089	20,000,000
	<u>30,635,443</u>	<u>35,451,495</u>

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 : 19 April 2011

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 : 19 April 2011

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	31.03.2011		

### 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	82572	Total Assets	82572
<b>Sources of Funds</b>			
Paid-up Capital	22113	Secured Loans	NIL
Reserves & Surplus	60459	Unsecured Loans	NIL
<b>Application of Funds</b>			
Net Fixed Assets	1	Net Current Assets	81107
Investments	NIL	Deferred Tax Assets	1464
Accumulated Losses	NIL	Misc. Expenditure	0

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

Turnover	411063	Total Expenditure	406743
Profit Before Tax	4319	Profit After Tax	2848
Earning Per Share in Rs.	0.32	Dividend Rate %	10%

### 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 : 19 April 2011

## 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 2011, 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).

Without qualifying our opinion, we draw attention to Note 18.17 to the consolidated financial statements, which describes deferment of pension liability relating to existing employees of the Bank arising out of the opening of the II Pension Option, to the extent of Rs. 744,009 thousands pursuant to the exemption granted by the Reserve Bank of India to the Bank from application of the provisions of Revised Accounting Standard (AS) 15, Employee Benefits vide its letter to the Bank dated 8 April 2011 regarding Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment.

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 2011;
- (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  
20 April 2011

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2011	31 March 2010
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	1,209,867	1,199,665
Employees' Stock Options Outstanding (Net)		18,796	29,875
Reserves and Surplus	2	25,080,345	22,148,489
Deposits	3	301,912,058	258,617,558
Borrowings	4	41,469,113	36,713,880
Other Liabilities and Provisions	5	20,456,374	20,103,567
<b>TOTAL</b>		<b>390,146,553</b>	<b>338,813,034</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	21,837,810	23,295,871
Balance with Banks and Money at call and short notice	7	3,376,633	6,974,576
Investments	8	110,185,666	104,708,203
Advances	9	236,021,355	185,071,895
Fixed Assets	10	5,030,743	4,961,397
Other Assets	11	13,694,346	13,801,092
<b>TOTAL</b>		<b>390,146,553</b>	<b>338,813,034</b>
Contingent Liabilities	12	584,096,568	741,347,646
Bills for Collection		39,555,957	32,880,705
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

Arun Thiagarajan  
Chairman

Aditya Krishna  
Director

Place : Bangalore  
Date : 20 April 2011

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	SCHEDULE	31 March 2011	31 March 2010
<b>INCOME</b>			
Interest Earned	13	26,939,356	22,328,340
Other Income	14	6,547,186	6,209,437
<b>TOTAL</b>		<b>33,486,542</b>	<b>28,537,777</b>
<b>EXPENDITURE</b>			
Interest Expended	15	16,874,086	14,029,982
Operating Expenses	16	10,258,679	8,074,705
Provisions and Contingencies		3,169,641	4,002,518
<b>TOTAL</b>		<b>30,302,406</b>	<b>26,107,205</b>
<b>PROFIT/(LOSS)</b>			
Net Profit/(Loss) for the period		3,184,136	2,430,572
Consolidated Net Profit / (Loss) for the year attributable to the Group		3,184,136	2,430,572
Add: Brought forward consolidated profit / (loss) attributable to the Group		3,345,681	2,102,201
<b>TOTAL</b>		<b>6,529,817</b>	<b>4,532,773</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserve		796,622	605,543
Transfer to Capital Reserves		75,566	70,192
Transfer to Revenue and Other Reserves		72	807
Transfer to / (from) Investment Reserve		(109,952)	8,723
Transfer to Special Reserve ( u/s 36 (1) (viii) of Income Tax Act, 1961)		130,000	150,000
Proposed Dividend		362,960	299,916
Dividend Tax		59,218	51,911
Balance Carried to Consolidated Balance Sheet		5,215,331	3,345,681
<b>TOTAL</b>		<b>6,529,817</b>	<b>4,532,773</b>
Earnings Per Share ( Rs. Per Equity Share of Rs.10 each)			
Basic		26.43	21.69
Diluted		25.93	21.40
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

Arun Thiagarajan  
Chairman

Aditya Krishna  
Director

Place : Bangalore  
Date : 20 April 2011

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	31 March 2011	31 March 2010
<b>SCHEDULE 1 - CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
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
<b>ISSUED CAPITAL</b>		
121,275,144 (Previous Year 120,280,579) Equity shares of Rs.10 each	1,212,751	1,202,806
<b>SUBSCRIBED AND CALLED UP CAPITAL</b>		
120,986,738 (Previous Year 119,966,490) Equity shares of Rs.10 each fully called and paid up	1,209,867	1,199,665
<b>TOTAL</b>	<b>1,209,867</b>	<b>1,199,665</b>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>I. STATUTORY RESERVE</b>		
Opening balance	3,699,839	3,094,296
Additions during the year	796,623	605,543
<b>TOTAL (A)</b>	<b>4,496,462</b>	<b>3,699,839</b>
<b>II. CAPITAL RESERVE</b>		
<b>a) Revaluation Reserve</b>		
Opening balance	1,080,202	1,087,689
Less: Revaluation reserve reversed consequent to sale of assets/ transfer of assets	(30,681)	-
Less: Depreciation transferred to Consolidated Profit and Loss Account	(7,250)	(7,487)
<b>TOTAL (B)</b>	<b>1,042,271</b>	<b>1,080,202</b>
<b>b) Capital Reserve on Consolidation</b>		
Opening balance	1,125	1,125
Less: Deduction on disinvestment of Associate	-	-
<b>TOTAL (C)</b>	<b>1,125</b>	<b>1,125</b>
<b>c) Others</b>		
Opening balance	1,168,761	1,098,569
Add: Transfer from Consolidated Profit and Loss Account	75,567	70,192
<b>TOTAL (D)</b>	<b>1,244,328</b>	<b>1,168,761</b>
<b>TOTAL CAPITAL RESERVE (B+C+D)</b>	<b>2,287,724</b>	<b>2,250,088</b>
<b>III. SECURITIES PREMIUM</b>		
Opening balance	11,846,348	7,788,761
Add: Additions during the year	207,835	4,095,709
Less: Deletions during the year	-	(38,115)
<b>TOTAL (E)</b>	<b>12,054,183</b>	<b>11,846,355</b>
<b>IV. REVENUE AND OTHER RESERVES</b>		
<b>a) Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)</b>		
Opening balance	317,000	167,000
Add: Additions during the year	130,000	150,000
<b>TOTAL (F)</b>	<b>447,000</b>	<b>317,000</b>

# SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2011

(Rs. in thousands)		
PARTICULARS	31 March 2011	31 March 2010
<b>b) Revenue Reserves</b>		
Opening Balance	579,573	578,766
Add: Additions on consolidation of subsidiary	72	807
<b>TOTAL (G)</b>	<b>579,645</b>	<b>579,573</b>
<b>b) Investment Reserve</b>		
Opening Balance	109,953	101,230
Add: Additions during the year	(109,953)	8,723
<b>TOTAL (H)</b>	<b>-</b>	<b>109,953</b>
<b>TOTAL (IV) (F+G+H)</b>	<b>1,026,645</b>	<b>1,006,526</b>
<b>V. BALANCE IN CONSOLIDATED PROFIT AND LOSS ACCOUNT (I)</b>	<b>5,215,331</b>	<b>3,345,681</b>
<b>TOTAL (I to VI)</b>	<b>25,080,345</b>	<b>22,148,489</b>
<b>SCHEDULE 3 - DEPOSITS</b>		
<b>A. I. Demand Deposits</b>		
i. From banks	1,818,419	1,929,844
ii. From others	49,248,087	38,975,357
<b>II. Savings Bank Deposits</b>	<b>53,515,041</b>	<b>43,349,631</b>
<b>III. Term Deposits</b>		
i. From banks	61,027,083	51,994,987
ii. From others	136,303,428	122,367,739
<b>TOTAL (I to III)</b>	<b>301,912,058</b>	<b>258,617,558</b>
<b>B. Deposits of branches in India</b>	<b>301,912,058</b>	<b>258,617,558</b>
<b>C. Deposits outside India</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>301,912,058</b>	<b>258,617,558</b>
<b>SCHEDULE 4 - BORROWINGS*</b>		
<b>I. Borrowings in India</b>		
i. Reserve Bank of India	-	420,000
ii. Other banks	1,379,000	1,282,000
iii. Other institutions and agencies	16,121,762	21,079,457
<b>II. Borrowings outside India</b>	<b>23,968,351</b>	<b>13,932,423</b>
<b>TOTAL (I to II)</b>	<b>41,469,113</b>	<b>36,713,880</b>
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. 1,052.21 crores as on 31 March 2011 (Previous year Rs.1,003.69 crores).		



# SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	31 March 2011	31 March 2010
<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
I. Bills payable	4,385,882	4,548,873
II. Inter-office adjustments (net)	287,851	96,172
III. Interest accrued	1,625,751	1,410,648
IV. Provision against Standard Assets	1,165,100	1,008,100
V. Others (including provisions)	12,991,790	13,039,774
<b>TOTAL (I to V)</b>	<b>20,456,374</b>	<b>20,103,567</b>
<b>SCHEDULE 6- CASH AND BALANCE WITH RESERVE BANK OF INDIA</b>		
I. Cash in hand (including foreign currency notes)	3,999,906	3,527,902
II. Balances with Reserve Bank of India		
i. In current account	17,837,904	19,767,969
ii. In other accounts	-	-
<b>TOTAL (I to II)</b>	<b>21,837,810</b>	<b>23,295,871</b>
<b>SCHEDULE 7- BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
I. In India		
i) Balances with Banks		
a) In current accounts	1,057,655	1,342,066
b) In other deposit accounts	519,568	69,568
ii) Money at Call and Short Notice		
a) With banks	-	-
b) With others	-	4,998,201
<b>TOTAL (i to ii)</b>	<b>1,577,223</b>	<b>6,409,835</b>
II. Outside India		
i) Balances with Banks		
a) In current accounts	2,231	103,618
b) In other deposit accounts	-	-
ii) Money at Call and Short Notice		
a) With Banks	1,797,179	461,123
b) With Others	-	-
<b>TOTAL (i to ii)</b>	<b>1,799,410</b>	<b>564,741</b>
<b>GRAND TOTAL (I to II)</b>	<b>3,376,633</b>	<b>6,974,576</b>
<b>SCHEDULE 8 - INVESTMENTS (NET)</b>		
I. Investments in India		
i) Government securities ## ** \$	81,915,705	81,938,046
ii) Other approved securities ##	-	1,282
iii) Shares	81,026	5,000
iv) Debentures and bonds	1,584,771	1,694,686
v) Others @	26,604,164	21,069,189
<b>TOTAL</b>	<b>110,185,666</b>	<b>104,708,203</b>

# SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2011

		(Rs. in thousands)	
PARTICULARS		31 March 2011	31 March 2010
II. Investments outside India		-	-
GRAND TOTAL		110,185,666	104,708,203
GROSS INVESTMENTS		110,539,808	104,749,368
Less: Depreciation/Provision for Investments		(354,142)	(41,165)
NET INVESTMENTS		110,185,666	104,708,203
## Includes securities costing Rs. 7.08 crores (previous year 7.13 crores) pledged for availment of telegraphic transfer discounting facility.			
** Net of Repo borrowings of Rs.211.70 crores (Previous year Rs. NIL ) under the liquidity adjustment facility in line with Reserve bank of India requirements.			
\$ Includes securities costing Rs.125.32 crores ( previous year Rs. 42.02 crores) pledged for margin requirement.			
@ Includes deposits with NABARD, NHB and SIDBI of Rs. 2660.42 crores (previous year Rs 2106.92 crores).			
<b>SCHEDULE 9 - ADVANCES (Net of provisions)</b>			
A. i) Bills purchased and discounted		6,132,639	9,378,542
ii) Cash credits, overdrafts and loans repayable on demand		79,751,129	51,498,811
iii) Term loans		150,137,587	124,194,542
TOTAL		236,021,355	185,071,895
B. i) Secured by tangible assets*		203,401,560	156,194,572
ii) Covered by Bank/Government guarantees		2,178,200	2,609,652
iii) Unsecured		30,441,595	26,267,671
TOTAL		236,021,355	185,071,895
* Includes advances secured against book debts			
C. I. ADVANCES IN INDIA			
i) Priority sector		80,471,218	68,753,470
ii) Public sector		1,108	80,849
iii) Banks		22,959	27,036
iv) Others		155,526,070	116,210,540
II. ADVANCE OUTSIDE INDIA		-	-
TOTAL		236,021,355	185,071,895
<b>SCHEDULE 10 - FIXED ASSETS</b>			
I. Premises			
i) At cost as on 31 March of preceding year (Including Revaluation)		2,106,371	2,104,012
ii) Additions during the year		2,202,534	2,359
		4,308,905	2,106,371
iii) Deductions during the year		(219,252)	-
iv) Depreciation to date		(329,774)	(268,897)
I. A. Capital work in progress		-	2,017,211
TOTAL (I)		3,759,879	3,854,685

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	31 March 2011	31 March 2010
<b>II. Other Fixed Assets (Including Furniture and Fixtures)</b>		
i) At cost as on 31 March of the preceding year	4,091,417	3,897,414
ii) Additions during the year	534,779	458,547
	4,626,196	4,355,961
iii) Deductions during the year	(53,344)	(264,544)
iv) Depreciation to date	(3,594,803)	(3,200,513)
<b>II. A. Capital work in progress</b>	135,831	58,825
<b>TOTAL (II)</b>	1,113,880	949,729
<b>III. Lease Fixed Assets</b>		
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	(1,415,336)	(1,394,881)
v) Add: Lease adjustment account	269,384	248,929
vi) Less: Provision / Write off of non-performing assets	(237,649)	(237,650)
<b>TOTAL</b>	156,984	156,983
<b>GRAND TOTAL (I to III)</b>	5,030,743	4,961,397
<b>SCHEDULE 11 - OTHER ASSETS</b>		
i) Inter-office adjustment (net)	-	-
ii) Interest accrued	2,427,704	2,301,509
iii) Tax paid in advance and tax deducted at source (net)	865,415	504,935
iv) Stationery and stamps	10,750	5,201
v) Non banking assets acquired in satisfaction of claims (net)	-	-
vi) Others #	10,390,477	10,989,447
<b>TOTAL</b>	13,694,346	13,801,092
# Includes deferred tax assets of Rs. 152.96 crores (previous year Rs. 176.30 crores)		
<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
i) Claims against the bank not acknowledged as debts	50,577	53,858
ii) Liability for partly paid investments	-	-
iii) Liability on account of outstanding Forward Exchange contracts	220,159,702	288,901,171
iv) Liability on account of outstanding Derivative Contracts	296,867,391	400,063,948
v) Guarantees given on behalf of constituents in India	52,416,602	38,568,374
vi) Acceptances, Endorsements and Other Obligations	13,786,027	12,823,600
vii) Other items for which the bank is contingently liable	816,269	936,695
<b>TOTAL</b>	584,096,568	741,347,646

# SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2011

(Rs. in thousands)

PARTICULARS	31 March 2011	31 March 2010
<b>SCHEDULE 13 - INTEREST EARNED</b>		
i. Interest/Discount on advances/bills	20,326,347	17,093,988
ii. Income on investments	6,462,988	5,179,095
iii. Interest on balances with RBI and other inter-bank funds	20,508	12,557
iv. Others	129,513	42,700
<b>TOTAL</b>	<b>26,939,356</b>	<b>22,328,340</b>
<b>SCHEDULE 14 - OTHER INCOME</b>		
i. Commission, Exchange and Brokerage	4,188,795	3,490,338
ii. Profit/ (Loss) on sale of investments (net)	819,479	797,023
iii. Profit on revaluation of investments (net)	-	-
iv. Profit/ (Loss) on sale of land, buildings and other assets (net)	150,870	933
v. Profit on Exchange / Derivative transactions (net)	1,021,167	1,032,920
vi. Income earned by way of dividends etc. from subsidiaries/companies and joint ventures abroad/in India	1,047	2,000
vii. Lease income	-	361
viii. Miscellaneous income * #	365,828	885,862
<b>TOTAL</b>	<b>6,547,186</b>	<b>6,209,437</b>
* Includes prior period item of Rs. NIL(Previous year-Rs. 307252) - refer note 18.19.5.		
# Includes recovery from written off accounts amounting to Rs. 303,214 thousands (Previous year Rs. 419,899 thousands).		
<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
i. Interest on Deposits	13,566,170	11,689,786
ii. Interest on Reserve Bank of India/Inter-Bank borrowings	477,773	130,474
iii. Others (including interest on Tier II Bonds)	2,830,143	2,209,722
<b>TOTAL</b>	<b>16,874,086</b>	<b>14,029,982</b>
<b>SCHEDULE 16- OPERATING EXPENSES</b>		
i. Payments and Provisions for Employees	6,453,444	4,574,405
ii. Rent, Taxes and Lighting	813,909	765,686
iii. Printing and Stationery	109,655	91,915
iv. Advertisement and Publicity	26,373	43,779
v. Depreciation on Bank's Property	476,986	409,345
vi. Director's Fees, Allowances & Expenses	5,188	5,871
vii. Auditors' Fees and Expenses (Including Branch Auditors)	7,060	6,870
viii. Law Charges	37,892	38,453
ix. Postage, Telegrams, Telephones	208,572	186,700
x. Repairs and Maintenance	276,758	241,647
xi. Insurance	258,291	258,089
xii. Other Expenditure	1,584,551	1,451,945
<b>TOTAL</b>	<b>10,258,679</b>	<b>8,074,705</b>

## 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 "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 2011. 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.

## SIGNIFICANT ACCOUNTING POLICIES

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.

## SIGNIFICANT ACCOUNTING POLICIES

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.

### 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.
- c) at 2.00% on Housing loans granted at teaser rates.

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.



## SIGNIFICANT ACCOUNTING POLICIES

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.

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 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.

### 15 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.



## SIGNIFICANT ACCOUNTING POLICIES

- 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.

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

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) 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 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.

### 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 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 2011	Voting Power
<b>Subsidiary</b>				
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 2011.

#### 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 2011 is as under:

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	480	97.50	60,305	97.34
Less: Options exercised during the year	-	-	57,555	97.45
Less: Options forfeited	480	97.50	2,270	97.50
<b>Stock options outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>97.50</b>

##### 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 2011 is as under:

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	430,864	170.13	681,465	168.87
Add: Options granted during the year	-	-	-	-
Less: Options exercised during the year	160,116	165.16	224,122	168.63
Less: Options forfeited	7,329	176.20	26,479	150.59
<b>Stock options outstanding at the end of the year</b>	<b>263,419</b>	<b>172.98</b>	<b>430,864</b>	<b>170.13</b>

### 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 2011 is as under: -

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	6,994,599	243.81	5,108,366	219.55
Add: Options granted during the year	208,500	258.16	2,380,610	282.54
Less: Options exercised during the year	834,449	215.54	307,277	156.39
Less: Options forfeited	303,650	255.66	187,100	220.83
<b>Stock options outstanding at the end of the year</b>	<b>6,065,000</b>	<b>250.02</b>	<b>6,994,599</b>	<b>243.81</b>

### ESOS 2010

The employee stock option scheme ("ESOS 2010" or "the scheme") of the Bank was approved by the Board of Directors at their meeting held on 29 April 2010 and by the shareholders at the last AGM held on 1 July 2010. A total of 1,15,00,000 equity shares of 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 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 2010 during the year ended 31 March, 2011 is as under: -

Particulars	Year ended 31 March 2011	Weighted Average Price (In Rs.)	Year ended 31 March 2010	Weighted Average Price (In Rs.)
Stock options outstanding at the beginning of the year	-	-	-	-
Add: Options granted during the year	3,677,500	358.57	-	-
Less: Options exercised during the year	-	-	-	-
Less: Options forfeited	82,000	349.15	-	-
<b>Stock options outstanding at the end of the year</b>	<b>3,595,500</b>	<b>358.78</b>	<b>-</b>	<b>-</b>

## NOTES ON ACCOUNTS

The details of exercise price for stock options outstanding as at 31 March 2011 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	92.59-136.47	49,989	3.07	122.43
ESOS 2005 Tranche I	184.82	213,430	3.15	184.82
ESOS 2005 (Loyalty Options)	114.20 - 380.40	6,065,000	4.54	250.02
ESOS 2007 Tranche 1	349.15 - 403.95	3,595,500	6.32	358.78

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 weighted average share price for all options exercised during the year is Rs. 357.09 per share (Previous Year: Rs. 259.56).

Total employee compensation cost recognized, net of reversals for forfeitures, in Profit and Loss Account for the year ended 31 March 2011 is Rs. (501) thousands (Previous year Rs. 3,536 thousands). Total employee compensation cost outstanding as at 31 March 2011 Rs. 3 thousands (Previous year: Rs. 55 thousands).

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

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

### Employee Compensation Cost

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Intrinsic Value	(501)	3,536
Fair value*	288,482	84,212
Excess to be Charged	288,983	80,676

### Impact on Profit

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Declared Profit	3,184,136	2,430,572
Less: Adjustment for additional charge due to Fair Value	288,983	80,676
Adjusted Profit	2,895,153	2,349,896

### Impact on Earnings Per Share

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Declared in the financial Statements		
Basic (Rs.)	26.43	21.69
Diluted (Rs.)	25.93	21.40
Revised EPS		
Basic (Rs.)	24.03	20.97
Diluted (Rs.)	23.58	20.69

## NOTES ON ACCOUNTS

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

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Risk free interest rate**	6.33% - 8.04%	7.72% - 7.74%	4.99% - 9.25%	6.49% - 7.60%
Expected Life (excluding vesting period)	1 Year	1 Year	1 Year	1 Year
Expected Volatility	31.62% - 47.40%	45.23%	36.71% - 51.58%	36.71%
The price of the underlying share in market at the time of option grant (as per NSE)	162.60 - 260.65	262.60	114.20-380.40	349.15 - 403.95

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

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

The call option values under Black- Scholes Model for option valuation under different schemes for outstanding options as on 31 March 2011 are:

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Option price at the date of grant	59.37 - 180.50	119.70 - 135.55	36.25 - 153.16	90.44 - 160.94
Weighted average Fair Value of the options at the date of grant	82.06	128.94	98.35	115.85

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

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision for income tax (including deferred tax)	1,651,354	1,296,112
Provision for wealth tax	2,275	1,908
Provision/ write off of non performing advances	1,561,000	2,296,263
Depreciation/ write off (write back) of investments (net)	12,411	(17,619)
Provision/ write off of non performing investments	42,566	-
Provision for standard assets	157,000	-
Provision for restructured advances	(204,074)	256,314
Others *	(52,891)	169,540
<b>Total</b>	<b>3,169,641</b>	<b>4,002,518</b>

\* 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 2011	Year ended 31 March 2010
Opening balance	428,040	317,952
Additions during the year	40,953	144,496
Reversals during the year	62,979	33,746
Amounts used	625	662
<b>Closing Balance</b>	<b>405,389</b>	<b>428,040</b>

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.

## NOTES ON ACCOUNTS

### 18.6 Provisions for income taxes during the year

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision for income tax (including deferred tax)	1,651,354	1,296,112

### 18.7 Investments

#### 18.7.1 Non-performing non SLR investments

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Opening balance	-	-
Additions during the year	300,066	-
Reduction during the year	-	-
Closing balance	300,066	-
Total provisions held	300,066	-

#### 18.7.2 Value of Investments

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Gross value of Investments		
a. In India	110,539,807	104,749,368
b. Outside India	-	-
Provisions for depreciation		
a. In India	354,142	41,165
b. Outside India	-	-
Net value of Investments		
a. In India	110,185,665	104,708,203
b. Outside India	-	-

#### 18.7.3 Movement of provisions held towards depreciation on investments

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Opening balance	41,165	58,784
Add: Provisions made during the year	312,977	-
Less: Write-off/write-back of excess provisions during the year	-	17,619
Closing balance	354,142	41,165

### 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 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Standard advances restructured	No. of Borrowers	2	2	-	-	1	13
	Amount outstanding	262,436	1,347,129	-	-	19,960	998,223
	Sacrifice*	37,864	199,952	-	-	1,490	5,362
Sub standard advances restructured	No. of Borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Doubtful advances restructured	No. of Borrowers	1	-	-	-	-	1
	Amount outstanding	359,186	-	-	-	-	398,586
	Sacrifice*	-	-	-	-	-	36,882
Total	No. of Borrowers	3	2	-	-	1	14
	Amount outstanding	621,622	1,347,129	-	-	19,960	1,396,809
	Sacrifice*	37,864	199,952	-	-	1,490	42,244

\*Sacrifice is diminution in the fair value

## NOTES ON ACCOUNTS

### 18.8.2 Movement of Gross NPAs\*

(Rs. in thousands)

Particulars	31 March 2011	31 March 2010
Gross NPAs* as on 1 April 2010	2,345,106	2,093,900
Additions (fresh NPAs) during the year	2,360,155	4,100,326
<b>Total (A)</b>	<b>4,705,261</b>	<b>6,194,226</b>
Less:-		
(i) Upgradations	140,381	-
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,450,007	1,552,857
(iii) Write- offs (including technical write offs)	1,561,000	2,296,263
<b>Total (B)</b>	<b>3,151,388</b>	<b>3,849,120</b>
<b>Gross NPA as on 31 March 2011 (A-B)</b>	<b>1,553,873</b>	<b>2,345,106</b>

\*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 2009	2,093,900	2,004,140
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
<b>Closing balance as on 31 March 2010</b>	<b>2,345,106</b>	<b>2,218,267</b>
NPAs to advances (%)#		1.20
Provisioning Coverage Ratio (%)#		60.19
Additions during the year ended 31 March 2011	2,360,155	2,360,155
Reductions (including write offs) during the year ended 31 March 2011	3,151,388	3,660,566
<b>Closing balance as on 31 March 2011</b>	<b>1,553,873</b>	<b>917,856</b>
NPAs to advances (%)#		0.39
Provisioning Coverage Ratio (%)#		83.41

\* 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.

### 18.8.4 Movement in provisions for NPA

(Rs. In thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Opening balance	-	-
Additions during the year	1,561,000	2,296,263
Technical write-offs/write backs during the year	1,561,000	2,296,263
<b>Closing Balance</b>	<b>-</b>	<b>-</b>

### 18.8.5 Provisions on standard asset

(Rs. in thousands)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision towards standard assets during the year	157,000	-
Cumulative provision for standard assets as at year end	1,165,100	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 non performing financial assets were purchased during the year (Previous year: Nil).

Details of non performing financial assets sold:

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
No. of accounts sold	1	-
Aggregate outstanding, net of provisions/ write offs (Rs. in thousands)	-	-
Aggregate consideration received (Rs. in thousands)	15,200	-

### 18.8.7 Sale of financial assets to Securitisation / Reconstruction Company for Asset Reconstruction

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Total number of accounts	2	-
Total number of transactions	2	-
Book value (net of provisions) of accounts sold (Rs. in thousands)	133,154	-
Aggregate consideration received (Rs. in thousands)	135,330	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value (Rs. in thousands)	2,176	-

#### Contribution Agreement

The Bank invests in SPVs through contribution agreements and such amounts invested are recorded as loans and advances. The interest is recognized 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 2011	As at 31 March 2010
(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;	81,441	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;	2,046,759	2,015,705
(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;	3,414	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	182,128	858,857
(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)	-	-
	<b>Total Exposure to Capital Market</b>	<b>2,313,742</b>	<b>2,879,977</b>

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



## NOTES ON ACCOUNTS

### (b) Exposure to real estate sector

(Rs. in thousand)

Particulars	As at 31 March 2011	As at 31 March 2010
(a) Direct exposure		
(i) Residential mortgages (fully secured)		
Individual housing loans up to Rs. 20 lakhs	9,784,719	8,938,258
Others	33,738,030	28,340,397
(ii) Commercial real estate		
Fund Based	10,581,913	9,595,305
Non- Fund Based	455,887	634,805
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	824,268	1,404,695
b. Commercial real estate	-	-
(b) Indirect exposure		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	3,329,809	7,024,159
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
<b>Total</b>	<b>58,714,626</b>	<b>55,937,619</b>

### 18.9 Fixed Assets

#### 18.9.1 Capital work in progress

The Capital work in progress (Premises) Nil (Previous year Rs. 2,017,211 thousands) includes Nil (Previous year Rs. 1,321,766 thousands) towards the lease premium paid to Mumbai Metropolitan Regional Development Authority (MMRDA) in connection with the lease of land. During the current year, the Bank has completed construction of the building and executed lease agreement with MMRDA. Consequently, the entire amount of capital work in progress including the lease premium has been capitalized in the current year.

#### 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 2011	As at 31 March 2010
Not later than one year	41,066	67,332
Later than one year and not later than five years	46,361	15,380
Later than five years	-	-
<b>Total minimum lease rental commitments</b>	<b>87,427</b>	<b>82,712</b>

Additionally, the Bank also leases office/branch premises under cancellable operating lease agreements. Total lease rental expenditure under cancellable and non-cancellable operating leases debited to profit and loss account in the current year is Rs. 587,924 thousands (Previous year: Rs. 562,413 thousands).

##### *Finance leases*

The Bank has taken no assets under finance leases / hire purchases

## NOTES ON ACCOUNTS

### 18.10 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

Particulars	As at 31 March 2011	As at 31 March 2010
Earnings for the year (Rs. in thousands)	3,184,136	2,430,572
Basic weighted average number of shares (Nos)	120,456,832	112,066,989
Basic EPS (Rs.)	26.43	21.69
Dilutive effect of stock options (Nos)	2,320,887	1,508,631
Diluted weighted average number of shares (Nos)	122,777,719	113,575,620
Diluted EPS (Rs.)	25.93	21.40
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 charge of Rs. 233,491 thousands (Previous year Rs. (282,879) 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 2011	As at 31 March 2010
<b>Deferred tax assets</b>		
on account of provisions	567,288	830,893
on leave encashment	217,546	188,534
on investments	951,295	868,845
on pension fund	124,095	169,308
on Gratuity	346	396
<b>Total deferred tax asset</b>	<b>1,860,570</b>	<b>2,057,976</b>
<b>Deferred tax liabilities</b>		
on depreciation on fixed assets	173,928	134,190
on bad debts claim	157,085	160,738
<b>Total deferred tax liability</b>	<b>331,013</b>	<b>294,928</b>
<b>Net deferred tax assets</b>	<b>1,529,557</b>	<b>1,763,048</b>

### 18.12 Intangibles

(Rs. in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block
	As at 1 April 2010	Additions	Deletions	As at 31 March 2011	As at 1 April 2010	Charge for the year	Deletions	As at 31 March 2011	As at 31 March 2011
<b>Intangible assets</b>									
Application software*	797,766	101,219	-	898,985	658,000	108,257	-	766,257	132,728
<b>Total</b>	<b>797,766</b>	<b>101,219</b>	<b>-</b>	<b>898,985</b>	<b>658,000</b>	<b>108,257</b>	<b>-</b>	<b>766,257</b>	<b>132,728</b>
<b>Previous year</b>	<b>652,300</b>	<b>145,466</b>	<b>-</b>	<b>797,766</b>	<b>539,643</b>	<b>118,357</b>	<b>-</b>	<b>658,000</b>	<b>139,766</b>

\* forms part of "Other fixed assets" in Schedule 10

### 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. Shailendra Bhandari - Managing Director & Chief Executive Officer (MD & CEO)

## NOTES ON ACCOUNTS

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 1,201,612 (1,005,302) Outstanding 1,126,132 (1,005,302)	- (-) - (-)	Maximum 1,201,612 (1,005,302) Outstanding 1,126,132 (1,005,302)
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 3,623,533 (3,031,546) Outstanding 3,395,919 (3,031,546)	- (-) - (-)	Maximum 3,623,533 (3,031,546) Outstanding 3,395,919 (3,031,546)
Deposits kept with Bank including lease deposit	Maximum 588,470 (912,120) Outstanding 587,841 (556,165)	- (-) - (-)	Maximum 588,470 (912,120) Outstanding 587,841 (556,165)
Deposit kept with other banks	Maximum 1,164,120 (1,818,565) Outstanding 14,831 (19,575)	- (-) - (-)	Maximum 1,164,120 (1,818,565) Outstanding 14,831 (19,575)
Borrowing	Maximum 19,446,300 (13,963,900) Outstanding 19,446,300 (9,895,575)	- (-) - (-)	Maximum 19,446,300 (13,963,900) Outstanding 19,446,300 (9,895,575)
Call borrowing	Maximum 917,600 (628,600) Outstanding - (-)	- (-) - (-)	Maximum 917,600 (628,600) Outstanding - (-)
Lending	Maximum 3,225,960 (-) Outstanding 1,783,800 (-)	- (-) - (-)	Maximum 3,225,960 (-) Outstanding 1,783,800 (-)
Interest paid	1,664,586 (297,504)	- (-)	1,664,586 (297,504)
Interest received	588,126 (11)	- (-)	588,126 (11)

## 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
Charges Paid	269 (335)	- (-)	269 (335)
Interest accrued but not due (payable)	58,169 (15,693)	- (-)	58,169 (15,693)
Interest accrued but not due (receivable)	16 (-)	- (-)	16 (-)
Purchase and sale of securities	491,185 (-)	- (-)	491,185 (-)
Reimbursement received	6,520 (1,613)	- (-)	6,520 (1,613)
Reimbursement paid	22,010 (31,313)	- (-)	22,010 (31,313)
Contribution to employee welfare funds - Paid	932,915 (316,214)	- (-)	932,915 (316,214)
Contribution to employee welfare funds- Payable	725,119 (790,757)	- (-)	725,119 (790,757)
Managerial remuneration	- (-)	14,969 (7,644)	14,969 (7,644)
Bank guarantees Received	1,928,942 (-)	- (-)	1,928,942 (-)
Bank guarantees- Issued	- (4,314,403)	- (-)	- (4,314,403)
Derivative transactions - notional outstanding	Maximum 84,396,702 (79,457,481) Outstanding 82,385,030 (71,839,393)	- (-) - (-)	Maximum 84,396,702 (79,457,481) Outstanding 82,385,030 (71,839,393)
Forward transactions	Maximum 52,336,653 (44,436,632) Outstanding 11,516,484 (23,829,744)	- (-) - (-)	Maximum 52,336,653 (44,436,632) Outstanding 11,516,484 (23,829,744)
Premium received	3,442 (2,199)	- (-)	3,442 (2,199)
Premium paid	15,865 (14,053)	- (-)	15,865 (14,053)
Commission received	11,119 (12,835)	- (-)	11,119 (12,835)
Gain on Liquidation	(133) (19,117)	- (-)	(133) (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)

During the year 2010 – 11, 700 thousands (Previous Year: Nil) number of stock options under “ESOS 2010” scheme have been issued to the MD & CEO

(Previous year's figures are given in parentheses)

### 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 2011

(Rs. in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011
Revenue	22,771,794	17,351,129	25,032,760	-	65,155,683
Less: Inter segment revenue	(15,434,263)	(3,158,734)	(13,076,144)	-	(31,669,141)
<b>Net Revenue</b>	<b>7,337,531</b>	<b>14,192,395</b>	<b>11,956,616</b>	<b>-</b>	<b>33,486,542</b>
Result	782,651	3,282,435	2,288,691	-	6,353,777
Unallocated expenses					
Operating Profit					6,353,777
Provisions and contingencies	12,933	749,756	753,323	-	1,516,012
Unallocated provision & contingencies					-
Taxes					1,653,629
<b>Net Profit</b>					<b>3,184,136</b>
Other Information	As at 31 March 2011	As at 31 March 2011	As at 31 March 2011	As at 31 March 2011	As at 31 March 2011
Segment Assets	138,282,392	149,050,580	98,028,184	-	385,361,156
Unallocated Assets					4,785,397
<b>Total Assets</b>	<b>138,282,392</b>	<b>149,050,580</b>	<b>98,028,184</b>	<b>-</b>	<b>390,146,553</b>
Segment Liabilities	37,367,860	117,079,346	185,930,547	-	340,377,753
Unallocated Liabilities					23,459,792
Capital and Reserve & Surpluses					26,309,008
<b>Total Liabilities</b>	<b>37,367,860</b>	<b>117,079,346</b>	<b>185,930,547</b>	<b>-</b>	<b>390,146,553</b>

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

Segment Results for the year ended 31 March 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)
<b>Net Revenue</b>	<b>6,879,094</b>	<b>11,440,733</b>	<b>10,217,950</b>	<b>-</b>	<b>28,537,777</b>
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
<b>Net Profit</b>					<b>2,430,572</b>
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
<b>Total Assets</b>	<b>138,356,343</b>	<b>115,876,679</b>	<b>79,966,215</b>	<b>-</b>	<b>338,813,034</b>
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
<b>Total Liabilities</b>	<b>33,056,874</b>	<b>85,562,828</b>	<b>174,071,511</b>	<b>-</b>	<b>338,813,034</b>

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 2011	As at 31 March 2010
The notional principal of swap agreements	185,426,734	201,932,639
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	986,193	1,294,207
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with banks (73%)	Predominantly with Banks (76%)
The fair value of the swap book [asset / (liabilities)]	(256,872)	(37,961)

# MTM netted off counterparty wise

##### Forward Rate Agreements (FRA)

(Rs. in thousands)

Particulars	As at 31 March 2011	As at 31 March 2010
The notional principal of FRA Agreements	1,337,885	898,000
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	2,693	146
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Banks only (100%)	Banks only (100%)
The fair value of the swap book [asset / (liabilities)]	45.35	11.43

# MTM netted off counterparty wise.

##### Derivatives: Currency Swaps

(Rs. in thousands)

Particulars	As at 31 March 2011	As at 31 March 2010
The notional principal of swap agreements	61,308,683	60,052,518
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	3,188,415	1,781,588
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks (86%)	Predominantly with Banks (74%)
The fair value of the swap book [asset / (liabilities)]	98,654	15,592

# 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 2011 is Rs. 248,073,272 thousands (Previous year Rs. 262,883,157 thousands).

Nature	Number	Notional Principal (Rs. in thousands)	Benchmark	Terms
Trading	110	35,250,000	NSE MIBOR	Fixed Payable vs Floating Receivable
Trading	102	34,050,000	NSE MIBOR	Fixed Receivable vs Floating Payable
Trading	30	10,250,000	MIFOR	Fixed Payable vs Floating Receivable
Trading	39	15,840,000	MIFOR	Fixed Receivable vs Floating Payable
	<b>Total</b>	<b>95,390,000</b>		

## NOTES ON ACCOUNTS

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
	<b>Total</b>	<b>115,810,500</b>		

Foreign currency - Interest Rate Swaps, Currency Swaps and Forward Rate Agreements for the year ended 31 March 2011

(Rs. in thousand)

Nature	Number	Notional Principal (Rs. in thousands)	Benchmark	Terms
Trading	87	48,043,752	LIBOR	Fixed Payable vs Floating Receivable
Trading	105	43,568,913	LIBOR	Fixed Receivable vs Floating Payable
Trading	40	30,263,763	LIBOR	Float Receivable vs Float Payable
Trading	8	6,112,460	Principal	Fixed Payable
Trading	3	347,324	Principal	Fixed Receivable
Trading	15	5,328,900	Principal	Fixed Received vs Fixed Paid
Trading	49	5,490,423	Principal	Principal only Swaps
Hedging	2	3,395,919	LIBOR	Float Receivable vs Float Payable
Hedging	4	3,958,776	LIBOR	Fixed Payable vs Floating Receivable
Hedging	7	6,173,044	Principal	Fixed Received vs Fixed Paid
	<b>Total</b>	<b>152,683,274</b>		

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
	<b>Total</b>	<b>147,072,657</b>		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2011 is Rs. (158,173) thousands (Previous year Rs. (22,358) thousands), which represents the net mark to market loss on swap contracts. As at 31 March 2011 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 81.72% (Previous year: 74.76%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of Rs. 1,810 thousands (Previous year: Rs. 1,132 thousands) on total Interest Rate Swap trading book including Rupee IRS, FX IRS, CS and FRA. Agreements are with Banks/ Financial Institutions and corporate under approved credit lines.

The fair value of the Option Book as at 31 March 2011 on a net basis is Rs. 7,186 thousands. As at 31 March 2011 notional outstanding for outstanding option contracts is Rs. 48,794,119 thousands (Previous year: Rs 137,180,790 thousands).



## NOTES ON ACCOUNTS

### 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 2011 (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 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 2011	As at 31 March 2010	As at 31 March 2011	As at 31 March 2010
(i)	Derivatives (Notional Principal Amount) *				
	a) For hedging	13,527,739	6,888,865	-	-
	b) For trading	47,780,945	53,163,653	186,764,589	202,830,639
(ii)	Marked to Market Positions				
	a) Asset (+)	3,227,057	2,306,880	2,189,838	2,489,272
	b) Liability (-)	3,128,403	2,291,288	2,446,665	2,527,222
(iii)	Credit Exposure	8,723,282	7,896,989	4,003,632	4,402,320
(iv)	Likely impact of one percentage change in interest rate (100 X PV01) #				
	a) on hedging derivatives			159,927	192,031
	b) on trading derivatives			21,093	(78,851)
(v)	Maximum and Minimum of 100 X PV01 #				
	a) on hedging				
	- Maximum			334,086	445,943
	- Minimum			155,816	191,499
	b) on trading				
	- Maximum			51,017	120,851
	- Minimum			(95,400)	66,071

# 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.

## NOTES ON ACCOUNTS

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

During the year 2009 - 10 the Bank had raised Tier I capital of Rs. 4,159,132 thousands by way of Qualified Institutions Placement (QIP) and preferential allotment. The Bank had incurred expenses of Rs. 32,090 Thousands towards payment of commission to the Book Running Lead Managers in connection with the QIP and had 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 had sought RBI's approval, which is awaited.

### 18.17 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. 109,646 thousands for the year ended 31 March 2011 (Previous year Rs. 93,027 thousands).

#### *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.

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

During the year, the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result, the Bank has incurred an additional liability of Rs. 1,217,310 thousands. Further, during the year, the limit of gratuity payable to the employees was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of the Bank has increased by Rs. 207,352 thousands.

In terms of Revised Accounting Standard (AS) 15, Employee Benefits, the entire amount of Rs. 1,424,663 thousands is required to be charged to the Profit and Loss Account. However, the Reserve Bank of India has vide their letter dated 8 April 2011 ("the RBI Letter") on Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment, permitted the Bank to amortise the additional liability on account of re-opening of pension option for existing employees who had not opted for pension earlier as well as the enhancement in gratuity limits over a period of five years beginning with the financial year ending 31 March 2011 subject to a minimum of 1/5th of the total amount involved every year.

The Bank has during the current year taken in its Profit and Loss account the full impact of Rs. 287,300 thousands on account of II Pension Option to retired/ separated employees as required by the RBI letter and Rs 207,353 thousands on account of amendment to the Payment of Gratuity Act which is allowed to be amortized over a period of five years by the RBI Letter. Further, the Bank has provided Rs.186,002 thousands representing one-fifth of the full impact of II Pension Option to the existing employees. In terms of the requirements of the RBI Letter, the balance impact of Rs. 744,008 thousands on account of II Pension Option to existing employees shall be provided over the next four years.

Had the RBI Letter not been issued, the profit of the Bank would have been lower by Rs. 744,008 thousands pursuant to application of the requirements of Revised AS 15.

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

Profit and Loss account: - Net employee benefit expense (recognized in Employee Cost)

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
1. Current service cost	93,626	50,793	276,820	141,121
2. Interest cost on benefit obligation	51,674	49,532	132,968	142,516
3. Expected return on plan assets	(61,623)	(53,674)	(164,833)	(111,394)
4. Net actuarial (gain)/ loss recognized in the year	86,312	(66,030)	1,213,144	162,948
5. Past service cost	207,353	44,529	-	-
6. Net expenses (1+2+3+4+5)	377,342	25,150	1,458,099*	335,191
Actual return on plan assets	46,500	68,931	1,064,051#	117,094

\* In terms of the requirements of the RBI letter dated 8th April 2011, the Bank has provided Rs. 186,002 thousands representing one-fifth of the full impact of Rs. 930,011 thousands on account of II Pension Option to the existing employees. The balance impact of Rs. 744,009 thousands on account of II Pension Option to existing employees shall be provided over the next four years.

# Includes employee contribution of Rs. 160,436 thousands and transfer of Bank's contribution to Provident fund amounting to Rs. 733,215 thousands.

## NOTES ON ACCOUNTS

(Rs. in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
1. Current service cost	25,899	12,238	22,789	19,584
2. Interest cost on benefit obligation	31,811	28,129	14,582	14,779
3. Net actuarial (gain)/ loss recognized in the year	(6,577)	(90)	11,733	(40,000)
4. Past service cost	-	-	-	-
5. Net expenses recognised in profit and loss (1+2+3+4)	51,133	40,277	49,104	(5,637)

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Present value of obligation	965,628	669,785	3,684,462	2,045,609
Fair value of plan assets	(608,017)	(689,308)	(2,215,334)	(1,254,852)
Liability (Assets)	357,611	(19,523)	1,469,128	790,757
Liability (Asset) recognized in the Balance Sheet	357,611	(19,523)	1,469,128	790,757

(Rs. in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Present value of obligation	434,860	383,727	220,053	170,949
Fair value of plan assets	-	-	-	-
Liability (Assets)	434,860	383,727	220,053	170,949
Liability (Asset) recognized in the Balance Sheet	434,860	383,727	220,053	170,949

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Opening defined benefit obligation	669,785	607,879	2,045,609	1,886,910
Interest cost	51,674	49,532	132,968	142,516
Current service cost	93,626	50,793	276,820	141,121
Past service cost	207,353	44,529	-	-
Benefits paid	(127,999)	(32,175)	(883,297)	(293,586)
Actuarial (gains) / losses on obligation	71,189	(50,773)	2,112,362	168,648
Closing defined benefit obligation	965,628	669,785	3,684,462	2,045,609

(Rs. in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Opening defined benefit obligation	383,727	343,450	170,949	176,586
Interest cost	31,811	28,129	14,582	14,779
Current service cost	25,899	12,238	22,789	19,584
Benefits paid	-	-	-	-
Actuarial (gains) / losses on obligation	(6,577)	(90)	11,733	(40,000)
Closing defined benefit obligation	434,860	383,727	220,053	170,949

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

(Rs. in thousands)

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Opening fair value of plan assets	689,308	652,552	1,254,852	1,220,561
Expected return	61,623	53,674	164,834	111,394
Contributions by employer	-	-	779,729	210,783
Benefits paid	(127,790)	(32,175)	(883,297)	(293,586)
Actuarial gains / (losses)	(15,124)	15,257	899,217	5,700
Closing fair value of plan assets	608,017	689,308	2,215,334	1,254,852

Previous four annual years figures are not disclosed as revised AS 15 was applicable from 2007-08.

## 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 2011	31 March 2010	31 March 2011	31 March 2010
Investments with insurer	100%	0.90%	100%	100%
Investment in Government/ PSU bonds/securities	-	99.10%	-	-

### Experience Adjustments

Particulars	Gratuity		Pension	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Defined benefit obligations	965,628	669,785	3,684,462	2,045,609
Plan assets	608,017	689,308	2,215,334	1,254,852
(Surplus) / deficit	357,611	(19,523)	1,469,128	790,757
Experience adjustments on plan liabilities	84,928	(35,624)	2,257,216	192,955
Experience adjustments on plan assets	(5,393)	13,915	907,893	(488)

Particulars	Leave encashment and availment	
	31 March 2011	31 March 2010
Defined benefit obligations	654,914	554,676
Plan assets	-	-
(Surplus) / deficit	654,914	554,676
Experience adjustments on plan liabilities	35,761	(30,944)
Experience adjustments on plan assets	-	-

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

Particulars	Gratuity				Pension			
	31 March 2011		31 March 2010		31 March 2011		31 March 2010	
	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL
Discount rate (%) p.a.	8.53	8.54 (CTC), 8.54 (Others)	8.37	8.58 (CTC), 8.59 (Others)	8.29	-	8.19	-
Expected rate of return on assets (%)	9.50	-	8.00	-	9.50	-	9.00	-
Employee turnover % p.a.	1 (IBA), 27 (Others)	19 (CTC), 97 (Others)	1 (IBA), 25 (Others)	12 (CTC), 97 (Others)	1 (IBA)	-	1 (IBA)	-

Particulars	Leave Encashment				Leave Availment			
	31 March 2011		31 March 2010		31 March 2011		31 March 2010	
	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL	IVBL	IVFSL
Discount rate (%) p.a.	8.29	-	8.19	-	8.53	8.54	8.37	8.58
Expected rate of return on assets (%)	N.A.	-	N.A.	-	N.A.	N.A.	N.A.	N.A.
Employee turnover % p.a.	1 (IBA), 27 (Others)	-	1 (IBA), 25 (Others)	-	1 (IBA), 27 (Others)	19 (CTC)	1 (IBA), 25 (Others)	12 (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 2011.

### 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.

## NOTES ON ACCOUNTS

### 18.19 Other Disclosures

#### 18.19.1 Draw down from Reserves

During the year 2010 – 11, the Bank had utilized the securities premium account for meeting direct expenses of Rs. Nil (Previous Year: 38,115 thousands) relating to the QIP issue, as per the RBI mail box clarification dated 9 October 2007

#### 18.19.2 Fees/remuneration received from Bancassurance business:

(Rs. in thousands)			
Sr. No.	Nature of Income	Year ended 31 March 2011	Year ended 31 March 2010
1	For selling life insurance policies	685,435	426,315
2	For selling non life insurance policies	11,474	11,104
3	For selling mutual fund products	300,790	299,558
4	Others	29,477	29,436

#### 18.19.3 Penalties levied by RBI on the Bank

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

#### 18.19.4 Letters of Comforts issued by the Bank

The Bank has 413 (Previous year: 262) letter of comforts/ undertaking issued and outstanding as on 31 March 2011 amounting to Rs. 11,011,569 thousands (Previous year: Rs. 8,449,626 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 entered into an agreement to lease with MMRDA and commenced construction of the building. Since the Bank paid the incremental amount before the right to lease was acquired, the incremental amount of Rs. 307,252 thousands was considered as part of the acquisition cost of the leased premises in the year 2009 - 10.

As a result, for the year 2009 – 10, profit before tax and profit after tax are higher by Rs. 307,252 thousands and 2,817 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 confirm to current year's presentation.

Signatures to Schedules 1 to 18

Arun Thiagarajan  
Chairman

Aditya Krishna  
Director

Place: Bangalore  
Date: 20 April 2011

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Rs in thousands)

PARTICULARS		31 March 2011	31 March 2010
(A)	<b>Cash Flow from Operating Activities</b>		
	Net Profit before Tax	4,842,966	3,728,266
	Adjustments for :		
	Depreciation charges	497,767	433,576
	Employee compensation expense (ESOS)	(501)	3,536
	Provision/write off of Advances	1,561,000	2,296,263
	(Profit)/Loss on revaluation of investment	975,171	989,272
	Provision for Standard Assets	157,000	-
	Other Provisions	(214,184)	426,757
	Lease Adjustment Account	(20,455)	(22,216)
	(Profit)/Loss on Sale of Assets (net)	(150,870)	(933)
	Dividend received from subsidiary/others	(6,575)	(2,000)
	Cash Generated from Operation	7,641,319	7,852,521
	Less: Direct Taxes Paid	2,013,979	1,380,500
		<b>5,627,340</b>	<b>6,472,021</b>
	Adjustments for :		
	Decrease / (Increase) in Advances	(52,510,743)	(19,805,301)
	Decrease / (Increase) in Other assets	453,727	5,170,801
	Non-Banking Assets sold	-	65,775
	Decrease/ (Increase) in Investments	(6,495,200)	(763,073)
	Increase / (Decrease) in Deposits	43,294,302	9,761,575
	Increase / (Decrease) in Other liabilities	395,832	(1,277,881)
	<b>Net Cash flow from / (used in) Operating Activities</b>	<b>(9,234,742)</b>	<b>(376,083)</b>
(B)	<b>Cash Flow from Investing Activities</b>		
	Purchase of Fixed assets / leased assets	(797,108)	(1,018,124)
	Sale of Fixed assets/ Leased assets	363,717	12,907
	Dividend received from subsidiary/others	6,575	2,000
	<b>Net Cash flow used in Investing Activities</b>	<b>(426,816)</b>	<b>(1,003,217)</b>
(C)	<b>Cash Flow from Financing Activities</b>		
	Proceeds from issue of shares	10,203	173,624
	Share premium collected	197,254	4,039,246
	Dividend Paid	(357,333)	(240,083)
	Increase/ (Decrease) in Borrowings	4,755,233	4,860,685
	<b>Net Cash Flow from Financing Activities</b>	<b>4,605,357</b>	<b>8,833,472</b>
	<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>	<b>(5,056,201)</b>	<b>7,454,172</b>
	<b>Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)</b>	<b>30,270,447</b>	<b>22,816,275</b>
	<b>Cash and Cash equivalents as at the end of the year (Including Money At Call and Short Notice)</b>	<b>25,214,246</b>	<b>30,270,447</b>

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

Arun Thiagarajan  
Chairman

Aditya Krishna  
Director

Place : Bangalore  
Date : 20 April 2011

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## 1. Scope of application

ING Vysya Bank Limited (IVBL) is a Commercial Bank, originally incorporated on 29-Mar-1930 as "The Vysya Bank Ltd". The name of the Bank was changed to "ING Vysya Bank Limited" (IVBL) and the fresh certificate of incorporation consequent to the name change was granted on 01-Nov-2002. ING Vysya Financial Services Limited (IVFSL) is the wholly owned subsidiary of IVBL. IVFSL is engaged in marketing of IVBL products as well as providing referral services for 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 Rs.35 Crore equity shares of Rs.10/- each. As of March 2011, the issued capital stood at Rs.121.28 Crore consisting of Rs.12.13 Crore of equity shares of Rs.10/- each. The subscribed and paid-up share capital is Rs.120.99 Crore consisting of 12.10 Crore equity shares of Rs. 10/- each. The equity share capital of the Bank is in line with 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 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 Lower tier 2 bonds are Unsecured, Redeemable, Non-Convertible, Subordinated bonds and have a 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.

Capital Funds	(Rs. in Crore)
Tier I Capital (unadjusted)	2,630.80
<b>Total Capital Funds (unadjusted)</b>	<b>3575.80</b>
<b>Tier I Capital</b>	
Paid-up Capital	120.99
Reserves and Surplus	2,397.20
Innovative Perpetual Debt Instruments	112.61
<b>Total Tier I Capital (Unadjusted)</b>	<b>2,630.80</b>
<b>Deductions</b>	
Investments in Subsidiaries	1.05
Deferred Tax Asset	152.81
Other Intangible Assets	13.27
<b>Total Deductions</b>	<b>167.13</b>
<b>Total Tier I Capital (Adjusted)</b>	<b>2,463.67</b>

## BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2011

Capital Funds (Rs. in Crore)	
Upper Tier II Bonds	339.59
Subordinated Debt eligible for Lower Tier II	442.00
Revaluation Reserves	46.90
General Provisions and loss Reserves	116.51
Others	0.00
<b>Tier II Capital (Unadjusted)</b>	<b>945.00</b>
<b>Deductions</b>	
Investments in Subsidiaries	1.05
<b>Total Deductions</b>	<b>1.05</b>
<b>Total Tier II Capital (Adjusted)</b>	<b>943.95</b>
<b>Tier I &amp; Tier II Capital (Adjusted)</b>	<b>3,407.62</b>

### 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 2011 – INR and Foreign currency	112.61	339.59	600.00
Amount raised during the year – INR and Foreign currency	Nil	Nil	Nil
Amount eligible to be reckoned as capital funds - INR	112.61	339.59	442.00

Note: Foreign Currency amounts are reported in INR at the forex rate as at 31 March 2011.

### 3. Capital adequacy

The Capital adequacy assessment process of the Bank is intended to ensure that an 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 the 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 to 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 2011 is presented below:

Capital requirements for Risk Types	Amount (In Rs. Crore)
<b>A Capital requirements for Credit Risk</b>	
Portfolios subject to standardized approach	2141.30
Securitization exposures	1.48
<b>B Capital requirements for Market Risk</b>	
Standardized duration approach	51.61
Interest rate risk	35.96
Foreign exchange risk (including gold)	13.50
Equity risk	2.15
<b>C Capital requirements for Operational Risk</b>	
Basic Indicator approach	175.57
<b>Total Capital requirements for above Risk types</b>	<b>2369.96</b>
<b>Total Risk Weighted Assets</b>	<b>26,333.03</b>
Capital Adequacy Ratio of the Bank – Total	12.94%
Capital Adequacy Ratio of the Bank - Tier I	9.36%



#### 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 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 Managers 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 (BCC), which has Credit Exposure approval powers beyond Rs.150 Crore for Wholesale Bank and Rs.100 Crore for Retail Bank. Joint Monthly Meeting (JMM) is conducted both at Corporate Office and at the Zonal Offices to review Portfolio and the continued health of the Portfolio. However, the JMMs have no credit approval powers.
- 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; and
- 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 Approval

- The way credit exposure is approved has changed between May and Jun 2010. The Bank dispensed with the Committee approach and switched over to Signature Approval Process (SAP). Authorised signatories from both Business Units and Credit Approval Department accord sanctions jointly. Risk deals with the Risk profiling of the Client, the credit proposition, provides credit rating for the client and also suggests mitigants.

##### Credit risk management models / methods / processes

The Credit Risk Policy is a business oriented statement, within the purview of regulatory requirements. It is one of the core Credit Risk Management documents, and is reviewed at least once in a financial year, or more frequently if necessitated by the changing business environment. The policy describes 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 methods, 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 methodology is in place. 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, covering obtaining proper legal documentation, putting through day-to-day transactions, periodical unit visits and security verification, monitoring & follow-up and recovery.
- Country risk and Counterparty risk are reviewed by specialized desks and deviations from established procedures or limits are reviewed on a regular basis at JMM, RMRC, etc.
- Credit Audit is 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 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 ≥ Rs 1crore) and Regional EARMCs (for outstanding of < Rs 1crore) are the acting bodies for reviewing irregular accounts and suggesting strategies for recovery. Portfolio / Industry / Product reviews are placed to the Risk Management Committees for their review and feedback.

In the current financial year, while the Bank has observed reduced levels of default and less additions to NPA as compared to the previous financial year, concerns persist with respect to inflation, increase in interest rates (thereby implying higher cost of funds for borrowers) and increased commodity prices (thereby implying higher raw material costs). Also, increased levels of stress were noticed in the Micro Finance Institutions (MFI) segment due to extraneous factors. Appropriate remedial measures were discussed with other lenders to this segment to address the situation.

Loans affected by business slow-down or for other valid reasons were restructured 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. A NPA is a loan or an advance where:

- interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan;
- the account remains 'out of order' in respect of an overdraft / Cash Credit (OD / CC);
- a bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;
- for short duration crop loans, an installment of principal or interest thereon remains overdue for two crop seasons; and
- for long duration crop loans, an installment of principal or interest thereon remains overdue for one crop season.

## BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2011

- **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 have been no credits for a continuous period of 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are also regarded as 'out of order'.

- **Overdue**

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank. Overdues greater than 30 days are reviewed at regular intervals. Overdues greater than 60 days are included in 'Watch List' / 'Stressed Accounts' and monitored on continuous basis.

### Details of Credit risk exposure

Gross Credit Risk / Exposures as on 31-03-11	Rs. in Crore
Fund based exposure	36,744.23
Non- Fund based exposure	8,839.82
<b>Total</b>	<b>45,584.05</b>

#### **Notes :**

1. Fund based exposures include Funded Advances outstanding of Rs. 23602 cr, Investments of Rs. 11020 Crore others Rs. 2121 Crore and excludes Cash in hand.
2. Non fund based exposures include Letter of Credit, Bank Guarantees and the Loan Equivalent Factor ('LEF') of Financial Market transactions.
3. The above numbers exclude 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	2510.70
Industry – Micro, Small, Medium & Large	8363.80
Services	2673.19
Trade	3244.41
Commercial Real Estate	964.39
NBFC	1268.31
Consumer Finance	4930.75
<b>Total</b>	<b>23955.55</b>

\* Net Advances as of 31 Mar 11 stood at INR 23602.1 Cr. The figures refer to the position as of last reporting Friday of the financial year 2010-11.

### 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	849.7	1800.2	3048.9	11.3
15 to 28 days	80.4	456.1	1336.7	38.3
29 days to 3 months	415.7	2090.9	2495.1	85.8
Over 3 months and up to 6 months	138.3	690.9	2208.3	130.6
Over 6 months and up to 1 year	372.6	1016.8	3108.0	363.9
Over 1 year and up to 3 years	240.5	1917.6	4714.1	421.5
Over 3 years and up to 5 years	190.0	1422.7	2637.8	222.7
Over 5 years	234.1	1625.4	4053.3	595.6
<b>Total</b>	<b>2521.4</b>	<b>11020.7</b>	<b>23602.1</b>	<b>1869.7</b>

Movement of NPAs and Provision for NPAs

Amount of NPAs (Gross)\* (Rs. in Crore)

	31.03.2010	31.03.2011
Substandard	132.96	38.40
Doubtful 1	90.89	92.83
Doubtful 2	10.66	24.15
Doubtful 3	0.00	0.00
Loss	0.00	0.00
Gross NPA	234.51	155.38

Net NPAs: (Rs. in Crore)

	31.03.2010	31.03.2011
Net NPA	221.83	91.78

NPA Ratios:

	31.03.2010	31.03.2011
Gross NPAs* to gross advances	1.27%	0.66%
Net NPAs to net advances	1.20%	0.39%

Movement of NPAs (Gross)\*: (Rs. in Crore)

	31.03.2010	31.03.2011
Opening bal. as on 01-04	209.39	234.51
(+) Additions	410.03	236.02
(-) Reductions	384.91	315.15
Closing bal. as on 31-03	234.51	155.38

\*Gross NPAs as per item 2 of Annex to DBOD.BP.BC.No.46/21.04.048/2009-10 after considering technical write-off.

Movement of provisions for NPAs: (Rs. in Crore)

	31.03.2010	31.03.2011
Opening bal as on 01-04	Nil	Nil
(+) Provisions made during the period	229.63	156.10
(-) Technical Write-offs	229.63	156.10
Closing bal as on 31-03	Nil	Nil

Amount of Non-Performing Investments (NPIs) and Provisions held, Movement of provisions for depreciation on investments

Amount of provisions held for non-performing investments: INR 30.01 Crore. (Rs. in Crore)

	31.03.2010	31.03.2011
Opening bal.as on 01.04	-	-
(+) Provisions made during the period	-	30.01
(-) Write-off/Write-back of excess provisions	-	-
Closing bal.as on 31.03	-	30.01

Amount of Non-Performing Investment: INR 30.01 Crore.

Movement of provisions for depreciation on investments (Rs. in Crore)

	31.03.2010	31.03.2011
Opening bal.as on 01.04	5.88	4.12
(+) Provisions made during the period	-	31.29
(-) Write-off/Write-back of excess provisions	1.76	-
Closing bal.as on 31.03	4.12	35.41

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. Crore) as on 31-03-11
Below 100% risk weight	28,687.40
100% risk weight	13,976.14
More than 100% risk weight	2,920.50
Deducted	2.10

6. Credit Risk Mitigation: Disclosures for Standardized Approaches

Policies & Processes

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).

The Bank has utilized credit risk mitigation in the case of Bank's own deposits, Government Securities, Debt Oriented Mutual Funds and gold, wherever the Collateral is identifiable, marketable and enforceable and complies with RBI requirements. Sovereign exposures and Sovereign guaranteed exposures are risk weighted as per RBI directives.

A system of physical verification / periodical updation of the valuation of the collateral (within a period not exceeding three years) are followed. For Housing Loans, the frequency of valuation has been decided as once in 5 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 1207.32 Crore.

Type of Guarantor / Counterparty and their Credit Worthiness

The types of Guarantor's 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 1875.40 Cr.

*\* 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'11 was Rs 82.43 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 respect of Credit risk, the RWA is calculated based on applicable external rating as per the regulatory guidelines.

## BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2011

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.

### Portfolio buy-outs

In addition to the above, the Bank purchases loans through direct assignments. The main portfolios that are purchased are Road Transport Operator loans, Loan for purchase of Agricultural implements, Gold loan portfolios, etc. These buyouts are as per the Portfolio Buy-out Policy 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	In Crore
Exposure	82.43
Rating	AAA
RWA	16.49
Capital Charge	1.48

- 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 2011

(Rs. in Crore)

S. No	Type of securitization	Amount (in Cr. BV)
Securities purchased		
1.	Home and Home equity loans	82.43
2.	Liquidity facility	Nil
3.	Credit enhancement	Nil
4.	Other commitments	Nil

Note: The above mentioned securitized portfolio is classified under Available for Sale (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	82.43
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%	82.43
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 2010-11. 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 the 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, policies and methodologies 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 to ALCO and members of Board 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 interest rate risk and liquidity issues besides looking into Asset Liability Management (ALM) and the Investment Committee discusses the Investments 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 the RMRC.

The Market Risk Management Department in the Bank operates independently of the treasury dealing room. It monitors the operations of the treasury front office and checks the limits as laid down in the policy. The exposures are reported finally to management.

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 and related activities.

### Market risk management models/ methods/ processes

The tools used for measuring, monitoring and controlling market risks are commensurate with the nature and composition of the investments and trading activities of the Bank.

Limit checks, revaluation and pricing of securities are independently done on a daily basis through MRMD's own systems. The Bank uses an in-house developed module to capture VaR, and the same is back tested for model effectiveness as well. The variance covariance method is used for calculating VaR for a 1-day horizon at 99% confidence level. Historical method is used to calculate FX-Options VaR. 250-days historical simulation is applied at 99% confidence. The module also calculates the bpv's and stress scenarios.

FX risk in the books is independently controlled on an overall basis by MRMD through monitoring:

- Day light limits
- Overnight limits
- Nostro limits
- Stop loss limits
- Gap limits
- Overall Position limits

The Investment Policy does not allow any fresh equity positions. The current minor equity positions are largely illiquid but the Bank explores the possibility of a sale as and when an opportunity arises.

### Stress testing and scenario analysis

The framework and scenarios for stress testing have been outlined in detail in the Market Risk Measurement Policy. While the Value at Risk methodology assumes 'normality', reality has shown problems with this assumption. In general, it turns out that extreme scenarios are more likely to happen than what is to be expected under the assumption of normality. In order to be aware of extreme swings, the Bank undertakes stress tests. For event risk, a set of possible combinations is calculated. Based on the outcome of the results, limits may be adjusted and re-approved by competent authority.



There are broadly two categories of stress tests used, viz. sensitivity and scenario tests. Sensitivity tests are normally used to assess the impact of change in one variable on the Bank's position. Scenario tests include simultaneous moves in a number of variables.

As per Basel II, the stress test limits are set in such a way that it never exceeds more than 20% of the Bank's capital. Accordingly, the other risk limits are derived from this principle.

**Portfolios covered by standardized duration approach**

The following portfolios are covered by the standardized duration approach:

- AFS (available for sale)
- HFT (held for trading) for Money Market, Foreign Exchange and derivatives
- Foreign Exchange from banking books

The market risk positions subject to capital charge requirement are:

- (i) The risks pertaining to interest rate related instruments and equities in the trading book; and
- (ii) 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 11)

Interest Rate (a+b)	
a. General Market Risk	33.11
b. Specific Risk	2.85
Equity (c+d)	
c. General Market Risk	1.08
d. Specific Risk	1.08
Foreign Exchange and Gold	13.50
<b>Total Capital Charge for Market Risk</b>	<b>51.61</b>
<b>RWA for market risks</b>	<b>573.49</b>

**9. Operational risk**

ING Vysya Bank Ltd 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. While legal risk is covered within the framework of operational risk, strategic and business risks are excluded.

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

The Bank has developed a comprehensive framework supporting the process identifying, measuring and monitoring operational, information and security risks. In order to make the operational risk management process more effective and integrated for the business units, legal, compliance and operational risk functions in the Bank work in an integrated manner with similar processes for identifying and measuring the risks.

**Operational Risk Management framework**

For effective management of the Bank's operational risk exposure, the Bank has set up an independent Operational Risk Management 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**

The Bank has a well defined operational risk management structure with Operational risk committees (ORCs) being set up at country and business line (Retail, Wholesale and Private Banking) level. The core members of the committee include representatives from business, operations, IT, HR and risk management functions. The business line ORC are set up for Wholesale and Retail Banking functions of the Bank, meet once in a month to discuss the operational issues identified, and takes necessary steps to mitigate the risk. The country ORC is held on a quarterly basis while the Private Banking ORCs are held bi-monthly.

In addition to the ORCs, the Risk Management and Review Committee (RMRC) 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

The Bank uses the Non-Financial Risk Dashboard (NFRD) as an operational risk reporting tool. The NFRD provide a clear overview to the management on the key operational risk issues along with their risk rating, thereby enabling the management to prioritize and take effective decisions on risk mitigation. The report also provides an overview on the progress of the mitigation plans along with a due date and person to act for the identified operational risks.

### Strategies and Processes

The Bank has adopted 'three lines of defense' model. The Business forms part of first line of defense and are responsible for execution of Bank's risk policies, minimum standards and framework set by the second line of Defense. The risk management function forms part of the second line of defense and is responsible to partner and support the first line of defense in their risk management activities. The Audit department forms part of the third line of defense and is responsible to provide an independent assurance of the design and effectiveness of internal controls over the risks.

The Bank promotes effective management of operational, information and security risk by involving the Business Units in the risk management process. This is achieved by raising operational risk awareness, increasing transparency, improving early warning information system, and allocating risk ownership and responsibilities. While the Operational Risk Management function supports the Business Units in identifying and assessing the operational risk exposure, the Business Units are responsible to take appropriate steps to put controls in place for the operational risks.

The operational risk assessment has been made an integral part of the Bank's risk management process. The Bank uses various tools and processes for identification, assessment and monitoring of operational risk. The table below gives an overview of the risk management processes and the tools used for effective management of operational risks.

Risk Management Processes	Examples of risk management tools
Risk Governance	- Operational Risk Committee
	- Compliance program
	- Product Approval process
	- Risk awareness programs
Risk Identification	- Risk and Control Self Assessments/Integrated Risk Assessments
	- Operational Risk events
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 to identify the risk level and the subsequent risk rating. Further, the Bank has a centralized loss data capture mechanism that it uses for effective management of operational events and 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. The IRR measurement and reporting is performed on monthly frequency to ALCO and quarterly to Board.

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: from 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. The Bank monitors the Earnings at Risk (EaR) with respect to net interest income (NII) based on a 100 basis points adverse change in the level of interest rates. 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 Crores as of 31-Mar-11)

	TOTAL (INR)	INR	EUR	USD	GBP	JPY
EaR -100 bps parallel (year 1)	-20.97	-26.56	0.01	0.11	0.00	0.00
EaR - 100 bps parallel (year 2)	-23.12	-24.13	0.00	0.02	0.00	0.00
EaR - 100 bps parallel (year 3)	-32.01	-32.70	0.00	0.01	0.00	0.00

#### Economic value perspective

(INR in Crore as of 31-Mar-11)

NPV Impact	Total	INR	EUR	USD	GBP	JPY
+ 50 bps	-85.45	-86.89	0.28	1.05	0.11	0.00
+100 bps	-170.90	-173.78	0.56	2.10	0.22	0.00



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## ING VYSYA BANK LIMITED

Regd. & Corporate Office, 'ING VYSYA House', No. 22, M.G. Road, Bangalore 560 001, India.  
[www.ingvysyabank.com](http://www.ingvysyabank.com)

ING Vysya Bank Limited  
 Regd. & Corp. Office : 'ING Vysya House',  
 No. 22, M.G. Road,  
 Bangalore – 560 001.

Venue	: The Auditorium, 'ING Vysya House', No. 22, M.G. Road, Bangalore - 560 001.
Date	: Wednesday, 07-Sep-2011
Time	: 11.00 a.m.

## NOTICE

Notice is hereby given that the 80<sup>th</sup> Annual General Meeting of ING Vysya Bank Limited will be held at The Auditorium, 'ING Vysya House', No.22, M. G. Road, Bangalore – 560 001 on Wednesday, 07-Sep-2011, at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31-Mar-2011, Profit and Loss Account for the year ended on that date together with the Auditors' Report thereon and the Directors' Report attached thereto for that year.
2. To declare a dividend on equity shares for the year ended 31-Mar-2011.
3. To appoint a Director in place of Mr. Meleveetil Damodaran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration.

**To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956 and the Banking Regulation Act, 1949, M/s. BSR & Co., Chartered Accountants, (Firm Registration No. 101248W) be and are hereby appointed as statutory auditors of the Bank for the year 2011-12 as approved by Reserve Bank of India vide its letter No. DBS.ARS.No. 16054/08:27:005/2010-11 dated 18-May-2011 under Section 30(1A) of the Banking Regulation Act, 1949, in place of the retiring auditors, M/s S R Batliboi & Co., Chartered Accountants, Kolkata (Firm Registration No. 301003E) to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Bank on a remuneration (including terms of payment) to be fixed by the Board of Directors of the Bank, plus service tax and such other tax(es), as may be applicable, and re-imbursement of out-of-pocket expenses in connection with the audit of the accounts of the Bank for the year ending 31-Mar-2012.

**RESOLVED FURTHER THAT** pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956 and the Banking Regulation Act, 1949, the Board of Directors of the Bank be and is hereby authorized to appoint branch auditors, as and when required, in consultation with the statutory auditors, to audit the accounts in respect of the Bank's branches/offices and to fix their remuneration (including terms of payment), based on the recommendation of the Audit Committee, plus service tax and such other tax(es), as may be applicable, and reimbursement of out-of-pocket expenses in connection with the audit."

**Note:** As per guidelines of Reserve Bank of India, an Auditor cannot be re-appointed for a period beyond four consecutive years. M/s. S R Batliboi & Co., Chartered Accountants, Kolkata, the retiring Statutory Auditors, have been associated with the Bank for four consecutive years since their appointment at the 76th Annual General Meeting held on 28-Jun-2007 and are thus not eligible for re-appointment.

M/s. BSR & Co., Chartered Accountants, Mumbai expressed their willingness for being appointed as Statutory Auditors for the year 2011-12. In terms of the approval of RBI vide its letter No. DBS.ARS.No. 16054/08:27:005/2010-11 dated 18-May-2011, M/s. BSR & Co., Chartered Accountants, if appointed as Statutory Auditors, hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

## SPECIAL BUSINESS

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

**"RESOLVED THAT** Mr. Vikram Talwar, in respect of whom the Bank has received a notice in writing along with the requisite amount of deposit from a member proposing Mr. Vikram Talwar, as a candidate for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the said office, be and is hereby appointed as a Director of the Bank liable to retire by rotation."

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

**"RESOLVED THAT** pursuant to the approval accorded by Reserve Bank of India under Section 10B (1A) of the Banking Regulation Act, 1949 vide its letter No. DBOD.APPTS. No.21371/08.57.001/2010-11 dated 04-Aug-2010 and the applicable provisions of the Companies Act, 1956 and subject to the approval, as may be necessary, from other concerned authorities or bodies, the approval of the members of the Bank be and is hereby accorded for payment of annual compensation of Rs.15,00,000/- (Rs.1,25,000/- per month) to Mr. Arun Thiagarajan, Part-time Chairman of the Bank for a period of three years from the date of his appointment as Part-time Chairman effective 09-Aug-2010.

**RESOLVED FURTHER THAT** Mr. Arun Thiagarajan shall also be eligible for other allowances for an amount not exceeding Rs.25,000/- per month towards maintenance of Chairman's office and actual travel, lodging and boarding expenses incurred in connection with any official visits / duties subject to applicable limits as may be fixed by the Board from time to time.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and to execute any agreements, documents or instructions, as may be required to give effect to this resolution."

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

**"RESOLVED THAT** Mr. Philippe Damas, a Director, who retires by rotation at this Annual General Meeting and who has expressed his desire not to be re-appointed as a Director, be retired and not be re-appointed".

**RESOLVED FURTHER THAT** the resulting vacancy not be filled up at this Meeting or any adjourned Meeting thereof."

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

**"RESOLVED THAT** Mr. Mark Edwin Newman, in respect of whom the Bank has received a notice in writing along with the requisite amount of deposit from a member proposing Mr. Mark Edwin Newman, as a candidate for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the said office, be and is hereby appointed as a Director of the Bank liable to retire by rotation."

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

**"RESOLVED THAT,** in supersession of all the previous resolutions passed by the company hitherto on the subject, the Board of Directors of the Bank be and is hereby authorised, pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, to borrow money, from time to time, at its discretion on such terms and conditions as may be considered suitable by the Board of Directors up to a limit not exceeding an amount of four times of the aggregate of the paid up capital and free reserves of the Bank as at the end of the previous year notwithstanding that the money to be borrowed together with the moneys already borrowed by the Bank (apart from temporary loans obtained from the Bank's bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Bank and its free reserves, that is to say, reserves not set apart for any specific purpose."

By Order of the Board

## NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member. The instrument of proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Bank at ING Vysya House, No. 22, M. G. Road, Bangalore – 560 001 at least 48 hours before the commencement of the meeting.
2. Register of Members and Share Transfer Books of the Bank shall remain closed from Saturday, 13-Aug-2011 to Wednesday, 07-Sep-2011 (both days inclusive).

Dividend for the year ended 31-Mar-2011, if declared at the Meeting, will be paid on and from Wednesday, 07-Sep-2011 but not beyond Thursday, 06-Oct-2011:

- (i) to those Members, holding shares in physical form, whose names appear in the Register of Members at the close of business hours on Friday, 12-Aug-2011 after giving effect to all valid transfers in physical form lodged with the Bank and / or its Registrars and Share Transfer (R & T) Agents on or before Friday, 12-Aug-2011; and
- (ii) in respect of shares held in electronic (demat) form, on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on Friday, 12-Aug-2011.

In terms of the directive of Securities and Exchange Board of India, shares issued by companies should rank *pari passu* in all respects, including dividend entitlement, equity shares allotted by the Bank during the period from 1-Apr-2011 to 12-Aug-2011 including equity shares allotted under the ING Vysya Bank Employees Stock Option Schemes and whose name is appearing in the Register of Members as on 13-Aug-2011, apart from Rights Shares kept in abeyance in respect of Rights Issue made in 1996 and 2005, will be entitled for full dividend for the financial year ended 31-Mar-2011, if declared at the Meeting, subject to applicable regulations.

3. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government and, thereafter, no payments shall be made by the Bank or by the IEPF in respect of such amounts. Therefore, the amount of unclaimed dividend for the financial years ended up to 31-Mar-2003 has been transferred, and for the financial year ended 31-Mar-2004, it will be transferred to IEPF on or before due date i.e., 21-Oct-2011.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31-Mar-2004 and subsequent years are requested to submit their claims to the R & T Agents of the Bank without any delay.

4. Members holding shares in electronic form may please note that, in terms of the mandate of the Securities and Exchange Board of India (SEBI), dividend will be credited through Electronic mode of remittance to the Bank Account of the Shareholder mentioned in the details furnished by the respective Depositories to the Bank on the date of book closure, provided the MICR / IFS Code has also been furnished and the Bank account pertains to a city where ECS / NEFT facility is available. Members holding shares in dematerialised mode are requested to intimate all updates pertaining to their bank details, nominations, power of attorney, change of address / name etc., to their Depository Participant (DP) only and not to the Bank or its R & T Agents. Such changes will automatically reflect in the Bank's records.
5. Members holding shares in physical form are requested to notify the changes, if any, in their address, immediately to the R & T Agents / Bank giving full address in capital letters invariably with the relevant Postal Index Number (PIN) code.

6. Members holding shares in physical form are requested to avail Nomination facility for hassle free transmission of shares to their beloved ones. They may request for the prescribed format or alternatively they may download by visiting the Bank's website, under the section 'Information to Shareholders' ([http://www.ingvysyabank.com/scripts/About\\_shareholdersinfo.aspx](http://www.ingvysyabank.com/scripts/About_shareholdersinfo.aspx)).
7. Members holding shares in physical form are requested to opt for dematerialisation of shares and to know more about dematerialisation benefits, they may visit the Bank's website, under the section 'Information to Shareholders' ([http://www.ingvysyabank.com/scripts/About\\_shareholdersinfo.aspx](http://www.ingvysyabank.com/scripts/About_shareholdersinfo.aspx)).
8. Legal heirs of deceased Shareholders (who were members as on record date of 28-Feb-2005), are requested to expeditiously complete the transmission procedure and claim the rights shares issued by the Bank in the year 2005 which are kept in abeyance, by contacting our R & T Agents at an early date.
9. Members holding shares in physical form are requested to quote their Registered Folio number in their correspondence with the R & T Agents / Bank. Those Shareholders who have dematerialised their shares are requested to quote both their Client Id No. and DP Id No. in their correspondence with the R & T Agents / Bank.
10. The members approved Employee Stock Option Scheme 2010 at the 79th Annual General Meeting held on 01-Jul-2010. As per the requirement of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, it is hereby confirmed that the Bank shall use the intrinsic value method to compute the employee's compensation cost arising due to grant of options. Further, in case the Bank calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Bank shall also be disclosed in the Directors' Report.
11. Pursuant to the requirements relating to Corporate Governance under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the information about the Directors proposed to be appointed / re-appointed is given in the Annexure to this Notice.
12. Only registered members / beneficial owners carrying their attendance slips and holders of valid proxy forms registered with the Bank are permitted to attend the meeting and they are encouraged to carry with them the Annual Report mailed along with this Notice.
13. Members are requested to avoid being accompanied by non-members and / or children.
14. Members are requested to be seated at the meeting hall before the scheduled time of commencement of the Annual General Meeting.

By Order of the Board

Place : Bangalore  
Date : 18-Jul-2011

M V S Appa Rao  
Company Secretary



## EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

### ITEM NO. 5

Mr. Vikram Talwar was appointed by the Board under Section 260 of the Companies Act, 1956, as an Additional Director effective 20-Dec-2010 to hold office up to the date of the 80th Annual General Meeting of the Bank. The Bank has received a notice from a member under Section 257 of the Companies Act, 1956 along with the requisite deposit in respect of Mr. Vikram Talwar proposing his appointment as a Director of the Bank.

The Nomination (Corporate Governance) Committee has undertaken the due diligence of Mr. Vikram Talwar as per the guidelines of Reserve Bank of India and has declared that he is 'fit and proper' for appointment as a Director.

It is now proposed to appoint Mr. Vikram Talwar as Director of the Bank, liable to retire by rotation.

None of the Directors, except Mr. Vikram Talwar, is either directly or indirectly, concerned or interested in this resolution.

### ITEM NO. 6

Mr. Arun Thiagarajan was appointed as a Part-time Chairman of the Bank for a period of three years effective 09-Aug-2010 in terms of the approval of Reserve Bank of India vide its letter DBOD.APPTS. 2137 /08.57.001/2010-11 dated 04-Aug-2010. Further, RBI also approved the remuneration to Mr. Arun Thiagarajan on the terms and conditions set out in the resolution. The Board of Directors recommend the resolution on payment of remuneration to Mr. Arun Thiagarajan Part-time Chairman for your approval.

Mr. Thiagarajan is an expert in Heavy Engineering, Strategic Planning, Technology & Systems, Economics and Finance. He has been on IVBL's Board since 30-Jan-2003. Apart from being the Chairman of Investors' Committee, he is also a member of other Board level Committees viz., Audit Committee, Risk Management and Review Committee (RMRC), Special Committee for Monitoring Frauds (SCMF) and Corporate Governance Committee (CGC). Mr. Arun Thiagarajan is a graduate in Business Administration and Information System from Uppsala University, Sweden. He also holds a Master's Degree in Engineering from Royal Institute of Technology, Stockholm, Sweden and has attended the Advanced Management Programme at the Harvard Business School. He has earlier served as Managing Director of ABB Limited, Vice Chairman of Wipro Limited and President of Hewlett Packard (India) Limited. He has been the Chairman of Southern Region and Karnataka State Committees of the Confederation of Indian Industry (CII). He was also the Chairman of CII National Committees on IT and Quality. He is on the Board of various corporate entities as an Independent Director.

None of the Directors, except Mr. Arun Thiagarajan, is either directly or indirectly, concerned or interested in this resolution.

### ITEM NO. 7

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Philippe Damas retires by rotation at this Annual General Meeting and is eligible for re-appointment. However, he has expressed his desire not to be re-appointed. The Company does not propose to fill the vacancy at this meeting or any adjournment thereof. Hence, as required under Section 256 of the Companies Act, 1956, a resolution is proposed accordingly and also not to fill up the vacancy caused by the retirement of Mr. Philippe Damas at this meeting or any adjourned meeting thereof.





None of the Directors, except Mr. Philippe Damas, is either directly or indirectly, concerned or interested in this resolution. However, Richard Cox, Lars Kramer, Vaughn Nigel Richtor and Mark Edwin Newman, being in the employment of ING and Mr. Meleveetil Damodaran, acting as advisor to ING for its operations in India may be considered as interested in the proposal. Mr. Shailendra Bhandari, Managing Director and CEO of the Bank may also be considered as interested in the proposal to the extent he represents ING on the Board.

#### ITEM NO. 8

Mr. Mark Edwin Newman was appointed by the Board under Section 260 of the Companies Act, 1956, as an Additional Director effective 20-Apr-2011 to hold office up to the date of the 80th Annual General Meeting of the Bank. The Bank has received a notice from a member under Section 257 of the Companies Act, 1956 along with the requisite deposit in respect of Mr. Mark Edwin Newman proposing his appointment as a Director of the Bank.

The Nomination (Corporate Governance) Committee has undertaken the due diligence of Mr. Mark Edwin Newman as per the guidelines of Reserve Bank of India and has declared that he is 'fit and proper' for appointment as a Director.

It is now proposed to appoint Mr. Mark Edwin Newman as Director of the Bank, liable to retire by rotation.

None of the Directors, except Mr. Mark Edwin Newman, is either directly or indirectly, concerned or interested in this resolution. However, Richard Cox, Lars Kramer and Vaughn Nigel Richtor being in the employment of ING and Mr. Meleveetil Damodaran acting as advisor to ING for its operations in India may be considered as interested in the proposal. Mr. Shailendra Bhandari, Managing Director and CEO of the Bank and Mr. Philippe Damas may also be considered as interested in the proposal to the extent they represent ING on the Board.

#### ITEM NO. 9

In terms of Section 293(1)(d) of Companies Act 1956, the borrowing powers can be exercised by the Board of Directors, beyond the aggregate of the paid up capital and the free reserves of the Bank, only with the approval of the Bank at the general meeting. The members at the 75th Annual General Meeting have authorized the Board of Directors to borrow up to a limit of "Rupees Seven Thousand Five Hundred Crore" of the Bank. Considering the business plans, it has been proposed that the said borrowing powers be increased to four times of the aggregate of the paid up capital and free reserves of the Bank as of the end of the previous year as indicated in the proposed resolution.

None of the Directors of the Bank is concerned or interested in the Resolution.

#### **Annexure to Notice dated 18-Jul-2011**

**Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges, following information is furnished about the Directors proposed to be appointed / re-appointed.**

##### **(1) Mr. Meleveetil Damodaran**

Mr. Meleveetil Damodaran (age: 64) was first appointed on the Board effective 21-Jul-2008.

Mr. Meleveetil Damodaran holds a Bachelor's Degree in Economics from the University of Madras. He also holds a Bachelor's Degree in Law from the University of Delhi. He was former Chairman of Securities and Exchange Board of India (SEBI) and has over 30 years of experience in financial services and public sector enterprises. Apart from being the Joint Secretary to Government of India in the Banking Division of the Ministry of Finance, he has held various positions in the Ministry of Information and Broadcasting and in the Ministry of Commerce. He has also served as the Chairman of Industrial Development Bank of India (IDBI) and Unit Trust of India (UTI) and was instrumental for its development. For his contribution, he has been awarded numerous prestigious awards, such as "ET Policy Change Agent of the Year" Award.



His areas of expertise include Banking, Finance, Economics, Law, Public Administration and Agricultural & Rural Economy.

Mr. Meleveetil Damodaran did not hold any shares of the Bank as on 31-Mar-2011.

**Directorships in other Companies:**

- Hero Honda Motors Limited
- Tech Mahindra Limited
- ING Investment Management (India) Private Limited
- Satyam Computer Services Limited
- Sobha Developers Limited
- S.Kumars Nationwide Limited
- AVN Arogya Health Care Limited
- Glocal Healthcare Systems Private Limited

**Committee Memberships in other Companies:** Audit Committee of Tech Mahindra Limited, Satyam Computers Services Limited & Hero Honda Motors Limited. Shareholders' Grievance Committee of Hero Honda Motors Limited.

**(2) Mr. Vikram Talwar**

Mr. Vikram Talwar (age: 61) was first appointed on the Board effective 20-Dec-2010.

Mr. Talwar on completing his MBA in 1970 from IIM Ahmedabad, started his career with Bank of America in San Francisco and during his 26 years career at the Bank, he held several senior management positions in over nine countries in Asia. He was amongst the youngest Senior Vice Presidents' of the Bank in 1991 when he was named the CEO of the Bank's extensive Indian operations that were among the largest global businesses of the bank in terms of profitability. Mr.Talwar left Bank of America in 1996 and for the next two years he worked with Ernst & Young Consulting in New York. He was assigned as the CEO and Managing Director at Ernst & Young Consulting, India and was also Ernst & Young's Asia Director for its Global Operate Business (Outsourcing). In the year 1999, Mr.Talwar founded EXL Service Holdings Inc, a leading global Business Process Outsourcing Company, in the US. He was the CEO of the Company till May 2008 when he was elevated to the position of Executive Chairman of the Board.

His areas of expertise include Banking and Technology & Systems.

Mr. Vikram Talwar did not hold any shares of the Bank as on 31-Mar-2011.

**Directorships in other Companies:**

- ExIService.com, Inc
- ExIService Holdings, Inc
- Inductis, Inc.
- Inductis, LLC
- Inductis (Singapore) Pte Ltd
- ExIService (U.K) Ltd
- ExIService Philippines, Inc
- Evolv Services Limited
- C.J. International Hotels Ltd.
- C.J. International Pvt. Ltd.

**Committee Memberships in other Companies:** Nil

### (3) Mr. Mark Edwin Newman

Mr. Mark Edwin Newman (age: 45) was first appointed on the Board effective 20-Apr-2011.

Mr. Mark Edwin Newman is a Chartered Accountant and has obtained Mathematics (Honours) degree from King's College London. Mr. Newman is the Managing Director and Regional Head of Financial Markets, Asia. He started his career at Deloitte Haskins and Sells where he qualified as a Chartered Accountant before joining ING in 1992, in London.

Mark had a number of internal audit and risk management roles in London before moving to Asia in 1996. Since then he held a number of positions within Financial Markets including Head of Structured Products, Asia and Head of Financial Markets Hong Kong, before being appointed as the Regional Head of Financial Markets, Asia in 2005. He is also Executive Management Board Member of ASIFMA (Asia Securities Industry and Financial Markets Association).

Mark has spent over fourteen years in Asia and is currently responsible for all trading and sales activities in the region.

His areas of expertise include Treasury, Financial Markets and Risk Management.

Mr. Mark Edwin Newman did not hold any shares of the Bank as on 20-Apr-2011.

#### **Directorships in other Companies:**

- Asia Securities Industry and Financial Markets Association Limited (ASIFMA)
- PT ING Securities, Indonesia

**Committee Memberships in other Companies:** Nil.