

81st ANNUAL REPORT
2011-12



Ten years at a glance

(All Figures in ₹ Crore except as stated otherwise)

Year	Deposits and Accounts	Total Advances	Investments	Gross Earnings	Net Profits	Paid up Capital	Reserves	Dividend (%)	No. of Employees	No. of Branches	No. of Extension Counters
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
2011-12	35195.42	28736.67	12715.50	4526.56	456.30	150.12	3829.67	40*	10001 [#]	531	10

* Subject to approval of shareholders

[#] Including IVFSL's Sales Staff transferred to the Bank



BOARD OF DIRECTORS

Arun Thiagarajan
Chairman

Shailendra Bhandari
Managing Director and CEO

OTHER DIRECTORS

Aditya Krishna
Lars Kramer
Mark Edwin Newman (from 20 April 2011)
Meleveetil Damodaran
Peter Staal
Philippe Damas (upto 07 September 2011)
Richard Cox
Santosh Ramesh Desai
Vaughn Nigel Richtor
Vikram Talwar

81st ANNUAL GENERAL MEETING

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

Day/Date : Friday, 29 June 2012

Time : 11.00 A.M.

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CORPORATE SECRETARY

M V S Appa Rao

STATUTORY AUDITORS

B S R & Co.,
Chartered Accountants,
Mumbai

ING VYSYA BANK LIMITED

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

REGISTRARS & SHARE TRANSFER (R&T) AGENTS

Karvy Computershare Private Limited

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



SENIOR MANAGEMENT TEAM

Shailendra Bhandari
Managing Director & CEO

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

Janak Desai
Country Head – Wholesale Banking

Jan Van Wellen
Chief Risk Officer

Jayant Mehrotra
Chief Financial Officer

Manjunatha M S R
Chief Audit Executive

Meenakshi A
Head – Operations

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 Eighty First Annual Report of the Bank together with the Audited Statements of Accounts for the year ended 31 March 2012, Auditors' Report thereon and other documents and statements as are required.

Financial and Business Performance

For the year ended 31 March 2012 the Bank posted a net profit of ₹ 456 Crore compared to ₹ 319 Crore for 2010-11. The pre-tax profit improved to ₹ 654 Crore compared to ₹ 484 Crore during the previous year. The **Net Interest Income** for the year 2011-12 increased to ₹ 1,208 Crore registering an increase of 20%.

The aggregate business of the Bank reached ₹ 63,932 Crore as at 31 March 2012 compared to ₹ 53,796 Crore as at 31 March 2011. The **Total Deposits** of the Bank increased to ₹ 35,195 Crore registering a growth of 17%. The **Net Advances** increased to ₹ 28,737 Crore for the year ended 31 March 2012 from ₹ 23,602 Crore at the end of the previous year recording a growth of 22%.

The Bank has exceeded the regulatory target of 40% of adjusted net bank credit for priority sector lending, having achieved a level of 40.2% (previous year 43.5%). Export advances increased to ₹ 1,376.64 Crore from ₹ 1,241.55 Crore at the end of the previous year. The export credit as a percentage of net bank credit stood at 5.83%. As of 31 March 2012, the outstanding credit to Scheduled Castes/ Scheduled Tribes borrowers stood at ₹ 29.83 Crore and the percentage of recovery to demand as of 31 March 2012 was 68.16% (previous year 63.04%) of the amounts fallen due. The Net NPA Ratio as of 31 March 2012 is 0.18% as against 0.39% as of 31 March 2011.

Paid-up capital and Capital Adequacy Ratio

The paid-up capital of the Bank stood at ₹ 150.12 Crore as at 31 March 2012 as compared to ₹ 120.99 Crore as at 31 March 2011. The increase was primarily on account of Capital (Tier I) raised in June 2011 through an allotment of 15,000,014 shares to Qualified Institutional Buyers (QIB) and preferential issue of 13,257,349 shares to ING Group, Foreign promoters.

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 14.00% as at 31 March 2012 as against the Reserve Bank of India's (RBI) stipulated minimum of 9%. Of this, Tier I Capital was 11.24% and Tier II Capital was 2.76% as compared to 9.36% and 3.58% respectively as at 31 March 2011.

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

Appropriation of Profits and Dividend

In compliance with the requirement under the Banking Regulations Act, 1949 and the guidelines issued thereunder by the RBI, the Directors propose to transfer ₹ 114.08 Crore (previous year ₹ 79.66 Crore) to Statutory Reserve, ₹ 0.42 Crore (previous year ₹ 7.56 Crore) to Capital Reserve and ₹ 0.22 Crore (previous year ₹ 11 Crore from Capital Reserve) to Investment Reserve, for the year ended 31 March 2012.

Taking into account the regulatory restrictions, the Board of Directors recommend the payment of dividend at 40% on the face value of fully paid-up shares against 30% in the previous year. The outflow on account of the proposed dividend, including the dividend tax, would be ₹ 69.79 Crore.

The dividend recommended, on approval would be paid to all those shareholders whose names appear as Beneficial Owners as at the end of 16 June 2012 as per the list to be furnished by Depositories (viz., NSDL and CDSL) in respect of the shares held in electronic form and those shareholders whose names appear in the Register of Members of the Bank as members after giving effect to all valid transfers of shares in physical form which will be lodged with the Bank on or before 16 June 2012.

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.

Statutory Disclosures

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

DIRECTORS' REPORT

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

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

Subsidiaries

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

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

Currently, the subsidiary company is engaged in the business of non-funds/ fee based activities of marketing and distribution of various financial products/ services of the Bank. IVFSL has been offering low cost hiring platform for the resourcing needs of the Bank.

IVFSL has earned a net profit of ₹ 0.28 Crore for the year 2011-12.

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

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

Directors

None of the Directors has left or joined the Board since the last Annual General Meeting.

Retirement of Directors by Rotation

Mr. Vaughn Richtor, Mr. Santosh Ramesh Desai and Mr. Peter Staal will retire by rotation in terms of Section 256 of the Companies Act, 1956 at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Lars Kramer was appointed as director in casual vacancy due to resignation of Mr. Wilfred Nagel on 28 April 2010 and will hold office only up to the date of the ensuing AGM.

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

Registrars and Share Transfer (R&T) Agents

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

Auditors

The Statutory Auditors viz. M/s. BSR & Co., Chartered Accountants, Mumbai, who were appointed at the 80th Annual General Meeting held on 07 September 2011 are retiring at the ensuing AGM and being eligible for re-appointment under the guidelines of Reserve Bank of India (RBI), offer themselves for re-appointment for the second consecutive year.

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

DIRECTORS' REPORT

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. The Management Discussion and Analysis Report (MDAR) is also included in this Annual Report. As per RBI circular no. DBOD.NO.DIR.BC.58/13.27.00/2007-08 dated 20 December 2007, the Non Financial Reporting is also 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 March 2012 on a going concern basis.

Board Confirmation

The Board receives quarterly compliance certificate from the CEO of the Bank certifying that the Bank has devised proper systems to ensure compliance on an ongoing basis of all directions/ instructions given by Reserve Bank of India, all governing laws and applicable statutes and internal policy guidelines. On the basis of CEO certification and pursuant to Secretarial Standard on Board's Report – SS-10, the Board confirms the same for the financial year ended 31 March 2012.

Acknowledgements

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

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

For and on behalf of the Board

Place : Bangalore
Date : 24 April 2012

Arun Thiagarajan
Chairman

ANNEXURE TO DIRECTORS' REPORT

Statutory Disclosures as on 31 March 2012 regarding Employees Stock Option Scheme (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 2005		ESOS 2007	ESOS 2010
	Tranche 1	Tranche 2 (Loyalty Options)		
Options Granted	465,212	525,285	7,827,476	7,232,475
Date of AGM Resolution	22 September 2005	22 September 2005	11 May 2007	1 July 2010
Options Vested	297,207	508,100	6,454,243	1,378,600
Options Exercised	268,389	300,925	1,985,196	-
Total number of Shares arising as a result of exercise of Option	268,389	300,925	1,985,196	-
Options Lapsed	158,819	42,305	754,000	487,250
Variation of terms of options	NIL	NIL	NIL	NIL
Money realised by exercise of options (in ₹)	32,973,721.00	55,616,958.50	396,956,446.00	-
Total number of options in force	38,004	182,055	5,088,280	6,745,225
Pricing Formula for ESOS 2005	Exercise price is equivalent to 75% of the average price of the shares during the past six months in the Stock Exchange where the Stocks are traded in highest number.			
Pricing Formula for ESOS 2007 & ESOS 2010	Exercise price is latest available closing price, prior to the date of meeting of the Board of Directors in which options are granted in the Stock Exchange where the Shares are traded in the highest number.			

Employee-wise details of grant to Senior Managerial Personnel

Name	2011-12	2010-11
Mr. B. Ashok Rao	40,000	40,000
Mr. Janak Desai	55,000	55,000
Mr. Jan Van Wellen	-	-
Mr. Jayant Mehrotra	60,000	50,000
Mr. Manjunatha M S R	25,000	50,000
Ms. Meenakshi A	40,000	35,000
Mr. Prasad C V G	25,000	25,000
Mr. Prasad J M	40,000	40,000
Mr. Samir Bimal	40,000	37,500
Mr. Shailendra Bhandari	128,000	700,000
Mr. Uday Sareen	75,000	65,000
Mr. Appa Rao M V S	9,500	-
Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during the year.	NIL	NIL
Identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversations) of the company at the time of grant.	NIL	NIL

The details on Employees compensation cost is given under 'Employee Stock Option Scheme' in the Notes to Accounts (Schedule 18) of the Balance Sheet (Page no. 54)

MACRO ECONOMIC AND BANKING INDUSTRY DEVELOPMENTS

Real Gross Domestic Product (GDP) for the year 2011-12 has been estimated to grow at 6.9% as compared to 8.4% witnessed in 2010-11. The slowdown in the growth momentum has been a cumulative effect of the tight monetary stance by the Reserve Bank of India (RBI) pushing up the cost of borrowing, policy paralysis and bleak global conditions. The weakness in economic activity has been largely broad based, with sharp deceleration witnessed across mining and manufacturing output. The service sector growth has, however, remained robust providing some support to an otherwise slowing economy. Though, recent improvements in some of the lead indicators have been suggestive of tentative signs of stabilization but targeted economic reforms and policy action is imperative for discernable and sustainable growth.

Inflation has provided some signs of moderation recently, with the Wholesale Price Index (WPI) having slipped to 6.95% YoY in February 2012 after persistently staying above 9% for the past one year through November 2011. The elevated inflation since early 2010 has been driven by a combination of global and domestic structural factors (a) higher international commodity prices, especially oil, (b) return of pricing power to corporates, (c) improving bargaining power of both organised and unorganised labour, with the surge in rural demand coming from higher real wages under the Mahatma Gandhi National Rural Employment Guarantee Scheme, (d) capacity constraints in several sectors, particularly farm products as higher purchasing power has led to greater demand for protein rich nutrient based foods, (e) continuous upward revision in minimum support prices reflecting rising input costs and (f) more recently weaker Rupee has increased the import inflation component. Going forward, we expect favourable base effect and the weak domestic demand to keep the inflationary pressures in check. However, uncertainty on the global commodity prices and supply constraints continue to pose severe risks.

During the budget 2012-13, the government had committed to a fiscal consolidation path and set the deficit target of 5.1% of GDP as against an upwardly revised estimate of 5.9% of GDP for the year 2011-12.

The Indian financial markets remained orderly for the period April–November 2011, despite the adverse global conditions. Average net systemic liquidity (Liquidity Adjustment Facility (LAF)) deficit for this period remained within RBI's comfort level of -1% NDTL at ₹ 52,000 crore. The call rates remained only marginally above the Repo rate during the period. However, the systemic liquidity conditions deteriorated substantially since December 2011, to an average around ₹ 140,000 crore firming up the overnight rates and the wholesale funding costs. The funding curves inverted during this period amidst severity in liquidity conditions. Since late November 2011, the Central Bank undertook Open Market Operations (OMO) worth ₹ 124,500 crore of bond purchases and has further cut the Cash Reserve Ratio (CRR) by 125 basis points to infuse additional ₹ 80,000 crore of liquidity. Despite RBI's efforts to ease the liquidity conditions, the systemic liquidity has remained tight on account of massive foreign exchange intervention by the RBI between December 2011 to February 2012 and lack of sufficient government spending in the last quarter of 2011-12.

During the year 2011-12, the Repo rate increased by 175 basis points to 8.5% and the subsequent Reverse Repo and Marginal Standing Facility rate fixed at 7.5% and 9.5% respectively. The RBI in its November 2011 policy meet decided to take a pause after continuously increasing rates since March 2010. Meanwhile, the RBI in a path breaking move deregulated the interest rates on domestic savings deposit and non-resident deposits during the policy meetings in Q3 2011-12.

The weakening economic environment has led to the moderation in the growth rate of credit off-take of Scheduled Commercial Banks for most part of the second half of 2011-12 after a robust growth till September 2011. As on the last fortnight of 2011-12, ending 23 March 2012, non-food credit growth stood at 16.9% YoY and the aggregate deposits growth rate has also come off at 13.4% YoY.

The Indian Rupee has witnessed a volatile period, having weakened by 14% in 2011-12. Rupee declined to a record low of 54.30 in mid-December after which it did a turnaround and gained approx. 4.5%. Losses in 2011 were largely driven by rising risk aversion amidst intensification of the European debt crisis and weak domestic fundamentals resulting in a complete drying up of foreign portfolio inflows. Improved global risk sentiments and RBI's efforts in curbing speculation, introducing measures to attract foreign flows and intervening in the foreign exchange market has helped in reversing the sharp depreciating trajectory of the Rupee.

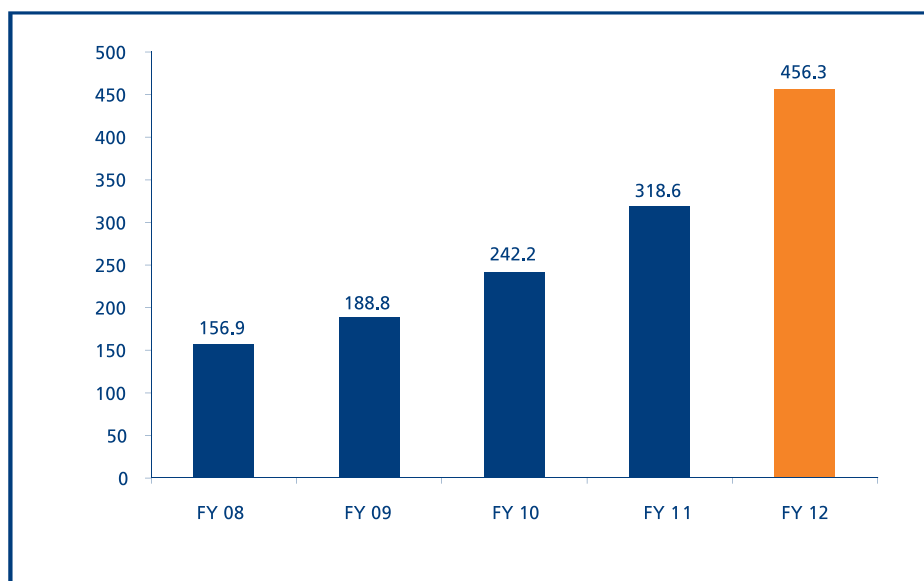
OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE

During the financial year 2011-12, the Bank continued to grow its key businesses and revenues. The Bank reported healthy improvement in its financial, business and other operating parameters.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

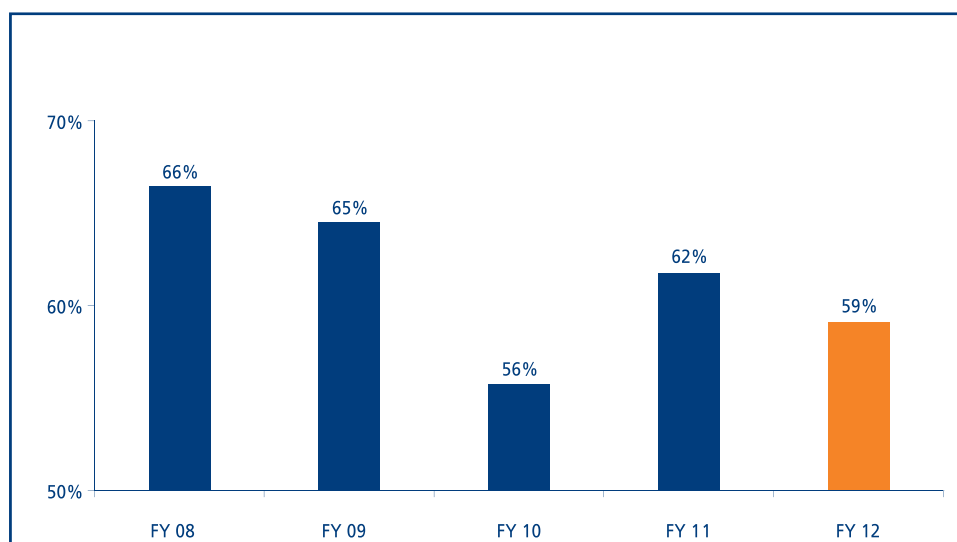
The Bank recorded a net Profit After Tax (PAT) of ₹ 456 Crore for the year 2011-12, an increase of 43% from ₹ 319 Crore reported in the previous year.

Net Profit (₹ in Crore)



The Net Total Income of the Bank for the year rose by 13% to ₹ 1,878 Crore from ₹ 1,662 Crore reported during the previous year. During this period, the Net Interest Income (NII) grew by 20% to ₹ 1,208 Crore from ₹ 1,007 Crore reported in the previous year. Fee and Other Income increased by 2% to ₹ 670 Crore from ₹ 655 Crore. Operating expenses increased by 8% to ₹ 1,110 Crore from ₹ 1,026 Crore in the previous year. The Cost to Income Ratio decreased from 62% to 59%.

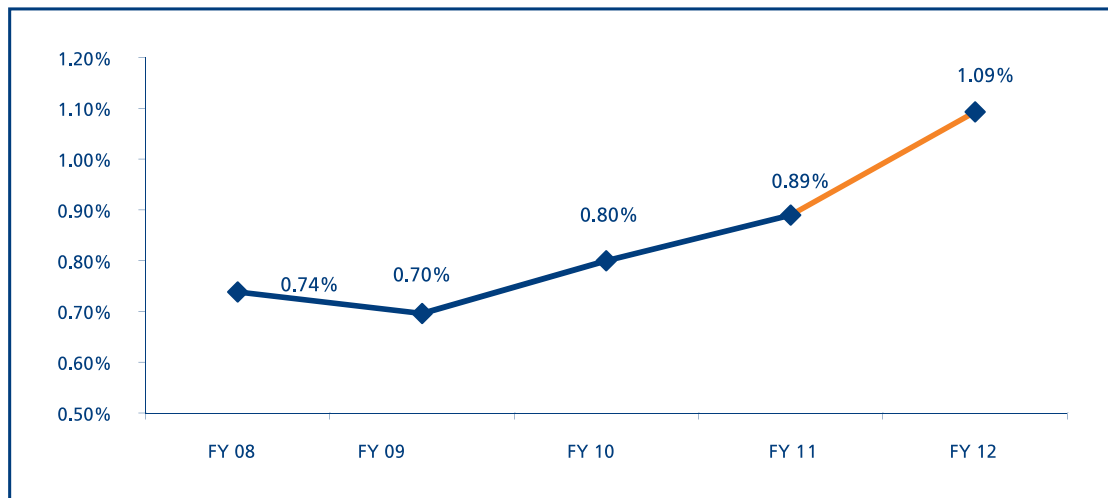
Cost to Income Ratio



MANAGEMENT DISCUSSION & ANALYSIS REPORT

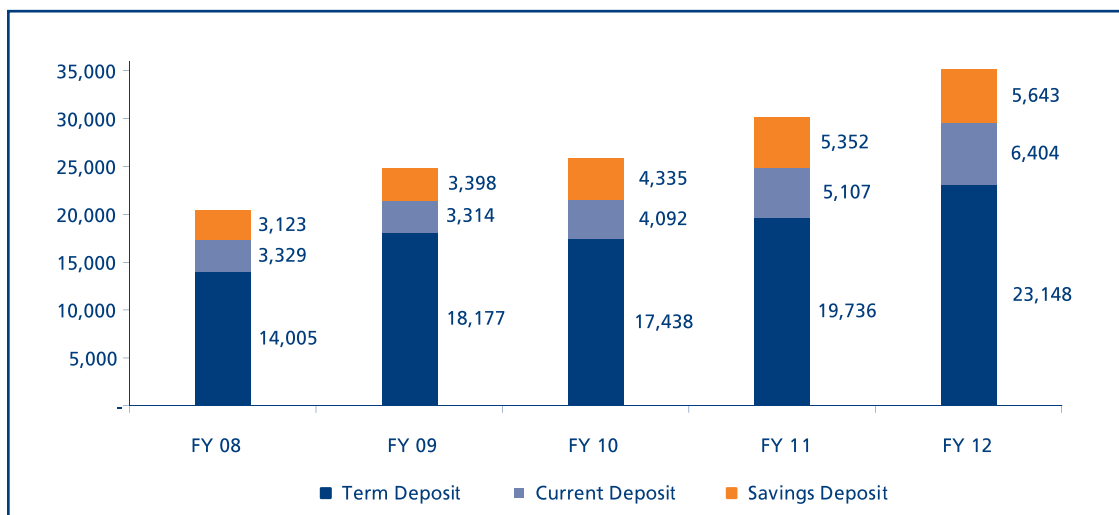
Return on Average assets increased to 1.09% from 0.89% reported in the previous year.

Return on Average Assets



Total deposits of the Bank aggregated to ₹ 35,195 Crore, an increase of 17% over the previous year. The Bank continues to focus on improving the mix of low cost deposits during the year. The Current and Savings Account (CASA) deposits increased by 15% from ₹ 10,459 Crore as at March 2011 to ₹ 12,047 Crore as at March 2012.

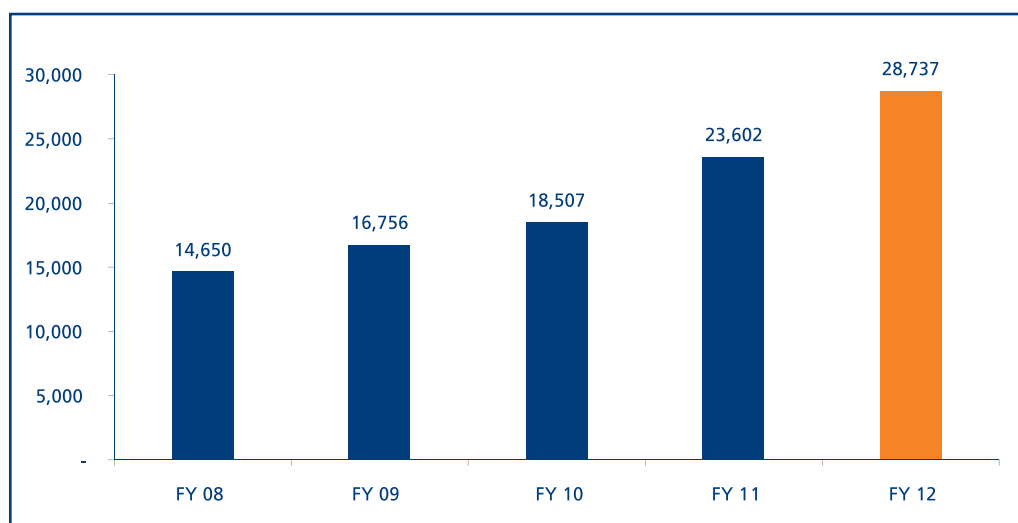
Deposits Growth with breakup of Current, Savings and Term Deposit



During the year the Bank successfully raised additional capital of around ₹ 970 crore through a Qualified Institutional Placement (QIP) and Preferential Issue to ING Group, Foreign promoters. The QIP Issue received good response, with a mix of domestic and foreign institutions participating in the issue. The capital adequacy of the Bank as per Basel II stood at 14.00% as of 31 March 2012 with Tier 1 Capital ratio at 11.24%.

Total assets increased by 20% to ₹ 47,001 Crore from ₹ 39,014 Crore as at 31 March 2011. Net Advances increased by 22% to ₹ 28,737 Crore from ₹ 23,602 Crore as at 31 March 2011.

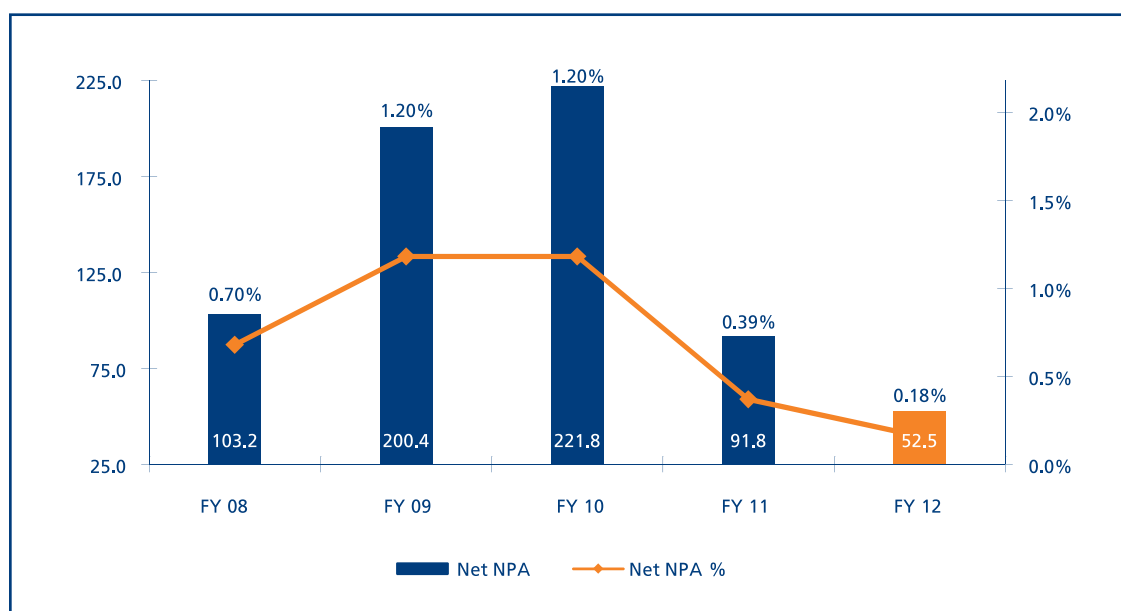
Net Advances



Retail Bank Advances (including SME) contributed to 57% of the advances. Net Priority Sector Advances stood at ₹ 9,494 Crore as of 31 March 2012 and constituted 40.2% of adjusted Net Bank Credit as against the target of 40% stipulated by the RBI.

The net NPA of the Bank as at 31 March 2012 stood at ₹ 52.49 Crore, which was 0.18% of Net Advances as against 0.39% of the previous year.

Net NPA



INTERNAL CONTROL SYSTEMS

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

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

BUSINESS REVIEW

An overview of various business segments along with their key performance achievements in 2011-12 is presented below:

RETAIL BANKING

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

(i) Branch Banking

During the year 2011-12, the Bank opened 17 new branches across India, taking the number of branches and extension counters from 510 to 527. In terms of the mix of the branches, the network is fairly spread across all the population groups with 31% in Metro areas, 34% in Urban areas, 18% in Semi Urban and 17% in Rural locations.

The Bank expanded its ATM network to 430 with deployment of additional 30 ATMs during the year. The Bank opened 6 new ATMs in rural locations namely: Dhuri, Ropar, Nawashahar, Pochowal, Samrala and Fatehgarh Sahib in Punjab. The Bank also tied up with Hypercity for deployment of ATMs in Hypercity stores. Till date, ATMs are deployed in 6 Hypercity stores in Bangalore, Mumbai, Pune, Ahmedabad and Ludhiana.

The Bank launched new products in 2011-12 with the aim of meeting the diverse needs of customers and expanding the product range. The Zwipe Classic savings account was launched to cater to the needs of mass affluent customers in Tier II and Tier III cities. The account comes loaded with features and preferential pricing across multiple services offered by the Bank. Also, the new Easy Credit overdraft facility was launched for corporate salary customers. The Bank also launched a unique Flexi Current Account which allows customers with seasonal businesses to take advantage of higher DD & cash limits by maintaining higher balances during their peak business season. This year, the Bank introduced the concept of Total Relationship Value (TRV) for Platina customers whereby the customer's product holdings across savings, deposits, wealth management, loans and demat are taken together to arrive at a TRV for each customer. Customers who have a high TRV are given the facility of not being required to maintain the QAB in the Platina account considering the overall relationship. This will help customers deploy their funds in higher return products and manage their money better while still enjoying the privileges and pricing of our Platina Preferred Banking account.

The Bank also launched online acceptance of ING Maestro Debit Cards for shopping and payments using Master Card Secure Code. Master Card Secure Code is a service that allows customers to securely make payments and purchases over the internet using their ING Maestro Debit Card. The annual spend through Debit Cards by the customers for shopping increased by 28% in the current year. This was a result of sustained customer education and promotional offers. For Business Banking customers, the internet banking service was launched this year with a host of cutting-edge features including bulk payments and multi-level authorization to cater to their specific needs.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

(ii) Business Banking (SME)

The Bank has traditionally focused on Micro, Small and Medium Enterprise business, partnering with their growth through decades. The Business Banking segment serves the needs of business enterprises with annual sales turnover of up to 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 a healthy and profitable growth in this segment. The SME portfolio grew by 36% and fees grew by 27% during the year.

(iii) Consumer Loans

Consumer Assets include Home Loans, Home Equity Loans, Loan against Commercial Property, Loans for Commercial Vehicles & Construction Equipment, Personal Loans, Auto Loans and Education Loans. Home Loan continues to be the largest portfolio in the consumer loans business. The bank has re-launched personal loans with specific focus on salaried customer segment and created a separate vertical for the same. The bank is also expanding its footprint on consumer loans by offering these products in newer geographies and will continue to do so in the coming months. The Bank in the coming year will continue to focus on Home Equity Loans, Commercial Vehicle Loans and Personal Loans.

(iv) Agricultural and Rural Banking (ARB)

The Bank has a network of 86 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, Cold storage units 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 and Central India especially in Rajasthan, Uttarakhand, Maharashtra, Gujarat and Madhya Pradesh.

Bank has started retail lending of Gold Loans through a well structured business model to improve secured PSA.

Under the Financial Inclusion (FI) Programme, bank has been allocated 158 villages with population greater than 2,000. Apart from FI villages (also common for Electronic Benefit Transfer – EBT), Bank is also extending EBT facilities in 242 villages. Bank is also extending 'No Frills A/cs' (known by Saral accounts) facility to the desired persons across all Branches, irrespective of the category. Bank has opened 211,000 'No Frill' savings bank accounts so far. With three service providers / Business correspondents, Bank has issued over 1.08 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.

In the meantime, Bank has also been allocated with 169 more villages with population less than 2,000, under Phase-II and Bank is taking necessary steps to include/ implement under Financial Inclusion Plan.

The Bank has also got empanelled Pan India (164 Districts) with UIDAI for opening Aadhaar based accounts and also implemented a Pilot Project in Tumkur district by opening more than 580 deposit accounts in 7 FI villages.

PRIVATE BANKING

Private Banking continued to demonstrate increase in core business parameters during 2011-12.

Capital markets and investment sentiments were adversely impacted on account of local and global economic and political conditions. Growing competition and changed regulations also impacted the wealth advisory industry. The challenges of the environment were addressed by the business through increased client engagement and enhancement of product & service offerings. Apart from regular investment advisory, advice on private investment banking was offered which was well received by clients and helped create a new revenue stream. Real estate and trust advisory engagements using selected partners continued to meet the diverse needs of local and NRI clients. Constant focus on improving the skill set of the client facing team helped improve the relationship management process and also acted as a developmental & motivational tool for the team.

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

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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 23% 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 Wholesale Banking client base. WSB's principal wholesale client coverage and relationship management groups are as follows:

i. Corporate & Investment Banking Group (C&IB)

The C&IB Group is responsible for managing relationships with large corporates typically with sales turnover exceeding ₹ 1,500 Crore. 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.

In order to provide higher focus to servicing our multinational clients who are investing in India, WSB decided to create a separate International Clients (IC) group, within C&IB, effective April 2011.

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 4%.

ii. International Clients Group (ICG)

In order to provide greater focus to servicing our multinational clients who are investing in India, WSB has created a separate International Clients (IC) group, effective 1 April 2011. The IC group currently services over 150 clients. This has enabled the Bank to bring seamless servicing capability, thus helping its global clients in their business in India. This group benefits significantly from the global reach of ING's network, which helps it in gaining access to ING's core clients. While the whole range of the bank's products is available to International Clients, a key focus for ICG is to be a stable source of liabilities. The group is now present in 6 major cities. During the year, the ICG portfolio grew by 16%.

iii. Emerging Corporates Group (EC)

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

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

Given the global reach of ING's global network, EC also caters to the cross border needs of its clients in supporting their business requirements outside India via funding and advisory services. Whilst offering complete financial services solutions both at corporate as well as individual level, the EC segment also plays a substantial role in meeting the Bank's export credit commitments. In the current financial year, the Emerging Corporate group has added about 25 new lending relationships across different sectors. During the year, EC portfolio grew by 17%.

iv. Banks and Financial Institutions Group (BFI)

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

FINANCIAL MARKETS (FM)

Financial year 2012 was marked with increased volatility across markets. Volatility in forex markets, especially rupee, saw tightening of regulations for Banks and Corporates which led to markets moving to vanilla products. The Financial Markets unit was well prepared in the new regulatory environment given that the Bank has adopted "Back to Basics" focus way back in 2008. The new environment helped the unit deepen franchise driven flows. The unit, in line with the strategy of the Bank, also integrated its offerings with relationships of other units and other products so as to provide more comprehensive solutions to clients.

Current year saw two landmark achievements in Financial Markets:

1. ING Vysya Bank was voted Top INR forecaster by Bloomberg in January 2012. The rankings were based on previous 6 quarter projections.
2. Financial Market Operations unit was certified with ISO 9001:2008 Certificate on 31 May 2011.

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

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

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

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

RISK MANAGEMENT AND PORTFOLIO QUALITY

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

(i) Credit Risk

Credit Risk Management (CRM) is an important component of risk management in banks. The Bank has 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 Credit Risk through Policies, Processes and Controls (through Returns) in the Bank. The Bank operates its credit portfolio strictly within the guidelines issued by the Regulator, i.e. the Reserve Bank of India (RBI). The Chief Risk Officer (CRO) manages the Risk Policies and Processes, Credit MIS & Infrastructure, Credit Risk Assessment on Credit submissions through the credit risk officers and credit approvals through the Credit Approvals Department. CRO also oversees the Loan Review functions which conducts Portfolio reviews, Sector/ Industry analysis, conducts sample reviews of approvals and monitors Asset classification. The Special Loans Monitoring Group which manages irregular accounts also reports to CRO. The CRO is assisted by other executives at Corporate Office and Zonal/ Regional Offices, who carry out the above mentioned functions.

Credit is handled across different segments, viz. Corporate and Investment Banking 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. There are various Policy documents covering specific areas of Credit that originate from the Credit Risk Policy document. These cover particularly exposure norms, industry / sectoral exposure limits, methods of appraisal, delegation of approval powers, guidelines for recovery and restructuring, Real Estate lending, Project finance, etc. These are complemented by Manuals and Guidelines which give in-depth information of lending processes to be followed, reporting and controls, 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 as stipulated, depending on the type of borrower and facilities availed.

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

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 actions are taken based on portfolio trends. There are dedicated Collections and Recovery teams reporting to the CRO. Recoveries are made by enforcement of securities, foreclosure of mortgages, and other legal remedies, if no settlement can be reached. Asset classification and provisioning is done in accordance with RBI guidelines.

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

The Bank has taken appropriate steps to become fully compliant with Basel II norms (standardized approach).

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

Appropriate steps have been taken in Micro Finance exposures, either by conscientiously reducing exposures or by participating in CDR schemes to enable restructuring of accounts.

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

(ii) Market Risk

Market Risk Management (MRM) focuses on three businesses and their risks: (1) Trading and Market Making, (2) 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.

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

Structured Products and Sales mainly provide corporate clients with 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 products. Further MRM is the gatekeeper of all new products with regard to the Financial Markets activities and ensures adequate co-ordination between Operations, Compliance, Business Units, Information Technology and Operational Risk Management for the set up of new products.

MRM is the overall co-ordinator 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 Banking in respect of regulatory requirements and international standards, and to advise management on the optimal product mix strategy.

(iii) Operational Risk Management (ORM)

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

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

During the year, a number of new initiatives were undertaken to further strengthen the Bank's Operational Risk Management process. The key initiatives undertaken and achieved in the financial year 2011-12 include:

- The Key Risk Indicator (KRI) identification and reporting process was further strengthened in terms of setting minimum standards for the KRI identification and measurement process. This has resulted in overall improvement of the monitoring activity of the Bank.
- Defining Risk Appetite: The Operational Risk Appetite for the Bank has been defined and the related tolerance levels have been incorporated in various risk management activities of the Bank.
- Integrated Risk Assessment: Integrated Risk Assessments were carried out for all major Business Lines of the Bank. The findings of the risk assessment process were further taken up for mitigation and are tracked through the new i-Risk tool.
- Restructuring of Retail Banking operational risk activities: The role of the regional Operational Risk Manager was further strengthened and upgraded from being 'regional' managers to 'zonal' managers who are responsible for overseeing the implementation of the Bank's operational risk management framework at zonal levels.
- An Anti-Fraud Council was established in the Bank to keep a close check on fraudulent activities. The Council meets on a regular basis to discuss and review the effectiveness of control activities, and takes appropriate measures to keep frauds in check.

In the area of Information Risk Management, the new guidelines on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds issued by RBI were subjected to a comprehensive gap analysis. Based on the outcome of the gap analysis, suitable actions were taken and appraised to the Board. All planned business continuity and disaster recovery tests have been successfully completed during the year.

INFORMATION TECHNOLOGY (IT)

The IT Service Management Group (ITSMG) is the technology organization responsible for the Bank's IT strategy and execution. ITSMG's responsibilities extend from conceptualizing technology strategy in harmony with business strategy, to running day to day operations at the workplace and data centers. ITSMG plays an active role in not just running efficient operations, but also in assisting business in winning at the marketplace. In particular, ITSMG played a strong supporting role in the several wins by the Payments and Cash Management business in the Insurance sector, thereby living up to the stated Mission Statement viz. "To be a strategic business partner based on service excellence through technical leadership in a secure and cost effective manner."

The Bank's investment in technology is as per the technology blue print that has been aligned with business strategy. Key initiatives in 2011-12 are:

The Bank invested further in its range of customer access channels by replacing its internet banking portal for the Retail Business and launching a new internet banking portal for Business Banking. It also introduced Master Card 3D Secure based safe shopping facilities. The Bank continues to provide competitive advantage in terms of host-to-host integration capabilities with select business banking and corporate banking customers.

The bank replaced its consumer finance platform with the industry leading offering, with extensive workflow support and end-to-end automation. ITSMG provided new/ augmented platforms to support new/ focused lines of business in Loan against Shares, Gold Loans and Gold Sales. Workflow processing also got a boost with the comprehensive rollout of Business Process Management (BPM) software in Operations. In terms of innovation, the Bank introduced Total Relationship Value (TRV) based offerings that provide the Bank with the ability to take into account the customers' relationship across products with the Bank, and therefore offer preferential features and pricing.

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ITSMG provided support for setting up regional Operations Hubs (Noida) and for implementing the Check Truncation System at Chennai. In terms of core IT infrastructure, the Bank significantly expanded coverage of Virtualization and Private Cloud and the adoption of Service Oriented Architecture as its enterprise integration framework.

The above initiatives have been noticed and rewarded in various domestic and international forums. The Bank received the CIO 100 award for the third year in a row, for ING Inwards – the receivables management product for the Payments and Cash Management business. The ING Converge (internet banking platform for corporate and business banking) won the CIOL Data quest award for the best managed IT project in the country; the same initiative also won the Asian Banker Technology Award for the best portal implementation.

The Bank obtained the ISO 27001 certification from Bureau VERITAS towards the IT Security management system for the Bank's IT Infrastructure Management covering systems in the primary Data Center in Bangalore, and in the secondary Disaster Recovery Center (DRC) in Hyderabad. This fulfills a key requirement of RBI's Information Security Guidelines and IT Act 2008 (Section 43A)

OPERATIONS

Operations continued its focus on service delivery and cost efficiencies. The unit explored opportunities to better the turn around times and service levels to identified segments of customers. Towards this end, there was a clear focus on customer segmentation, alignment of internal processes with business processes, external benchmarks, lean & six sigma projects and other initiatives.

To share a few milestones,

- this year the Treasury Back office (the financial market operations) received its ISO certification;
- Reduction in Turn around times for new investors for ISA activation from 24 hours to 4 hours

Incidentally in its strive towards excellence, the operations team were winners twice during the year at an internal (global) competition held by ING across geographies. Operations will continue to make strides in the direction of operational excellence in a compliant and customer friendly manner.

INTERNAL AUDIT

The Internal Audit Department functions independently, and reports directly to the Audit Committee of the Board (ACB). The ACB approves the Annual Audit Plan and oversees the functioning of the Department, besides giving directions based on audit findings.

The Internal Audit Department follows the Risk Based Audit approach across the Bank, wherein both process gaps and deficiencies in execution are identified, with suitable recommendations for remedial actions. The annual audit plan of the bank is based on the Risk Assessment of all the auditable units identified within the Bank. Various inputs, including regulatory requirements, management feedback, incidents and frauds, and normal frequency between audits are considered while preparing the plan. Apart from branch audits, separate business process audits of support functions are also 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. All audit reports have a rating, indicating the level of risk. In addition, concurrent audits are performed at select branches, as also key functions such as Financial Markets, Retail Deposits and Investment Operations, Centralized Trade Finance Operations, loan documentation centres, etc. This enables the Bank to take corrective actions in respect of critical transactions early. 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

In the Compliance Risk Management, the primary focus this year was to enhance the compliance monitoring framework of the organization. The new framework aims for a four dimensional monitoring, based on regulation, granularity, product and process. The initiative also includes moving towards introduction of new monitoring tools and platforms through a combination of business tracking reports and Business Intelligence dashboards. In order to further embed Compliance culture and awareness in the Organisation, monthly quizzes/ mailers on various Compliance policies/ obligations were circulated to all employees of the Bank. The Anti-Fraud & Anti-Money Laundering tool, was enhanced by implementing a new model which includes periodic risk profiling of customers.

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HUMAN CAPITAL MANAGEMENT

In the annual employee engagement survey conducted by ING, we improved our scores in several parameters which impacts employee engagement, productivity and morale.

The Industrial Relations climate continued to be constructive and positive.

In line with compliance & industry practice, during the year we transitioned about 2,000 liability field sales executives on to the bank rolls. This exercise was completed in a seamless manner post a structured eligibility process (performance and vintage) with a supporting background verification process. We also reinitiated campus recruitments. 117 students were recruited from across 24 campuses in India. We also strengthened talent pipeline in critical units.

Additional employee benefits like extended maternity leave and sabbatical leave were introduced. Women employees maternity leave was extended to 4 months instead of 3 months provided by the law. To recognize and address genuine employee concerns in line with the supportive organization culture at IVBL, and to help bridge the gap between an employee's temporary limitation and his/ her long term aspirations, a sabbatical leave policy was introduced.

ING Vysya Bank Ltd. achieved the Strong Commitment to HR Excellence level of recognition in the 2nd CII National HR Excellence Awards this year. The Certificate was awarded at the CII National HR Conclave held on 18 October 2011 at New Delhi.

We launched several new training programs this year like Process Guru, Go for Gold, Master Class, etc. The liability sales training got integrated with the mainstream. A focused training program was introduced for branch heads and branch operations head. On the talent and leadership development, multiple leadership programs were conducted and leadership talents were provided with 360 degrees feedback.

ING Vysya Bank has received the first 'Top Employer – Best Practice' award across the ING world in the area of Talent Acquisition and On Boarding. This award was presented to us on 8 March 2012 at Amsterdam. Under this project the key touch points of a prospective employee were identified and significant changes made to ensure that the process is delightful right from the time of selection until the employee settles in post 90 days of joining.

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.
- Changes in regulatory framework which has impact on our operations or ability to do business or pricing products.
- Credit environment in the economy and increase in Non Performing Assets (NPAs).
- Impact of Global events on the Indian economy.

OUTLOOK

The Bank expects GDP growth for the year 2012-13 to be 7.1% due to the road block faced by the government on policy matters and global outlook. WPI inflation is expected to average around 7% Y-O-Y, with upside risks looming high amidst higher food prices and elevated oil prices. The Bank expects the sector to grow advances by around 17% in 2012-13 and deposits around 16%. 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 RESPONSIBILITY AND SUSTAINABILITY DEVELOPMENT PERFORMANCE REPORT

Your Directors are pleased to present the Non-Financial Report for the year 2011-12. The Report deals both with Corporate Social Responsibility and Sustainability Development.

1.0 CORPORATE SOCIAL RESPONSIBILITY (CSR) PERFORMANCE

- 1.1 ING Vysya Foundation (IVF) was incorporated in October 2004 to promote Corporate Social Responsibility of ING Group entities in India. The Bank is the substantial contributor to the Foundation every year. The mandate for the Foundation is to ***promote primary education for underprivileged children***. This approach is part of worldwide “Chances for Children” 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 12 NGOs to achieve our goal:

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

In the year 2011 – 2012, ING Vysya Foundation has implemented several new initiatives. The major highlights of these initiatives are:

- Financial Literacy Program for children aged between 11 to 18 years and their parents, living in the slums of Bangalore:** The program has been conducted with the objective of i) Building basic awareness among children; introducing the concepts of money, banking and various financial products available and ii) training parents in financial planning, empower them with knowledge to build a savings / capital base, leveraging financial products to adopt more efficient livelihood options and in the long run providing an enabling environment for the children to continue their education and pursue their dream. A group of 30 employees of the Bank took part in this program. Till date, 1000 children and 250 parents have participated in our programs.
- Volunteer Programs:** IVF provides opportunities to employees to volunteer for the development and growth of under-served children. During the year several volunteer initiatives were organized under the ‘Hope Brigade’ program. This year volunteering activities ranged from teaching children, painting kindergarten classrooms to make it child-friendly, setting up libraries to promote reading habits. Around 4,500 employees volunteered for 13,500 hours (average 3 hours per volunteer) in these volunteer initiatives. In India, ‘ING Global Challenge – Chances for Children’ with a theme on ‘Environment’ involved 4,000 employees, across 230 branches, 50 locations.

Bank has also implemented several Financial Inclusion initiatives during this year:

- Financial Inclusion:** 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.
- Kids Portal:** The Bank continues to run a kids portal to educate children on nature, environment and saving of money. On entering the portal viz. www.kidzzbank.com children are taken on a voyage of discovery, hand held by the portal pal “NEO”.
- Rural Development and Self-Employment Training Institute:** Established by the bank in association with ‘BVV Sangha’ at Bagalkot continues to identify, orient, motivate, train and assist the unemployed youth to take up self-employment ventures as an alternative career. During the year, 2,837 rural youth have benefited under the Institute’s programs.

2.0 SUSTAINABILITY DEVELOPMENT

2.1 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 Equator Principles 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.

2.2 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.

2.3 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.

2.4 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.

Environmental Initiatives:

During this year, several environmental initiatives were undertaken by bank as well as by Foundation towards sustainable development:

- a) **Celebrating Earth Hour:** Continuing its energy conservation agenda, ING Vysya Bank launched an online game Switch Off and Save (www.ingvysyabank.com/earthhour) for promoting awareness of Earth Hour on 31 March 2012. The online game challenges the player to switch off as many lights as possible, in thirty seconds allotted, and eventually finds out how much energy and money he/she has saved. The online graffiti board allowed visitors to post their ideas on how to save energy. This unique concept caught the attention of several employees, netizens and also local media. The bank also promoted this cause through e-mails and posters, outdoor advertising campaigns. In addition, it also initiated a citizen candle light programme in partnership with Forum Mall in Koramangala, Bangalore, on 31 March 2012.
- b) **Promoting eco-friendly practices among the Tribal community of Bandipur:**
Under the initiative of ING Vysya Foundation, the employees
 - i) installed 100 eco-friendly, smokeless stoves in 5 tribal villages of Bandipur under the initiative of ING Vysya Foundation. These five villages are now 100% smokeless chulha villages, helping to protect the health of over 100 women and around 70 girl children, living in these villages. Total firewood saved by these 100 chulhas is about 300 tonnes per annum. Each home owner will save 100 days a year on fire wood collection because of lower fuel consumption.
 - ii) constructed a watershed area to raise ground-water level in one village of Bandipur.
 - iii) planted about 600 saplings in the barren hills of Bandipur.
- c) **Energy Conservation:** Over the last three years the bank has rolled out many energy saving measures and managed to save up to 670,000 units of energy. During the year, these measures have yielded around 13% savings in terms of energy costs due to innovative energy management techniques. The Bank won the First prize for "Achievements in Energy Conservation for the year 2010-2011" from the Government of Karnataka, Energy Department under the category "Office Building Sector".

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 March 2012, the Board has 11 Directors out of which, four are Independent Directors, in compliance with the requirements under Clause 49 of the Listing Agreement.

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

The details of the Directors as of 31 March 2012 are 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 and Independent	Banking (especially Retail Banking), 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
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
Mark Newman [#]	Director	Non-Executive, Non-Independent and compliant with Sec. 10A(2)	Treasury, Financial Markets and Risk Management

[#] Represent 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
Philippe Damas	Mr. Philippe Damas expressed his desire not to seek re-appointment as Director at the 80 th AGM and consequently he ceased to be the director effective 07 September 2011.

Appointment(s)	
Name (Mr.)	Date of Appointment
Mark Edwin Newman	Appointed as a Director liable to retire by rotation by the Shareholders at the 80 th AGM held on 07 September 2011.

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, and 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 81st Annual General Meeting (AGM)

Directors holding office till 81st AGM

Mr. Lars Kramer was appointed as director in casual vacancy caused by the resignation of Mr. Wilfred Nagel, and is eligible to hold the office up to the 81st AGM.

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

Mr. Vaughn Richtor, Mr. Santosh Ramesh Desai and Mr. Peter Staal are retiring by rotation and being eligible offer themselves for re-appointment. A resolution is proposed to the members in the Notice of the current AGM to this effect at the meeting or any adjournment thereof.

All the above directors satisfy the requirement of Directors' Appointment/ Re-appointment Policy which mandates minimum attendance at 65% of the meetings held during their tenure.

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: 20 April 2011, 02 May 2011, 18 July 2011, 07 September 2011, 17 October 2011 and 16 January 2012.

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 Non-Notified Video Conference* / Teleconference	Attendance at last AGM	Directorship in other Indian Public** Limited Companies	Membership of Committees of other Companies	Chairman-ship of Committees of other Companies
Persons who have been Directors throughout the year 2011-12							
Arun Thiagarajan	6	6	0	Present	7	4	-
Shailendra Bhandari	6	6	0	Present	-	-	-
Vaughn Nigel Richtor	6	4	1	Present	-	-	-
Aditya Krishna	6	6	0	Present	4	-	-
Richard Cox	6	5	0	Present	-	-	-
Lars Kramer	6	5	1	Present	-	-	-
Santosh Ramesh Desai	6	4	0	Present	2	-	-
Meleveetil Damodaran	6	4	0	Present	6	3	1
Peter Staal	6	4	1	Present	-	-	-
Vikram Talwar	6	2	1	Absent	1	-	-
Mark Newman	5	4	0	Present	-	-	-
Persons who ceased to be Directors during the year 2011-12							
Philippe Damas (Ceased to be a director effective 07 September 2011)	3	2	0	Present	-	-	-

* In terms of MCA Circular No. 28/2011/I7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings via Video Conferencing (VC), provided the meeting is notified as a Video Conference Meeting. The participation of a director via VC in a non-notified VC meeting is not considered for the purpose of attendance.

** 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 (ACB)
2. Risk Management and Review Committee (RMRC)
3. Corporate Governance Committee (CGC) (which also acted as Nomination Committee, non-mandatory Remuneration Committee and Compensation Committee. However effective 16 January 2012, the Committee ceased to act as non-mandatory Remuneration Committee and Compensation Committee.)
4. Investors' Committee (IC)
5. Special Committee for Monitoring Frauds (SCMF)
6. Customer Service Committee (CSC)
7. Board Credit Committee (BCC)
8. Information Technology Strategy Committee (ITSC)
9. Remuneration Committee (RC) effective 16 January 2012 (which also acts as Compensation Committee and Clause 49 non-mandatory Remuneration Committee) and
10. Committee for Capital Issue (CCI)

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

3.1 Audit Committee of the Board (ACB)

Scope and Terms of Reference

- To review the quarterly and annual financial statements before submission to the Board, oversee the financial reporting process to ensure transparency, sufficiency, fairness and credibility of financial statements.
- To review the adequacy and effectiveness of the internal audit function and control systems.
- To function as per RBI guidelines to the extent that they do not violate the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.
- To focus on the objective of unqualified financial statements.

Composition and Meetings

ACB consists of five members, out of which, three are Independent Directors. Mr. Aditya Krishna, Non-Executive & Independent Director is the Chairman of the Committee effective 18 January 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 2011-12, the Committee met six times. The dates of the meetings held were: 20 April 2011, 18 July 2011, 17 October 2011, 23 December 2011, 16 January 2012 and 19 March 2012.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Aditya Krishna, Chairman	6	6	-	-
Arun Thiagarajan	6	6	-	-
Vaughn Nigel Richtor (appointed as member of ACB effective 07 September 2011)	4	3	1	-
Lars Kramer	6	5	-	-
Vikram Talwar	6	2	-	1
Philippe Damas (ceased to be a director effective 07 September 2011)	2	2	-	-

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.2 Risk Management and Review Committee (RMRC)

Scope and Terms of Reference

- To review and approve the Bank's overall risk appetite and set limits for individual types of risk, including credit, market and operational risk.
- To approve material changes to the overall risk appetite and monitor the Bank's risk profile, including risk trends and concentration.
- To ensure that the principal risks facing the Bank have been identified and are appropriately managed.
- To assess existing and potential risks for the Bank.
- To ensure effective management of the above risks.
- To review constantly and realign changes to credit, market and operational risk policy.
- To monitor and approve credit portfolio and trading limits.
- To ensure minimal risks arise from portfolio concentration, positions and recommending remedial measures.
- To review and approve measurement techniques, tools and approaches used to identify, aggregate and control credit, market, and operational risk.
- To manage the comprehensive Risk Policy, 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.
- To review management's report on the risk control standards in the Bank.

Composition and Meetings

The Committee consists of seven members. Mr. Vaughn Nigel Richtor is the Chairman of the Committee effective 22 July 2010. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2011-12, the Committee met four times. The dates of the meetings held were: 19 April 2011, 19 July 2011, 17 October 2011 and 17 January 2012.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Vaughn Nigel Richtor, Chairman	4	3	1	-
Arun Thiagarajan	4	4	-	-
Peter Henri Maria Staal	4	3	-	-
Shailendra Bhandari	4	4	-	-
Lars Kramer	4	4	-	-
Richard Cox	4	4	-	-
Mark Newman (appointed as member effective 07 September 2011)	2	2	-	-

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.3 Corporate Governance Committee (CGC)**Scope and Terms of Reference**

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

Composition and Meetings

The Committee consists of five members. Mr. Peter Staal is the Chairman of the Committee effective 07 September 2011. Mr. Philippe Damas was the Chairman of the Committee and consequent to his desire of not being re-appointed, ceased to be the Director and also Chairman of the Committee effective 07 September 2011. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2011-12, the Committee met three times. The dates of the meetings held were: 19 April 2011, 07 September 2011 and 17 October 2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Peter Staal (appointed as the Chairman effective 07 September 11)	1	-	-	-
Santosh Ramesh Desai	3	2	-	-
Arun Thiagarajan	3	3	-	-
Aditya Krishna	3	3	-	-
Vaughn Nigel Richtor	3	2	1	-
Philippe Damas (ceased to be a Director and Chairman effective 07 September 11)	1	1	-	-

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20-May-2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

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 119 complaints from the shareholders all of which stand resolved. As on 31 March 2012, there are no complaints pending for resolution.

Composition and Meetings

There are five members in the Committee. Mr. Arun Thiagarajan, Independent Director is the Chairman of the Committee. Mr. M V S Appa Rao, Corporate Secretary of the Bank, being the Compliance Officer of the Bank, acts as Secretary to the Committee. During the year 2011-12, the Committee met three times. The dates of the meetings held were: 22 January 2011 and 19 July 2011 and 17 January 2012.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Arun Thiagarajan, Chairman	3	3	-	-
Santosh Ramesh Desai (discontinued as member effective 17 October 2011)	2	0	-	-
Shailendra Bhandari	3	2	1	-
Aditya Krishna (discontinued as member effective 17 October 2011)	2	2	-	-
Peter Henri Maria Staal	3	2	-	-
Vikram Talwar (appointed as member effective 17 October 2011)	1	0	-	-
Mark Newman (appointed as member effective 17 October 2011)	1	1	-	-

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.5 Special Committee for Monitoring Frauds (SCMF)

Scope and Terms of Reference

- To monitor and follow up cases of fraud involving amounts of ₹ 10,000,000 and above (RBI Circular DBS.FGV (F) No.1004/ 23.04.01A/2003-04 dated 10 January 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 2011-12, the Committee met two times. The dates of the meetings held were: 19 July 2011 and 17 January 2012.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Shailendra Bhandari, Chairman	2	2	-	-
Peter Henri Maria Staal	2	2	-	-
Arun Thiagarajan	2	2	-	-
Philippe Damas (ceased to be a director effective 07 September 11)	1	1	-	-
Lars Kramer (appointed as a member effective 07 September 2011)	1	1	-	-

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

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.

Composition and Meetings

The Committee consists of four members. Mr. Santosh Ramesh Desai is the Chairman of the Committee. Mr. Aditya Krishna was the Chairman of the Committee up to 17 October 2011. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2011-12, the Committee met two times. The dates of the meetings held were: 19 April 2011 and 17 October 2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Santosh Ramesh Desai, Chairman, (appointed as Chairman effective 17 October 2011)	2	1	-	-
Aditya Krishna (ceased to be Chairman effective 17 October 2011)	2	2	-	-
Shailendra Bhandari	2	2	-	-
Vaughn Nigel Richtor (ceased to be a member effective 17 October 2011)	2	1	1	-
Mark Edwin Newman (appointed as a member effective 17 October 2011)	-	-	-	-

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.7 Board Credit Committee (BCC)

Scope and Terms of Reference

- To review developments in key industrial sectors.
- To review at quarterly intervals the Credit approvals given under Triple Signature powers.
- To undertake self-evaluation of its own functioning as per the process laid down that facilitates constructive feedback and identification of areas for improvement towards better governance.

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 2011-12, the Committee met four times. The dates of the meetings held were: 20 April 2011, 18 July 2011, 17 October 2011, and 17 January 2012.

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

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.8 Information Technology Strategy Committee (ITSC)

Scope and Terms of Reference

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

Composition and Meetings

In terms of RBI Guidelines DBS.CO.ITC.BC.No. 6/31.02.008/2010-11 dated 29 April 2011 on formation of Board Level Committee for IT Strategy to address IT Governance, Information Security, IS Audit, IT Operations, IT Services Outsourcing, Cyber Fraud, Business Continuity Planning, Customer Awareness programmes and Legal aspects, a separate Committee is constituted on 17 October 2011. It consists of three 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 2011-12, the Committee met once on 16 January 2012.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Aditya Krishna, Chairman (appointed as Chairman effective 17 October 2011)	1	1	-	-
Arun Thiagarajan	1	1	-	-
Lars Kramer	1	1	-	-

* In terms of MCA Circular No. 28/2011/I/7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board / Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.9 Remuneration Committee (RC)

Scope and Terms of Reference

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

Composition and Meetings

In terms of RBI Circular No. DBOD No.BC. 72 /29.67.001/2011 dated 13 January 2012 and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, a separate Remuneration Committee is constituted on 16 January 2012. Till then, the Corporate Governance Committee was acting as the Remuneration Committee. The newly constituted Committee consists of five members. An Independent director physically present is elected to chair the meeting. The Corporate Secretary of the Bank acts as Secretary to the Committee. During the year 2011-12, the Committee met once on 28 March 2012.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Arun Thiagarajan	1	1	-	-
Aditya Krishna	1	0	-	-
Santosh Ramesh Desai	1	0	-	-
Peter Staal	1	1	-	-
Vaughn Nigel Richtor	1	1	-	-

* In terms of MCA Circular No. 28/2011/I7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.10 Committee for Capital Issue

Committee for Capital Issue was constituted by the Board effective 02 May 2011, to do all such acts, deeds, matters and things including the decision for opening and closing the QIP issue, finalization and approval of the placement document, determining the form and manner of the issue, class of investors to whom the securities are to be issued and allotted, number of Securities to be allotted, issue price, premium amount on issue/ conversion of Securities, if any, etc.

Composition and Meetings

The Committee consists of five members; Mr. Arun Thiagarajan is the Chairman of the Committee. During the year 2011-12, the Committee met twice. The dates of the meetings held were: 14 June 2011 and 16 June 2011.

Member (Mr.)	No. of Meetings held during the tenure	No. of Meetings attended in person/ via Notified Video Conference*	No. of Meetings attended via Non-Notified Video Conference	No. of Meetings attended through Tele Conference
Arun Thiagarajan	2	2	-	-
Shailendra Bhandari	2	2	-	-
Meleveetil Damodaran	2	-	-	-
Aditya Krishna	2	-	-	-
Santosh Ramesh Desai	2	-	-	-

* In terms of MCA Circular No. 28/2011/I7/95/2011-CL.V dated, 20 May 2011, the directors are permitted to participate in the Board/ Committee Meetings notified to be held via Video Conferencing (VC), and the participation in such notified VC is reckoned for the valid attendance / quorum.

3.11 Role of Corporate Secretary in Overall Governance

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

4. REMUNERATION

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

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

Shares of the Bank held by the Directors as on 31 March 2012

S.No.	Name of the Director	Designation	No. of Shares
1	Mr. Shailendra Bhandari	MD & CEO	5,000
2	Mr. Arun Thiagarajan	Part Time Chairman	18,080
3	Mr. Aditya Krishna	Director	50,000
4	Mr. Santosh Ramesh Desai	Director	550

4.1 Remuneration to Directors

4.1.1 Remuneration to MD & CEO

Mr. Shailendra Bhandari was appointed as the Managing Director and CEO of the Bank for a period of three years effective 06 August 2009. The details of the remuneration payable, annually, to Mr. Bhandari, as approved by RBI and Shareholders, are as under:

Particulars	Amount (in ₹)
Salary	89,70,000/- p.a.
Perquisite: Free Furnished House	Minimum cost of ₹ 14,50,000/- p.a.
Cars	Bank's car for official purposes and leased car for personal use
Driver's Salary	₹ 108,000/- per annum
Gratuity	As per Payment of Gratuity Act, 1972
Provident Fund	10% of basic salary
Travelling & Halting Allowances	As decided by Board from time to time
Medical benefits	Reimbursement up to ₹ 250,000/- for insurance premium (per annum)
Performance based Bonus	As decided by Board from time to time.

In terms of RBI's approval dated 24 October 2011, Mr. Shailendra Bhandari was paid cash bonus of ₹1,950,000/- for the year 2010-11 and granted 128,000 Stock Options under ESOS 2010. The said options have not been vested during the year. However, out of the 700,000 Stock Option granted under the ESOS 2010 for the year 2009-10, 40% (280,000 Stock Options) of the options granted have been vested.

4.1.2 Remuneration to the Part time Chairman

In terms of approval of Reserve Bank of India vide its letter DBOD.APPTS. 2137/ 08.57.001/ 2010-11 dated 04 August 2010, Mr. Arun Thiagarajan has been appointed as the Part-time Chairman of the Bank for a period of three years effective 09 August 2010 on the terms and conditions mentioned in the said letter.

Remuneration has been paid for the financial year 2010-11 from the date of his joining as well as for the financial year 2011-12 as approved by the shareholders at the 80th AGM held on 07 September 2011.

The details of annual remuneration paid to Mr. Arun Thiagarajan in terms of approval of Reserve Bank of India duly approved by the shareholders as stated above, is as follows;

Particulars	Amount (In ₹)
Salary/ Compensation	₹ 1,500,000 p.a.
Allowances Other Allowances	₹ 25,000/- per month for maintaining Chairman's Office

5. DETAILS OF GENERAL BODY MEETINGS AND OTHER SIGNIFICANT DEVELOPMENTS

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

General Body Meeting	Date, Time and Venue	No. of Special Resolutions Passed
80 th AGM	07 September 2011 at 11.00 AM at The Auditorium, ING Vysya House, No. 22, M.G. Road, Bangalore-560 001	Nil
79 th AGM	01 September 2010 at 11.00 AM at The Auditorium, ING Vysya House, No. 22, M.G. Road, Bangalore-560 001	2
78 th AGM	04 September 2009 at 11.00 AM at The Auditorium, ING Vysya House, No. 22, M.G. Road, Bangalore-560 001	3

Postal Ballot

During the year, the Shareholders of the Bank passed a special resolution by way of postal ballot in the month of May 2011 authorising the Board of Directors of the Bank to create, offer and issue 28,257,363 equity shares by way of private placement to qualified institutional buyers and preferential allotment to foreign promoters.

Mr. V Sreedharan, Practicing Company Secretary was appointed as Scrutinizer for conducting the postal ballot exercise. Notice was sent to 30,442 Shareholders with the last date for receiving the postal ballot forms by the Scrutinizer being 6 June 2011 and till that date 814 forms were received. According to the Scrutinizers Report, 776 equity shareholders (excluding 38 invalid forms) representing 47,530,249 equity shares had cast their votes. 638 equity shareholders holding voting rights for 43,981,747 shares had voted in favour of the resolution and 138 shareholders holding voting rights for 3,548,502 equity shares had voted against the Resolution.

As of date, there is no proposal to pass any further resolution through a postal ballot.

6. DISCLOSURE

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

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

- Penalties imposed during the year 2011-12 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 2011-12 by SEBI/Stock Exchange – Nil
- 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
Enquiry proceedings 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 February 2009 following payment of an amount of ₹ 400,000 on 29 January 2009 which is referred to as "settlement charges" in the said order.

6.3 Whistle Blower Policy

The Bank has a Whistle Blower Policy in place as approved by the Corporate Governance Committee at its meeting held on 18 January 2006. Subsequently, Operating Guidelines were issued to all the Branches/ Offices effective 20 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	Shailendra Bhandari
Date: 18 April 2012	Managing Director & CEO

6.5 Certification by the CEO and CFO

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

6.6 Compliance with Mandatory Requirements

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

6.7 Compliance with Non-Mandatory Requirements

The Bank complied with the non-mandatory requirements in the following manner:

- The Bank hosts its financial results on its website viz., www.ingvysyabank.com, which is accessible to all.
- The Bank, during the year, has organized the following training programmes for the Directors:
 1. On 19 July 2011
 - Environmental, Social & Reputation (ESR) Risk
 - Living with Rising Interest Rates - Challenges of growing and maintaining a healthy asset book
 2. On 17 January 2012
 - Overview of Current Economic Environment with brief outlook for future
- 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.
- The Board and Committees adopted process of annual self-evaluation of their performance.

6.8 Adoption of Secretarial Standards

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

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

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

7. MEANS OF COMMUNICATION TO THE SHAREHOLDERS/ INVESTORS

7.1 Investor Relations – Guiding principles

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

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

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

7.2 Methodology

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

All information relevant to shareholders is placed on the Bank's website, viz., www.ingvysyabank.com from time to time. This includes the shareholding pattern of the Bank on a quarterly basis, Quarterly/ Annual Financial Results, details of Directors as required under Clause 49 of the Listing Agreement, half yearly communication to the shareholders etc. The Balance Sheet as on 31 March 2012 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)
April 2011 – June 2011	Mint	Samyukta Karnataka
July 2011 – September 2011	Mint	Samyukta Karnataka
October 2011 – December 2011	Mint	Samyukta Karnataka
January 2012 - March 2012 & 2011 -2012	Mint	Udayavani

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

The Bank will publish its Balance Sheet and Profit & Loss Account together with Auditors' Report in newspaper(s) as required in terms of Section 31 of the Banking Regulation Act, 1949 and Rule 15 of the Banking Regulations (Companies) Rules, 1949 before 30 June 2012.

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

8. GENERAL INFORMATION FOR THE SHAREHOLDERS

Financial year 1 April 2011 to 31 March 2012	
Board Meeting for consideration of/ dealing with Accounts for the year 2011-2012	24 April 2012
Posting of Annual Reports	2 June 2012
Book Closure Date	16 June 2012 to 29 June 2012
Last date for receipt of Proxy Forms	Upto 11.00 A.M. on 27 June 2012
Venue, Date and Time	81 st Annual General Meeting 29 June 2012, Friday, 11.00 A.M. The Auditorium, ING Vysya House, No.22, Bangalore - 560 001.
Dividend Payment Date	On and from 29 June 2012 but not beyond 28 July 2012.

8.1 Listing on Stock Exchanges

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

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

8.2 Share Prices

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

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

Months	High Price (₹)	Low Price (₹)	Average Daily Volume (Number of Equity Shares)
April - 2011	371.85	313.00	224,597
May - 2011	348.70	309.00	70,429
June - 2011	377.00	298.25	75,594
July - 2011	374.25	320.10	145,388
August - 2011	364.80	287.30	51,553
September - 2011	307.80	275.00	72,079
October - 2011	350.85	280.20	115,241
November - 2011	345.00	286.10	70,428
December - 2011	329.95	276.00	31,856
January - 2012	347.95	278.35	107,345
February - 2012	381.70	322.55	84,205
March - 2012	363.85	324.00	95,810

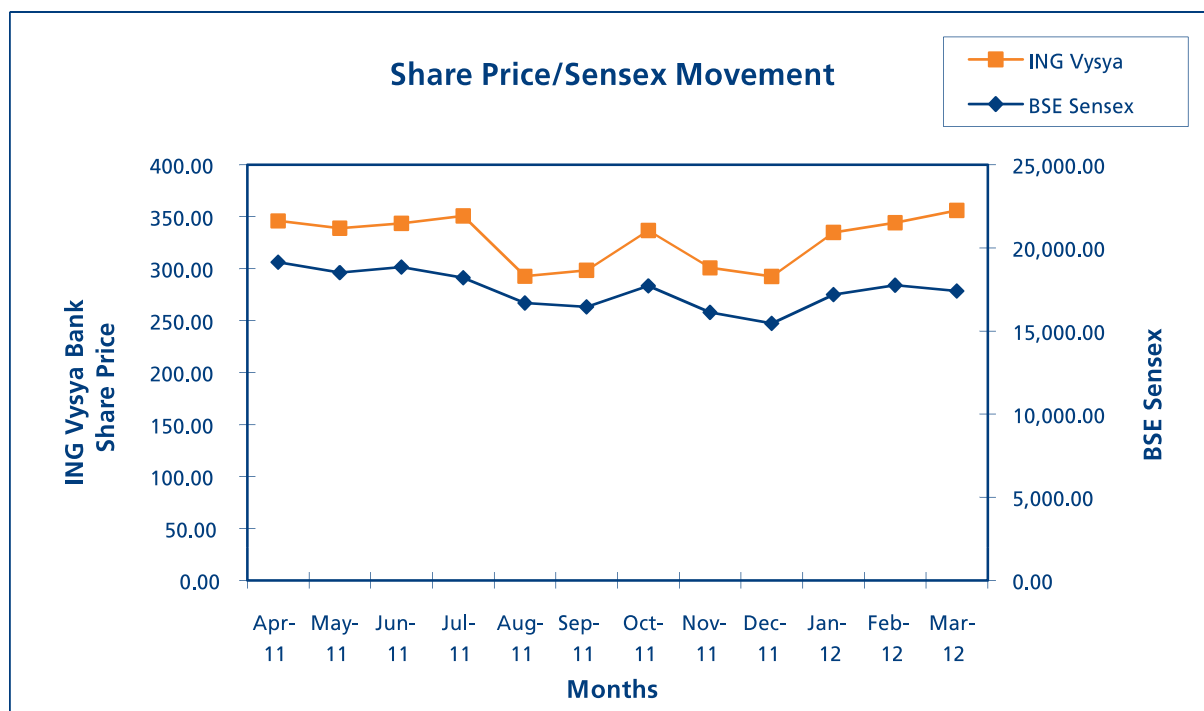
- During the year, the share prices of the Bank varied from a low of ₹275.00 (26 September 2011) to a high of ₹381.70 (13 February 2012)

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

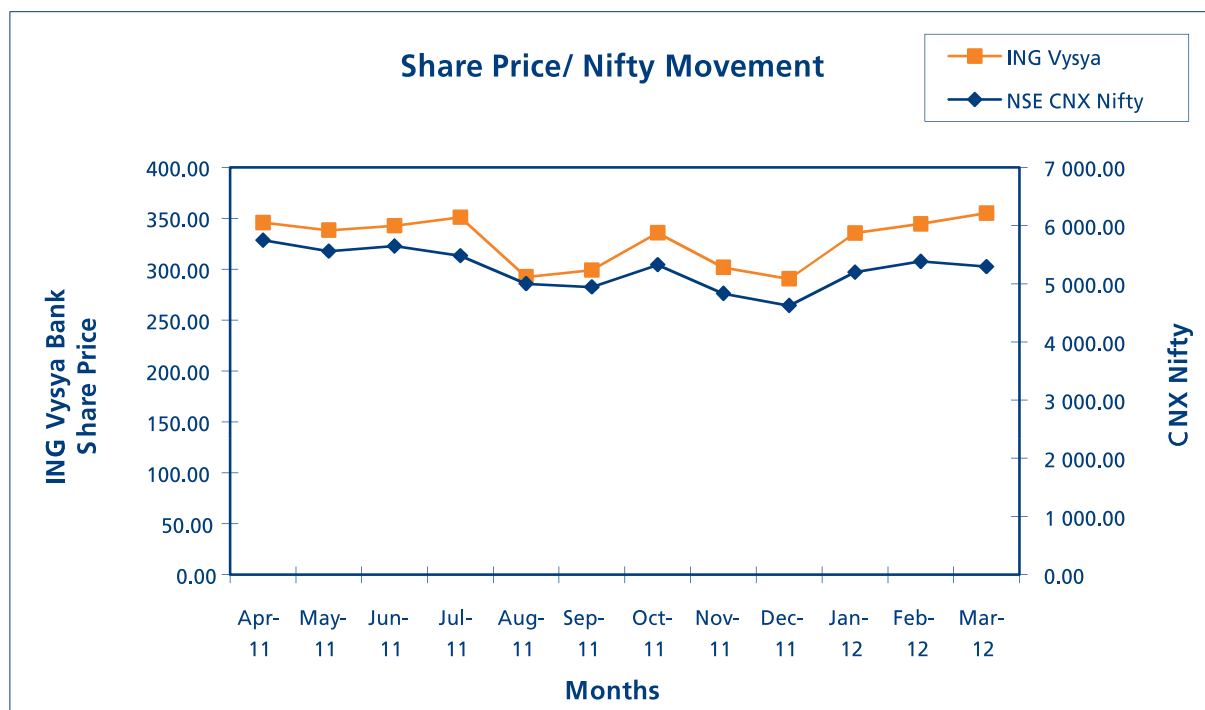
Months	High Price (₹)	Low Price (₹)	Average Daily Volume (Number of Equity Shares)
April - 2011	371.40	311.65	58,727
May - 2011	350.00	305.00	11,247
June - 2011	355.70	300.00	24,251
July - 2011	374.40	324.20	36,375
August - 2011	365.00	287.00	11,277
September - 2011	308.00	275.00	15,951
October - 2011	350.00	285.15	40,486
November - 2011	343.00	287.05	25,283
December - 2011	316.95	276.40	8,073
January - 2012	348.00	277.55	22,272
February - 2012	369.75	313.60	18,560
March - 2012	364.80	322.15	10,478

- During the year, the share prices of the Bank varied from a low of ₹ 275.00 (26 September 2011) to a high of ₹ 374.40 (20 July 2011)
- On 31 March 2012, the scrip closed at ₹ 355.10 at NSE and at ₹ 355.90 at BSE.

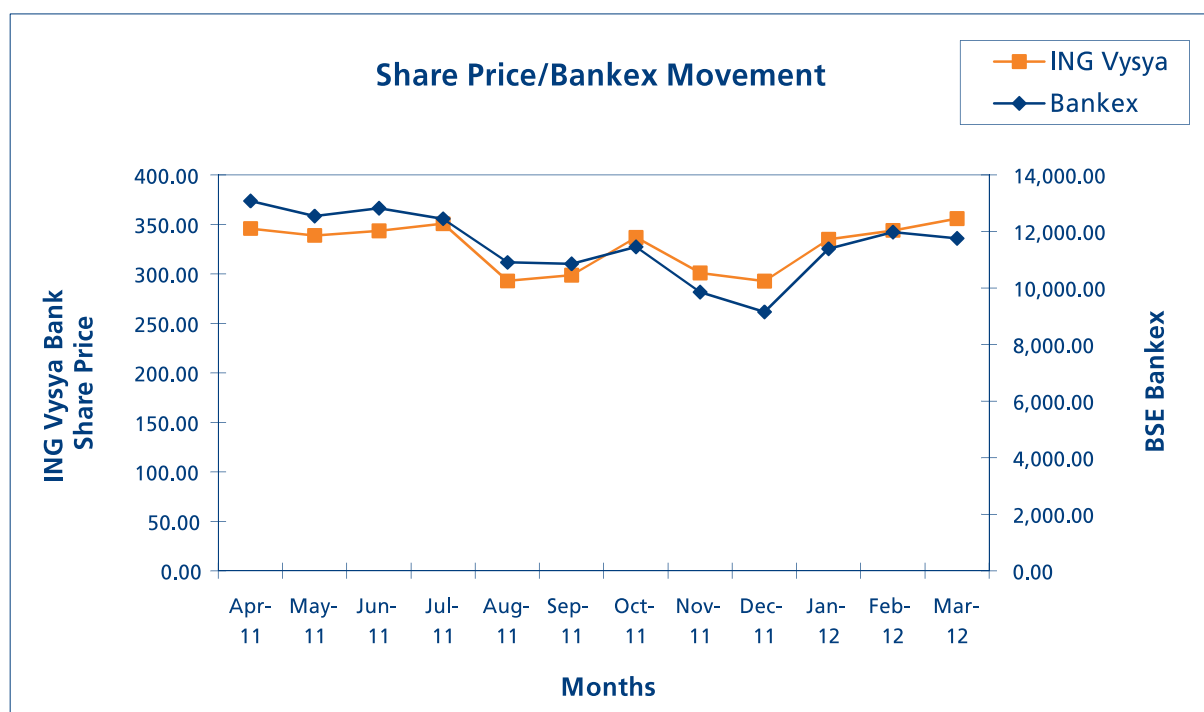
IVBL Share Price in comparison with BSE Sensex 1 April 2011 to 31 March 2012



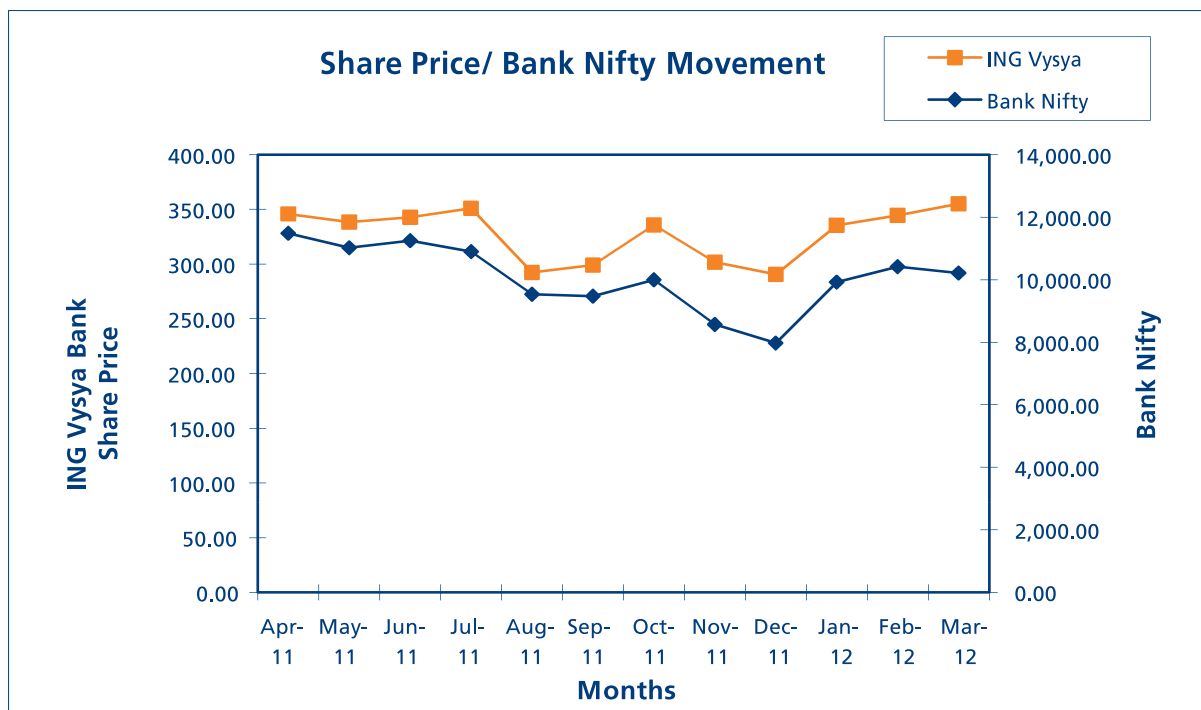
IVBL Share Price in comparison with NSE NIFTY 1 April 2011 to 31 March 2012



IVBL Share Price in comparison with BSE Bankex 1 April 2011 to 31 March 2012



IVBL Share Price in comparison with NSE BANK NIFTY 1 April 2011 to 31 March 2012



8.3 Shareholding

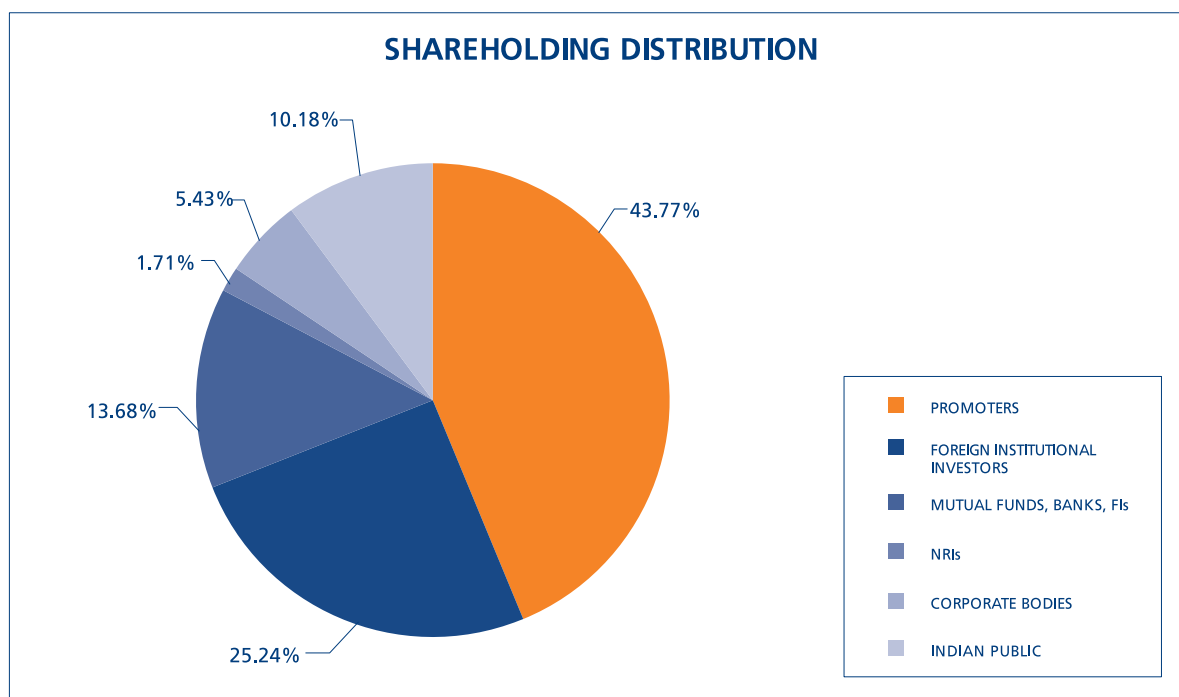
The shareholding in demat mode increased from 98.37% as on 31 March 2011 to 98.79% as on 31 March 2012 (the highest ever achieved).

A table showing the distribution of shares among Shareholders according to size, class and category of shareholders as on 31 March 2012 is given below:

Category	No. of shareholders	Total Shares	% to shareholders	% to paid up capital
Upto 5000	26,819	2,866,962	84.49	1.91
5001 - 10000	2,152	1,595,144	6.78	1.06
10001 - 20000	1,569	2,162,930	4.94	1.44
20001 - 30000	367	898,951	1.16	0.60
30001 - 40000	151	538,566	0.48	0.36
40001 - 50000	148	681,426	0.47	0.45
50001 - 100000	198	1,396,900	0.62	0.93
100001 and above	338	139,982,952	1.06	93.24
Total	31,742	150,123,831	100.00	100.00

8.4 Shareholding pattern as on 31 March 2012

S.No.	Category	No. of Shares	% To Equity
1	PROMOTERS	65,704,254	43.77%
2	FOREIGN INSTITUTIONAL INVESTORS	37,885,048	25.24%
3	MUTUAL FUNDS, BANKS, FIs	20,539,734	13.68%
4	NRIs	2,562,638	1.71%
5	CORPORATE BODIES	8,147,122	5.43%
6	INDIAN PUBLIC	15,285,035	10.18%
	Total	150,123,831	100.00%



8.5 Aggregate Foreign Investment (AFI) as defined by RBI

As on 31 March 2012

Category	%age to equity
Foreign Promoters (FDI)	43.77%
FII	25.24%
NRI	1.71%
Foreign Nationals	0.00%
Total	70.71%

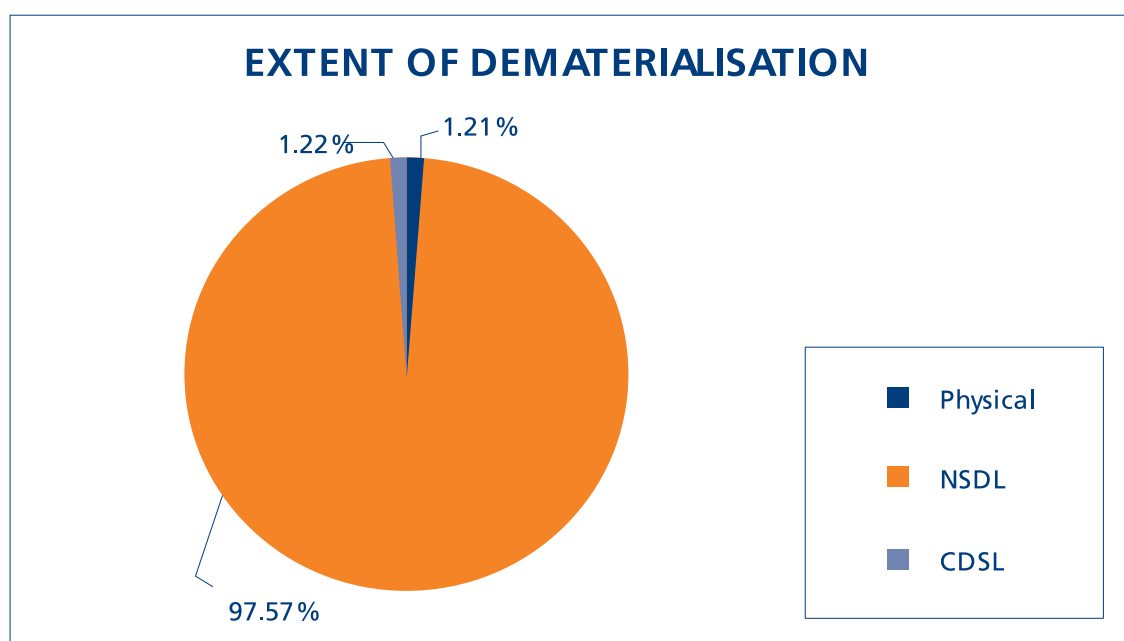
8.6 List of Top 10 shareholders as on 31 March 2012

S.No.	Name	Shares as on 31 March 2012	% to Paid-up Capital
1	ING Mauritius Holdings	51,081,681	34.03
2	ING Mauritius Investments	14,622,573	9.74
3	Aberdeen Global Indian Equity Fund Mauritius Limited	7,266,032	4.84
4	Warhol Limited	5,520,447	3.68
5	Morgan Stanley Mauritius Company Limited	3,458,309	2.30
6	Citigroup Global Markets Mauritius Private Limited	2,967,049	1.98
7	India Advantage Fund S3 I	2,923,208	1.95
8	Dilip Ramniklal Mehta	2,413,239	1.61
9	Government Pension Fund Global	2,236,344	1.49
10	Franklin Templeton Mutual Fund A/C Templeton India Growth Fund	1,857,340	1.24
	Total	94,346,222	62.85

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 March 2012, 98.79 % of Bank shares are in demat mode.

Category of share held	No. of Shares	% of Shareholding
Physical mode	1,816,779	1.21%
Demat mode		
- NSDL	146,478,744	97.57%
- CDSL	1,828,308	1.22%
Total	150,123,831	100.00%



8.8 STATEMENT SHOWING DETAILS OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2004-05 TO 2010-11 AS ON 31 March 2012.

S.No.	Year	Percentage of dividend declared	Amount of unclaimed dividend as on 31 March 2012 (₹)	Due date for transfer of unclaimed dividend by Bank to Investors Education and Protection Fund (IEPF)
1	2004-05	Nil	Nil	N.A.
2	2005-06	Nil	Nil	N.A.
3	2006-07	6.50%	406,549.00	2 August 2014
4	2007-08	15%	829,522.00	4 August 2015
5	2008-09	20%	1,538,786.00	9 October 2016
6	2009-10	25%	1,534,236.00	5 August 2017
7	2010-11	30%	2,027,088.00	12 October 2018

The Bank has transferred unclaimed dividend of ₹ 1,239,855/- pertaining to 2003-04, to the Investor Education and Protection Fund (IEPF) on 15 November 2011.

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

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

8.9 Share Transfer System

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

8.10 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.

<p>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</p>	<p>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</p>
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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
e-mail : ccu@ingvysyabank.com

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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

We have audited the attached Balance Sheet of ING Vysya Bank Limited ('the Bank') as at 31 March 2012 and also the Profit and Loss Account and the Cash Flow Statement annexed thereto for the year ended on that date. 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.

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 misstatements. 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211(1), (2) and (3C) of the Companies Act, 1956.

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.

Without qualifying our opinion, we draw attention to Note 18.2 to the financial statements, which describes deferment of pension liability relating to existing employees of the Bank arising out of the opening of the II Pension Option, to the extent of ₹ 558,006 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.

We report that:

- a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- b) in our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

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

We further report that:

- a) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and returns;
- b) 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;
- c) the reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us; and
- d) on the basis of written representations received from the directors, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2012;
- b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

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

Zubin Shekary
Partner
Membership No.: 048814

Mumbai
24 April 2012

BALANCE SHEET AS AT 31 MARCH 2012

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2012	31 March 2011
CAPITAL AND LIABILITIES			
Capital	1	1,501,238	1,209,867
Employees' Stock Options Outstanding (Net)		15,865	18,796
Reserves and Surplus	2	38,280,833	25,014,163
Deposits	3	351,954,188	301,942,493
Borrowings	4	56,964,884	41,469,113
Other Liabilities and Provisions	5	21,288,386	20,485,271
TOTAL		470,005,394	390,139,703
ASSETS			
Cash and Balance with Reserve Bank of India	6	19,823,682	21,837,810
Balance with Banks and Money at call and short notice	7	12,481,921	3,376,433
Investments	8	127,154,997	110,582,722
Advances	9	287,366,715	236,021,355
Fixed Assets	10	5,007,966	5,028,353
Other Assets	11	18,170,113	13,293,030
TOTAL		470,005,394	390,139,703
Contingent Liabilities	12	1,225,685,640	584,086,884
Bills for collection		53,798,305	39,555,957
Significant Accounting Policies	17		
Notes to Accounts	18		

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

As per our report of even date

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

Zubin Shekary
Partner
Membership No: 048814

For and on behalf of the Board

Arun Thiagarajan
Chairman

Shailendra Bhandari
Managing Director

Aditya Krishna
Director

Vaughn Richtor
Director

Place : Mumbai
Date : 24 April 2012

Place : Mumbai
Date : 24 April 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2012	31 March 2011
INCOME			
Interest Earned	13	38,568,075	26,940,641
Other Income	14	6,697,565	6,549,570
TOTAL		45,265,640	33,490,211
EXPENDITURE			
Interest Expended	15	26,484,575	16,875,372
Operating Expenses	16	11,102,083	10,260,179
Provisions and Contingencies		3,115,942	3,168,170
TOTAL		40,702,600	30,303,721
PROFIT			
Net Profit for the year		4,563,040	3,186,490
Profit/(Loss) Brought Forward		5,174,569	3,302,156
TOTAL		9,737,609	6,488,646
APPROPRIATIONS			
Transfer to Statutory Reserve		1,140,760	796,622
Transfer to Capital Reserves		4,174	75,566
Transfer to / (from) Investment Reserve		2,154	(109,952)
Transfer to Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)		140,000	130,000
Dividend Paid (Refer Note No. 18.10.b)		86,562	-
Proposed Dividend		600,495	362,960
Dividend Tax (Refer Note No. 18.10.b)		108,974	58,881
Balance Carried to Balance Sheet		7,654,490	5,174,569
TOTAL		9,737,609	6,488,646
Earnings Per Share (₹ Per Equity Share of ₹ 10 each)			
Basic		31.85	26.45
Diluted		31.54	25.95
Significant Accounting Policies	17		
Notes to Accounts	18		

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

As per our report of even date

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

For and on behalf of the Board

Zubin Shekary
Partner
Membership No: 048814

Arun Thiagarajan
Chairman

Shailendra Bhandari
Managing Director

Aditya Krishna
Director

Vaughn Richtor
Director

Place : Mumbai
Date : 24 April 2012

Place : Mumbai
Date : 24 April 2012

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2012

(₹ in thousands)		
PARTICULARS	31 March 2012	31 March 2011
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
350,000,000 (Previous Year 350,000,000) Equity Shares of ₹10 each	3,500,000	3,500,000
100,000,000 (Previous Year 100,000,000) Preference Shares of ₹10 each	1,000,000	1,000,000
ISSUED CAPITAL		
150,411,637 (Previous Year 121,275,144) Equity Shares of ₹10 each	1,504,116	1,212,751
SUBSCRIBED AND CALLED UP CAPITAL		
150,123,831 (Previous Year 120,986,738) Equity Shares of ₹10 each Fully Called and Paid up (Refer Note No. 18.10.a)	1,501,238	1,209,867
TOTAL	<u>1,501,238</u>	<u>1,209,867</u>
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVE		
Opening Balance	4,496,462	3,699,840
Additions during the year	1,140,760	796,622
Total (A)	<u>5,637,222</u>	<u>4,496,462</u>
II. CAPITAL RESERVE		
(a) Revaluation Reserve		
Opening Balance	1,042,271	1,080,202
Less: Revaluation reserve reversed consequent to sale of assets/transfer of assets	(1,180)	(30,681)
Less: Depreciation on revalued assets	(6,706)	(7,250)
Total (B)	<u>1,034,385</u>	<u>1,042,271</u>
(b) Others		
Opening Balance	1,244,327	1,168,761
Add: Transfer from Profit and Loss Account	4,174	75,566
Total (C)	<u>1,248,501</u>	<u>1,244,327</u>
TOTAL CAPITAL RESERVE (B+C)	<u>2,282,886</u>	<u>2,286,598</u>
III. SECURITIES PREMIUM		
Opening Balance	12,054,183	11,846,348
Add: Additions during the year	9,580,886	207,835
Less: Deductions during the year	(73,339)	-
Total (D)	<u>21,561,730</u>	<u>12,054,183</u>
IV. REVENUE AND OTHER RESERVES		
(a) SPECIAL RESERVE (u/s 36 (1) (viii) of Income Tax Act, 1961)		
Opening Balance	447,000	317,000
Add: Additions during the year	140,000	130,000
Total (E)	<u>587,000</u>	<u>447,000</u>
(b) Revenue Reserves		
Opening Balance	555,351	555,351
Add: Additions during the year	-	-
Total (F)	<u>555,351</u>	<u>555,351</u>
(c) Investment Reserve		
Opening Balance	-	109,953
Add: Additions during the year	2,154	-
Less: Deductions during the year	-	(109,953)
Total (G)	<u>2,154</u>	<u>-</u>
Total (IV) (E+F+G)	<u>1,144,505</u>	<u>1,002,351</u>
V. Balance in Profit and Loss Account (H)	7,654,490	5,174,569
TOTAL (I to V)	<u>38,280,833</u>	<u>25,014,163</u>

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2012

		(₹ in thousands)	
PARTICULARS		31 March 2012	31 March 2011
SCHEDULE 3 - DEPOSITS			
A. I. Demand Deposits			
i. From Banks		3,543,838	1,818,419
ii. From Others		60,500,326	49,252,748
II. Savings Bank Deposits		56,429,076	53,515,041
III. Term Deposits			
i. From Banks		75,954,140	61,027,083
ii. From Others		155,526,808	136,329,202
TOTAL(I to III)		<u>351,954,188</u>	<u>301,942,493</u>
B. Deposits of Branches in India		351,954,188	301,942,493
C. Deposits outside India		-	-
TOTAL		<u>351,954,188</u>	<u>301,942,493</u>
SCHEDULE 4 - BORROWINGS*			
I. Borrowings in India			
i. Reserve Bank of India		-	-
ii. Other Banks		4,403,344	1,379,000
iii. Other Institutions and Agencies		23,696,723	16,121,762
II. Borrowings outside India		28,864,817	23,968,351
TOTAL (I to II)		<u>56,964,884</u>	<u>41,469,113</u>
Secured Borrowings included in (I) & (II) above is NIL (Previous Year : NIL)			
*Includes Subordinated Debt (IPDI, Upper Tier II and Tier II Bonds) of ₹11,205,956 thousands as on 31 March 2012 (Previous year ₹ 10,522,051 thousands).			
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I. Bills Payable		3,681,163	4,385,882
II. Inter Office Adjustments (Net)		173,880	287,851
III. Interest Accrued		1,704,671	1,626,389
IV. Provision against Standard Assets		1,454,200	1,165,100
V. Others (Including Provisions)		14,274,472	13,020,049
TOTAL (I to V)		<u>21,288,386</u>	<u>20,485,271</u>
SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA			
I. Cash in Hand (Including Foreign Currency Notes)		3,864,699	3,999,906
II. Balances with Reserve Bank of India			
i. In Current Account		15,958,983	17,837,904
ii. In Other Accounts		-	-
TOTAL (I to II)		<u>19,823,682</u>	<u>21,837,810</u>

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2012

		(₹ in thousands)	
PARTICULARS		31 March 2012	31 March 2011
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i) Balances with Banks			
a) In Current Accounts		1,671,063	1,057,455
b) In Other Deposit Accounts		319,568	519,568
ii) Money at Call and Short Notice			
a) With Banks		600,000	-
b) With Other Institutions		4,996,879	-
TOTAL (i to ii)		<u>7,587,510</u>	<u>1,577,023</u>
II. Outside India			
i) Balances with Banks			
a) Current Accounts		800,500	2,231
b) In Other Deposit Accounts		-	-
ii) Money at Call and Short Notice			
a) With Banks		4,093,911	1,797,179
b) With Others		-	-
TOTAL (i to ii)		<u>4,894,411</u>	<u>1,799,410</u>
GRAND TOTAL (I to II)		<u>12,481,921</u>	<u>3,376,433</u>
SCHEDULE 8 - INVESTMENTS (NET OF PROVISIONS)			
I. Investments in India			
i) Government Securities # * \$ ^		89,688,804	82,291,774
ii) Other Approved Securities		-	-
iii) Shares		590,018	81,026
iv) Debentures and bonds		1,875,804	784,963
v) Subsidiaries/Joint Ventures		20,988	20,988
vi) Others @		34,979,383	27,403,971
TOTAL		<u>127,154,997</u>	<u>110,582,722</u>
II. Investments Outside India		-	-
TOTAL		<u>127,154,997</u>	<u>110,582,722</u>
GROSS INVESTMENTS		127,504,887	110,936,864
LESS: Depreciation/Provision for Investments		(349,890)	(354,142)
NET INVESTMENTS		<u>127,154,997</u>	<u>110,582,722</u>

Includes securities costing ₹ NIL (Previous year ₹ 70,840 thousands) pledged for availment of telegraphic transfer discounting facility.

* Net of Repo borrowings of ₹ 38,476,901 thousands (Previous year ₹ 2,116,960 thousands) under the liquidity adjustment facility in line with Reserve Bank of India requirements.

\$ Includes securities costing ₹ 1,365,054 thousands (Previous year ₹ 1,253,228 thousands) pledged for margin requirement.

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

@ Includes deposits with NABARD, NHB and SIDBI of ₹31,489,763 thousands (Previous year ₹ 26,604,164 thousands), PTCs of ₹ 557,707 thousands (Previous year ₹ 799,807 thousands) and Certificate of deposit of ₹ 2,931,913 thousands (Previous year NIL).

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2012

(₹ in thousands)

PARTICULARS	31 March 2012	31 March 2011
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i) Bills Purchased and Discounted	12,222,987	6,132,639
ii) Cash Credits, Overdrafts and Loans repayable on demand	112,556,686	79,751,129
iii) Term loans	162,587,042	150,137,587
TOTAL	287,366,715	236,021,355
B. i) Secured by Tangible Assets*	253,493,320	203,401,560
ii) Covered by Bank/Government Guarantees	1,585,707	2,178,200
iii) Unsecured	32,287,688	30,441,595
TOTAL	287,366,715	236,021,355
* Includes advances secured against book debts		
C. I ADVANCES IN INDIA		
i) Priority Sector	94,939,939	80,471,218
ii) Public Sector	35,697	1,108
iii) Banks	28,411	22,959
iv) Others	192,362,668	155,526,070
II ADVANCES OUTSIDE INDIA		
i) Due from Banks	-	-
ii) Due from Others		
(a) Bills purchased & discounted	-	-
(b) Syndicate loans	-	-
(c) Others	-	-
TOTAL (I to II)	287,366,715	236,021,355
SCHEDULE 10 - FIXED ASSETS		
I Premises		
i) At cost as on 31 March of the preceding year (Including Revaluation)	4,089,653	2,106,371
ii) Additions during the year	9,326	2,202,534
	4,098,979	4,308,905
iii) Deductions during the year	(2,284)	(219,252)
iv) Depreciation to date	(386,510)	(332,164)
I a. Capital Work in Progress	-	-
TOTAL (I)	3,710,185	3,757,489
II. Other Fixed Assets (Including Furniture and Fixtures)		
i) At cost as on 31 March of the preceding year	4,571,731	4,090,295
ii) Additions during the year	517,686	534,779
	5,089,417	4,625,074
iii) Deductions during the year	(51,475)	(53,344)
iv) Depreciation to date	(4,002,961)	(3,593,681)
II a. Capital Work in Progress	105,816	135,831
TOTAL (II)	1,140,797	1,113,880
III. Lease Fixed Assets		
i) At cost as on 31 March of the preceding year	1,540,585	1,540,585
ii) Additions during the year	-	-
	1,540,585	1,540,585
iii) Deductions during the year	-	-
iv) Depreciation to date	(1,435,791)	(1,415,336)
v) Add: Lease Adjustment Account	289,838	269,384
vi) Less: Provision / Write-off of NPAs	(237,648)	(237,649)
TOTAL (III)	156,984	156,984
GRAND TOTAL (I to III)	5,007,966	5,028,353

SCHEDULES TO BALANCE SHEET AS AT 31 MARCH 2012

(₹ in thousands)		
PARTICULARS	31 March 2012	31 March 2011
SCHEDULE 11 - OTHER ASSETS		
I. Inter Office Adjustment (Net)	-	-
II. Interest Accrued	2,248,027	2,051,635
III. Tax Paid in Advance and Tax deducted at source (Net)	1,366,439	842,612
IV. Stationery and Stamps	8,794	10,750
V. Non Banking Assets acquired in satisfaction of claims (Net)	-	-
VI. Others #	14,546,853	10,388,033
TOTAL	18,170,113	13,293,030
# Includes deferred tax assets of ₹ 1,399,143 thousands (previous year ₹ 1,528,093 thousands) Refer Note No. 18.8		
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts	1,986	50,577
II. Liability for partly paid investments	-	-
III. Liability on account of Outstanding Foreign Exchange Contracts*	834,727,705	220,159,702
IV. Liability on account of Outstanding Derivative Contracts* @	307,810,458	296,867,391
V. Guarantees given on behalf of constituents		
a) In India	54,538,671	42,524,507
b) Outside India	9,744,137	9,892,095
VI. Acceptances, Endorsements and Other Obligations	17,801,381	13,786,027
VII. Other items for which the bank is contingently liable	1,061,302	806,585
TOTAL	1,225,685,640	584,086,884

* Represent notional amounts.

@ Long term forward exchange contracts amounting to ₹ 7,459,634 thousands (Previous year ₹ 5,158,139 thousands) are managed as derivatives and accordingly reflected under liability on account of derivative contracts.

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in thousands)		
PARTICULARS	31 March 2012	31 March 2011
SCHEDULE 13 - INTEREST EARNED		
i. Interest/Discount on Advances/Bills	28,678,177	20,326,347
ii. Income on Investments	9,818,651	6,462,988
iii. Interest on Balances with RBI and other inter bank funds	5,800	20,508
iv. Others	65,447	130,798
TOTAL	38,568,075	26,940,641
SCHEDULE 14 - OTHER INCOME		
i. Commission, Exchange and Brokerage	4,689,755	4,188,795
ii. Profit/ (Loss) on sale of Investments (Net)	122,523	819,479
iii. Profit on Revaluation of Investments (Net)	-	-
iv. Profit/ (Loss) on sale of Land, Buildings and Other Assets (Net)	8,239	150,870
v. Profit on Exchange / Derivative Transactions (Net)	1,471,404	1,021,167
vi. Income earned by way of Dividends etc. from Subsidiaries/ Companies and Joint Ventures Abroad/ in India	9,840	6,575
vii. Lease Income	-	10,199
Add: Lease Equalisation	20,455	10,256
Less: Depreciation	(20,455)	(20,455)
viii. Miscellaneous Income #	395,804	362,684
TOTAL	6,697,565	6,549,570
# Includes recovery from written off accounts amounting to ₹ 256,110 thousands (Previous year ₹ 303,214 thousands)		
SCHEDULE 15 - INTEREST EXPENDED		
i. Interest on Deposits	21,530,252	13,567,456
ii. Interest on Reserve Bank of India/ Inter-Bank Borrowings	2,466,927	477,773
iii. Others (Including interest on Tier II Bonds)	2,487,396	2,830,143
TOTAL	26,484,575	16,875,372
SCHEDULE 16 - OPERATING EXPENSES		
i. Payments and Provisions for Employees	6,510,307	6,056,586
ii. Rent, Taxes and Lighting	978,281	813,855
iii. Printing and Stationery	130,293	109,239
iv. Advertisement and Publicity	44,167	26,372
v. Depreciation on Bank's Property	498,075	477,310
vi. Director's Fees, Allowances and Expenses	4,957	5,188
vii. Auditors' Fees and Expenses (Including Branch Auditors' Fees and Expenses)	6,125	6,715
viii. Law Charges	30,841	37,580
ix. Postage, Telegrams, Telephones	213,705	208,280
x. Repairs and Maintenance	313,187	276,719
xi. Insurance	305,349	257,620
xii. Other expenditure	2,066,796	1,984,715
TOTAL	11,102,083	10,260,179

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

1 BACKGROUND

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

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

3 USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make 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 for on an accrual basis except as stated below:

Interest on advances, securities and other assets classified as non-performing assets/securities is

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

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

- b. Income on assets given on lease

Finance income in respect of assets given on lease is accounted based on the interest rate implicit in the lease in accordance with the guidance note issued by the ICAI in respect of leases given up to 31 March 2001 and in accordance with AS 19 – "Leases" in respect of leases given from 1 April 2001.

- c. 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. Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.

- f. Commission on guarantees and letters of credit issued are amortised on a straight-line basis over the period of the respective guarantees/ letters of credit.

5 FOREIGN EXCHANGE TRANSACTIONS

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

6 DERIVATIVE TRANSACTIONS

Derivative transactions comprise long term forward contracts, interest rate swaps, currency swaps, currency and

SIGNIFICANT ACCOUNTING POLICIES

cross currency options to hedge on Balance Sheet assets and liabilities or to take trading positions.

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

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

7 INVESTMENTS

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

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

- a. "Held To Maturity" (HTM) comprises securities acquired by the Bank with the intention to hold them upto maturity. With the issuance of RBI Circular No. DBOD. BP.BC.37/21/04/141/2004-05 dated 2 September 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities.
- b. "Held For Trading" (HFT) comprises securities acquired by the Bank 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 on a straight line basis. The discount, if any, being unrealised

is ignored. Provisions are made for diminutions other than temporary in the value of such investments.

- b. Investments classified as HFT and AFS are revalued at monthly intervals as per RBI and FIMMDA valuation norms. These securities are valued scrip-wise and any resultant depreciation or appreciation is aggregated for each category. The net depreciation for each category is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.
- c. In the event provisions created on account of depreciation in the "Available for sale" or "Held for trading" categories are found to be in excess of the required amount in any year, such excess is recognised in the profit and loss account and subsequently appropriated, from profit available for appropriation, if any, to Investment Reserve account in accordance with RBI guidelines after adjusting for income tax and appropriation to statutory reserve.
- d. Treasury bills and Commercial paper being discounted instruments, are valued at carrying cost.
- e. REPO and Reverse REPO transactions conducted under LAF with RBI are accounted for on an outright sale and outright purchase basis respectively in line with RBI guidelines. The cost/income of the transactions upto the year end is accounted for as interest expense/income. However, in case of reverse REPO, the depreciation in value of security compared to original cost is provided for. Market REPO and Reverse REPO transactions are accounted as collateralised borrowings and lending respectively.
- f. The Bank follows settlement date method of accounting for purchase and sale of investments.

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, and the provisioning done is higher than the minimum prescribed under RBI guidelines.

SIGNIFICANT ACCOUNTING POLICIES

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;
- b) at 1.00% on Commercial Real Estate (CRE) sector; and
- c) at 2.00% on housing loans at teaser rates.

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

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

9 FIXED ASSETS

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

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

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

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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.

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. Compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

15 LEASE TRANSACTIONS

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

16 TAXES ON INCOME

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

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in

future; however, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

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

17 NET PROFIT/(LOSS)

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

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

18 EARNINGS PER SHARE ("EPS")

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

19 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTES TO ACCOUNTS

18 NOTES TO ACCOUNTS

18.1 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 ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme was in force. These options 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 at the Annual General Meeting held on 22 September 2005. No further options have been granted under this scheme.

The movements in ESOS 2002 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	-	-	480	97.50
Less: Options exercised during the year	-	-	-	-
Less: Options forfeited	-	-	480	97.50
Stock options outstanding at the end of the year	-	-	-	-

ESOS 2005

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

The movements in ESOS 2005 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	263,419	172.98	430,864	170.13
Add: Options granted during the year	-	-	-	-
Less: Options exercised during the year	35,660	165.15	160,116	165.16
Less: Options forfeited	7,700	178.70	7,329	176.20
Stock options outstanding at the end of the year	220,059	174.05	263,419	172.98

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 ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30% in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

NOTES TO ACCOUNTS

The movements in ESOS 2007 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	6,065,000	250.02	6,994,599	243.81
Add: Options granted during the year	70,000	290.50	208,500	258.16
Less: Options exercised during the year	843,470	200.41	834,449	215.54
Less: Options forfeited	203,250	284.43	303,650	255.66
Stock options outstanding at the end of the year	5,088,280	257.43	6,065,000	250.02

ESOS 2010

The employee stock option scheme ("ESOS 2010" or "the scheme") of the Bank was approved by the Board of Directors at their meeting held on 29 April 2010 and by the shareholders at the last AGM held on 1 July 2010. A total of 1,15,00,000 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30% in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

The movements in ESOS 2010 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	3,595,500	358.78	-	-
Add: Options granted during the year	3,554,975	323.37	3,677,500	358.57
Less: Options exercised during the year	-	-	-	-
Less: Options forfeited	405,250	346.95	82,000	349.15
Stock options outstanding at the end of the year	6,745,225	340.83	3,595,500	358.78

The details of exercise price and remaining contractual life of stock options.

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

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

The details of exercise price and remaining contractual life of stock options outstanding as at 31 March 2011 are:

Scheme	Range of exercise price (In ₹)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In ₹)
ESOS 2005 Tranche I	92.59-136.47	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

The weighted average share price for all options exercised during the year was ₹ 323.83 per share (Previous Year: ₹ 357.09).

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

NOTES TO ACCOUNTS

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

Employee Compensation Cost

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Intrinsic Value	(565)	(501)
Fair value*	330,067	288,482
Excess to be Charged	330,632	288,983

Impact on Profit

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Net profit after tax	4,563,040	3,186,490
Less: Adjustment for additional charge due to Fair Value	330,632	288,983
Adjusted Profit	4,232,408	2,897,507

Impact on Earnings per share

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Declared in the financial Statements		
Basic (₹)	31.85	26.45
Diluted (₹)	31.54	25.95
Revised EPS		
Basic (₹)	29.54	24.05
Diluted (₹)	29.26	23.60

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% - 8.38%
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% - 38.72%
The price of the underlying share in market at the time of option grant (as per NSE) (₹)	162.6 - 260.65	262.60	114.20 - 380.40	322.55 - 403.95

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

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

The call option values under Black- Scholes Model for option valuation under different schemes for outstanding options as on 31 March 2012 are:

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Option price at the date of grant (₹)	58.33 - 180.50	118.92 - 135.34	36.25 - 153.16	90.44 - 195.82
Weighted average Fair Value of the options at the date of grant (₹)	83.09	127.64	102.23	115.13

NOTES TO ACCOUNTS

18.2 Employee benefits

Provident fund plan

The Bank has a defined contribution plan in respect of provident fund. The contribution to the employees provident fund amounted to ₹ 124,180 thousands for the year ended 31 March 2012 (Previous year ₹ 109,646 thousands).

Gratuity, Pension and Leave Benefit plans

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

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

During the year 2010-2011, the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result, the Bank incurred an additional liability of ₹ 1,217,310 thousands being ₹ 287,300 thousands on account of II Pension Option to retired/separated employees and ₹ 930,010 thousands on account of II Pension Option to existing employees. Further, during the year 2010-2011, the limit of gratuity payable to the employees was enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of the Bank increased by ₹ 207,352 thousands.

In terms of Revised Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹ 1,424,663 thousands was required to be charged to the profit and loss account. However, the Reserve Bank of India vide their letter dated 8 April, 2011 ("the RBI Letter") on Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment, permitted the Bank to amortise the additional liability on account of re-opening of pension option for existing employees who had not opted for pension earlier 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.

Accordingly, the Bank during the year 2010-11 charged the full impact of ₹ 287,300 thousands on account of II Pension Option to retired/ separated employees and ₹ 186,002 thousands representing one-fifth of the full impact of II Pension Option to the existing employees as required by the RBI letter. Also the Bank fully charged ₹ 207,353 thousands on account of amendment to the Payment of Gratuity Act although it was allowed to be amortized over a period of 5 years by the RBI letter.

During the current year, the Bank has provided ₹ 186,002 thousands (Previous year ₹ 186,002 thousands) representing one-fifth of the full impact of II Pension Option to the existing employees. In terms of the requirements of the RBI Letter, the balance impact of ₹ 558,006 thousands on account of II Pension Option to existing employees shall be provided over the next three years.

Had the RBI Letter not been issued, the profit of the Bank in the current year would have been lower by ₹ 558,006 (Previous year ₹ 744,008 thousands) pursuant to application of the requirements of Revised AS 15.

Disclosures under AS -15

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

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
1. Current service cost	98,025	93,552	258,990	276,820
2. Interest cost on benefit obligation	80,631	51,583	299,920	132,968
3. Expected return on plan assets	(73,123)	(61,623)	(217,265)	(164,833)
4. Net actuarial (gain)/ loss recognized in the year	76,392	86,390	44,187	1,213,144
5. Past service cost	-	207,353	-	-
6. Net expenses (1+2+3+4+5)	181,925	377,255	385,832**	1,458,099*
Actual return on plan assets	84,085	46,500	231,336	1,064,051#

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

* Amount of ₹ 714,091 thousands charged to profit and loss account. The balance amount of ₹ 744,008 thousands being four fifths of the impact of II Pension Option to existing employees, to be provided over the next four years.

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

NOTES TO ACCOUNTS

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
1. Current service cost	27,525	25,899	28,632	22,720
2. Interest cost on benefit obligation	38,876	31,811	19,535	14,563
3. Net actuarial (gain)/ loss recognized in the year	(75,539)	(6,577)	(18,910)	11,485
4. Past service cost	-	-	-	-
5. Net expenses (1+2+3+4)	(9,138)	51,133	29,257	48,768

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Present value of obligation	1,113,346	964,586	3,642,317	3,684,462
Fair value of plan assets	(931,421)	(608,017)	(2,358,671)	(2,215,334)
Liability (Assets)	181,925	356,569	1,283,646	1,469,128
Liability (Asset) recognized in the Balance Sheet	181,925	356,569	1,283,646	1,469,128

(₹ in thousands)

Particulars	Leave encashment		Leave availment	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Present value of obligation	425,722	434,860	248,752	219,495
Fair value of plan assets	-	-	-	-
Liability (Assets)	425,722	434,860	248,752	219,495
Liability (Asset) recognized in the Balance Sheet	425,722	434,860	248,752	219,495

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Opening defined benefit obligation	964,586	668,621	3,684,462	2,045,609
Interest cost	80,631	51,583	299,920	132,968
Current service cost	98,025	93,552	258,990	276,820
Past service cost	-	207,353	-	-
Benefits paid	(117,250)	(127,790)	(659,313)	(883,297)
Actuarial (gains) / losses on obligation	87,354	71,267	58,258	2,112,362
Closing defined benefit obligation	1,113,346	964,586	3,642,317	3,684,462

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Opening defined benefit obligation	434,860	383,727	219,495	170,727
Interest cost	38,876	31,811	19,535	14,563
Current service cost	27,525	25,899	28,632	22,720
Benefits paid	-	-	-	-
Actuarial (gains) / losses on obligation	(75,539)	(6,577)	(18,910)	11,485
Closing defined benefit obligation	425,722	434,860	248,752	219,495

NOTES TO ACCOUNTS

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Opening fair value of plan assets	608,017	689,308	2,215,334	1,254,852
Expected return	73,123	61,623	217,265	164,833
Contributions by employer	356,569	-	571,314	779,729
Benefits paid	(117,250)	(127,790)	(659,313)	(883,297)
Actuarial gains / (losses)	10,962	(15,124)	14,071	899,217
Closing fair value of plan assets	931,421	608,017	2,358,671	2,215,334

Experience adjustments:

(₹ in thousands)

Particulars	Gratuity			
	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligations	1,113,346	964,586	668,621	607,592
Plan assets	931,421	608,017	689,308	652,552
(Surplus) / deficit	181,925	356,569	(20,687)	(44,960)
Experience adjustments on plan liabilities	101,937	85,021	(36,439)	(17,877)
Experience adjustments on plan assets	10,962	(5,393)	13,915	(1,275)

(₹ in thousands)

Particulars	Pension			
	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligations	3,642,317	3,684,462	2,045,609	1,886,910
Plan assets	2,358,671	2,215,334	1,254,852	1,220,561
(Surplus) / deficit	1,283,646	1,469,128	790,757	666,349
Experience adjustments on plan liabilities	257,991	2,257,216	192,955	(40,739)
Experience adjustments on plan assets	14,071	907,893	(488)	(12,300)

(₹ in thousands)

Particulars	Leave encashment and availment			
	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligations	674,475	654,355	554,454	519,838
Plan assets	-	-	-	-
(Surplus) / deficit	674,475	654,355	554,454	176,388
Experience adjustments on plan liabilities	(62,820)	35,535	(30,907)	(754)
Experience adjustments on plan assets	-	-	-	-

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

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

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Investments with insurer	100%	100%	100%	100%
Investment in Government/ PSU bonds/securities	-	-	-	-

NOTES TO ACCOUNTS

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

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Discount rate (%) p.a.	8.90	8.53	8.94	8.29
Expected rate of return on assets (%)	9.50	9.50	9.50	9.50
Employee turnover % p.a.	1 (IBA), 28 (CTC), 55 (Others)	1 (IBA), 27 (CTC)	1 (IBA)	1 (IBA)
Salary Escalation Rate	3% p.a. (IBA), 12% p.a. (CTC), 12 % p.a. (Others)	3% p.a. (IBA), 13% p.a. (CTC)	3% p.a.	3% p.a.

Particulars	Leave Encashment		Leave Availment	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Discount rate (%) p.a.	8.94	8.29	8.90	8.53
Expected rate of return on assets (%)	N.A.	N.A.	N.A.	N.A.
Employee turnover % p.a.	1 (IBA), 28 (CTC)	1 (IBA), 27 (CTC)	1 (IBA), 28 (CTC)	1 (IBA), 27 (CTC)
Salary Escalation Rate	3% p.a. (IBA) 12% p.a. (CTC)	3%p.a. (IBA) 13% p.a. (CTC)	3%p.a. (IBA) 12% p.a. (CTC)	3%p.a. (IBA) 13% p.a. (CTC)

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

With respect to defined benefit plans, the Bank is yet to determine the contributions expected to be paid to the plans during the annual period beginning 1 April 2012.

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

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Provision for income tax (including deferred tax)	1,976,255	1,649,883
Provision for wealth tax	2,400	2,275
Provision/write off of non-performing advances	807,382	1,561,000
Depreciation/write off (write back) of investments (net)	(4,252)	12,411
Provision/write off of non-performing investments	-	42,566
Provision for standard assets	289,100	157,000
Provision for restructured advances	(18,253)	(216,767)
Others *	63,310	(40,198)
Total	3,115,942	3,168,170

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

NOTES TO ACCOUNTS

18.4 Provisions for income taxes during the year

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Provision for income tax (including deferred tax)	1,976,255	1,649,883

During the year ended 31 March, 2012, the entire Special Reserve amount of ₹ 58.70 crores created under Section 36 (1) (viii) of the Indian Income Tax Act, 1961 (including ₹ 14.00 crores transferred in the current year) is treated as a deduction in the computation of current year's tax provision. This resulted in one time reduction in tax expense by ₹ 14.50 crores.

18.5 Investments

18.5.1 Issuer composition of non SLR investments

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

(₹ in thousands)

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

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

The details relating to issuer composition of non SLR investments as at 31 March 2011 are as follows:

(₹ in thousands)

Issuer	Amount	Extent of private placement (Note 3)	Extent of 'below investment grade' securities	Extent of 'unrated' securities (Note 2 & 4)	Extent of 'unlisted' securities
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	300,481	300,066	302,255
Subsidiaries/ Joint Ventures	20,988	20,988	-	-	20,988
Others (Note 1)	824,268	824,268	-	-	824,268
Provision held towards depreciation	(326,991)	-	-	-	-
Total	28,290,949	28,104,417	300,481	300,066	1,147,511

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

NOTES TO ACCOUNTS

18.5.2 Non performing non SLR investments

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	300,481	415
Additions during the year	-	300,066
Reduction during the year	-	-
Closing balance	300,481	300,481
Total provisions held	300,481	300,481

18.5.3 Repo Transactions

The details relating to repo transactions during the year ended 31 March 2012 are as follows:

(₹ in thousands)

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

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

Includes LAF transactions with RBI which is inclusive of margin.

The details relating to repo transactions during the year ended 31 March 2011 are as follows:

(₹ in thousands)

Issuer	Minimum outstanding during the year *	Maximum outstanding during the year	Daily average outstanding during the year	As at 31 March 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.

Includes LAF transactions with RBI which is inclusive of margin.

18.5.4 Value of Investments

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Gross value of Investments		
a. In India	127,504,887	110,936,864
b. Outside India	-	-
Provisions for depreciation		
a. In India	349,890	354,142
b. Outside India	-	-
Net value of Investments		
a. In India	127,154,997	110,582,722
b. Outside India	-	-

NOTES TO ACCOUNTS

18.5.5 Movement of provisions held towards depreciation on investments

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	354,142	41,165
Add: Provisions made during the year	-	312,977
Less: Write-off/Write-back of excess provisions during the year	4,252	-
Closing balance	349,890	354,142

18.6 Advances

18.6.1 Information with respect to loan assets subjected to restructuring

(₹ in thousands)

Particulars		CDR Mechanism		SME Debt restructuring		Others	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Standard advances restructured	No. of Borrowers	6	2	-	-	1	1
	Amount outstanding	1,622,850	262,436	-	-	10,232	19,960
	Sacrifice*	45,925	37,864	-	-	625	1,490
Sub standard advances restructured	No. of Borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Doubtful advances restructured	No. of Borrowers	-	1	-	-	-	-
	Amount outstanding	-	359,186	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Total	No. of Borrowers	6	3	-	-	1	1
	Amount outstanding	1,622,850	621,622	-	-	10,232	19,960
	Sacrifice*	45,925	37,864	-	-	625	1,490

*Sacrifice is diminution in the fair value.

18.6.2 Concentration of Advances*

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Total advances to twenty largest borrowers	77,497,732	72,157,735
Percentage of advances to twenty largest borrowers to total advances of the bank	12.68%	14.07%

* Advances are computed as per the definition of credit exposure including derivatives furnished in RBI master circular on exposure norms DBOD.No.Dir.BC.7/13.03.00/2011-12 dated 1 July 2011.

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

18.6.3 Concentration of Exposures*

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Total exposures to twenty largest borrowers/customers	77,497,732	72,157,735
Percentage of exposures to twenty largest borrowers/customers to total exposures of the bank on borrowers/customers	12.55%	14.02%

* Exposures is computed based on credit and investment exposure as prescribed in RBI master circular on exposure norms DBOD.No.Dir.BC.7/13.03.00/2011-12 dated 1 July 2011.

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

NOTES TO ACCOUNTS

18.6.4 Concentration of NPAs

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Total exposure to top four NPA accounts	2,080,560	1,951,994

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

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Agriculture and allied activities	2.60%	2.96%
Industry (Micro & small, medium and large)	2.11%	2.63%
Services	0.62%	0.94%
Personal Loans	49.79%	51.54%

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

18.6.6 Movement of Gross NPAs

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Opening Gross NPAs*	1,553,873	2,345,106
Additions (fresh NPAs) during the year	1,728,349	2,360,155
Total (A)	3,282,222	4,705,261
Less:-		
(i) Upgradations	31,689	140,381
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,235,288	1,450,007
(iii) Write-offs (including technical write-offs)	520,116	1,561,000
Total (B)	1,787,093	3,151,388
Closing Gross NPAs* (A-B)	1,495,129	1,553,873

*After considering technical write offs. Gross NPAs before technical write offs – ₹ 5,628,716 thousands.
(Previous Year – ₹ 5,532,400 thousands).

18.6.7 Movement of Net NPAs

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Opening Net NPAs *	917,856	2,218,267
Additions during the year	208,555	-
Reductions (including write-offs) during the year	601,489	1,300,411
Closing Net NPAs*	524,922	917,856
NPAs to advances (%) #	0.18	0.39
Provisioning Coverage Ratio (%)#	90.67	83.41

*After netting off ECGC claims received and held pending adjustments of ₹ 599,971 thousands (Previous year : ₹ 636,017 thousands).

Provision held against the NPA sold of ₹ 50,500 thousands and ₹ 726 thousands during the year 2006-07 & 2007-08 respectively has not been reversed to profit and loss account in view of RBI Circular No. DBOD.No.BP. BC.16/21.04.048/2005 dated 13 July 2005 and is retained as provision for NPA to be utilized to meet the shortfall / loss on account of sale of other non performing financial assets.

NOTES TO ACCOUNTS

18.6.8 Movement in provisions for NPA

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	-	-
Additions during the year *	890,352	1,561,000
Technical write-offs/write-backs during the year	520,116	1,561,000
Closing Balance *	370,236	-

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

18.6.9 Details of Unsecured Advances:

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

18.6.10 Floating provision

The Bank does not have any floating provision as at 31 March 2012 (Previous year : Nil).

18.6.11 Provisions on standard asset

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Provision towards standard assets during the year	289,100	157,000
Cumulative provision for standard assets as at year end	1,454,200	1,165,100

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

18.6.12 Overseas Assets, NPAs and Revenue

There are no overseas assets (Previous year – Nil) and no overseas revenue (Previous year – Nil) during the year ended 31 March 2012.

18.6.13 Purchase/ sale of non-performing assets

The Bank did not purchase any non-performing assets during the year ended 31 March 2012 (Previous year: Nil).

Details of non-performing financial assets sold:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
No. of accounts sold	17	1
Aggregate outstanding, net of provisions/ write-offs (₹ in thousands)	17	-
Aggregate consideration received (₹ in thousands)	27,500	15,200

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

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Total number of accounts	-	2
Total number of transactions	-	2
Book value (net of provisions) of accounts sold (₹ in thousands)	-	133,154
Aggregate consideration received (₹ in thousands)	-	135,330
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value (₹ in thousands)	-	2,176

Contribution Agreement

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

NOTES TO ACCOUNTS

18.6.15 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.

18.6.16 (a) Exposure to capital market

(₹ in thousands)

Sl. No.	Particulars	As at 31 March 2012	As at 31 March 2011
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	590,433	81,441
(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;	2,430,522	2,046,759
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;	16,490	3,414
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	569,638	182,128
(vi)	loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	350,000	-
(viii)	underwriting commitments taken up by banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market		3,957,083	2,313,742

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

(b) Exposure to real estate sector

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
(a) Direct exposure		
(i) Residential mortgages (fully secured)		
Individual housing loans up to ₹ 25 lakhs	9,372,132	13,169,019
Others	28,845,866	30,353,730
(ii) Commercial real estate		
Fund Based	13,837,847	10,581,913
Non-Fund Based	385,346	455,887
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	576,483	824,268
b. Commercial real estate	-	-
(b) Indirect exposure		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	6,268,899	3,329,809
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1,000,000	-
Total	60,286,573	58,714,626

NOTES TO ACCOUNTS

18.6.17 Prudential exposure limits – quantitative disclosures

- a) During the year ended 31 March 2012, the Bank has complied with the Reserve Bank of India guidelines on single borrower and group borrower limit. As per the exposure limits permitted under the extant RBI regulation, the Bank with the approval of the Board of Directors can enhance exposure to a single borrower or group borrower by a further 5% of capital funds, subject to the borrower consenting to the Bank making appropriate disclosures in the Annual Report.
- b) During the year ended 31 March 2012, with the prior approval of Board of Directors, the Bank exceeded the single borrower limit of 20% of capital funds to Unitech Wireless (Tamilnadu) Pvt. Ltd. and Sistema Shyam Teleservices Ltd. As at 31 March 2012, the exposure to Unitech Wireless (Tamilnadu) Pvt. Ltd. and Sistema Shyam Teleservices Ltd as a percentage of capital funds was 24.95% (Previous year: 24.98%) and 15.97% (Previous year: 23.57%) respectively. However, this was within the additional 5% permitted by RBI as per para (a) above.

18.6.18 Risk category wise country exposure

As per the RBI guidelines, the country exposure of the Bank is categorized into various risk categories and depending on the risk category, banks are required to make provision where net funded exposure to any country exceeds 1% of Banks assets. As on the 31 March 2012, the net funded exposure did not exceed 1% of the total assets of the Bank for any country (Previous year – Nil).

18.6.19 Concentration of Deposits

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Total deposits of twenty largest depositors *	77,895,001	72,273,048
Percentage of Deposits of twenty largest depositors to Total deposits of the Bank	22.13%	23.94%

*Including Certificate of Deposits issued by the Bank.

18.7 Leases

18.7.1 Operating Leases

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

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
Not later than one year	54,623	41,066
Later than one year and not later than five years	104,145	46,361
Later than five years	-	-
Total minimum lease rental commitments	158,768	87,427

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 ₹ 717,529 thousands (Previous year: ₹ 587,924 thousands).

18.7.2 Finance Leases

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

18.8 Deferred taxes

In accordance with Accounting Standard 22 "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India (ICAI) and notified by Companies Accounting Standard Rules, 2006, provision for taxation for the year is arrived at after considering deferred tax charge of ₹ 128,950 thousands (Previous year ₹ 233,362 thousands) for the current year.

NOTES TO ACCOUNTS

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

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
Deferred tax assets		
on account of provisions	744,083	567,288
on leave encashment	218,834	217,360
on investments	664,052	951,295
on pension fund	80,806	124,095
Total deferred tax asset	1,707,775	1,860,038
Deferred tax liabilities		
on depreciation on fixed assets	155,201	174,860
on bad debts claim	153,431	157,085
Total deferred tax liability	308,632	331,945
Net deferred tax assets	1,399,143	1,528,093

18.9 Intangibles

(₹ in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block
	As at 1 April 2011	Additions	Deletions	As at 31 March 2012	As at 1 April 2011	Charge for the year	Deletions	As at 31 March 2012	As at 31 March 2012
Intangible assets									
Application software*	898,985	110,437	-	1,009,422	766,257	109,139	-	875,396	134,026
Total	898,985	110,437	-	1,009,422	766,257	109,139	-	875,396	134,026
Previous year	797,766	101,219	-	898,985	658,000	108,257	-	766,257	132,728

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

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

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

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

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

18.11 Details of provisions

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	405,389	428,040
Additions during the year	86,977	40,953
Reversals during the year	88,863	62,979
Amounts used	238	625
Closing Balance	403,265	405,389

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 TO ACCOUNTS

18.12 Off Balance Sheet Items

18.12.1 Derivative contracts

Interest Rate Swaps

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
The notional principal of swap agreements	207,217,331	185,426,734
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	963,545	986,193
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with banks (74%)	Predominantly with banks (73%)
The fair value of the swap book [asset / (liabilities)]	(181,615)	(256,872)

MTM netted off counterparty wise.

Forward Rate Agreements (FRA)

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
The notional principal of FRA Agreements	-	1,337,885
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	-	2,693
Collateral required by the bank upon entering into FRA	-	-
Concentration of credit risk arising from the FRA	-	Banks only (100%)
The fair value of the FRA book [asset / (liabilities)]	-	45.35

MTM netted off counterparty wise.

Derivatives: Currency Swaps

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
The notional principal of swap agreements	67,443,022	61,308,683
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements#	4,131,000	3,188,415
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks (73%)	Predominantly with Banks (86%)
The fair value of the swap book [asset / (liabilities)]	623,138	98,654

MTM netted off counterparty wise.

The Bank enters into derivative contracts such as Interest Rate Swaps ("IRS"), Forward Rate Agreements ("FRA"), Currency Swaps ("CS") and option agreements. Notional amounts of principal outstanding in respect of IRS, FRA and CS as at 31 March 2012 is ₹ 274,660,352 thousands (Previous year ₹ 248,073,272 thousands).

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

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

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

Nature	Number	Notional Principal (₹ 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
	Total	95,390,000		

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

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

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

Nature	Number	Notional Principal (₹ 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
	Total	152,683,274		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2012 is ₹ 441,523 thousands (Previous year ₹ (158,173) thousands), which represents the net mark to market profit/(loss) on swap contracts. As at 31 March 2012 the exposure to IRS, CS and FRA contracts is spread across industries. However based on notional principal amount the maximum single industry exposure lies with Banks at 80.97% (Previous year: 81.72%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of ₹ 2,414 thousands (Previous year: ₹ 1,810 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, 2012 on a net basis is ₹ 145,778 thousands. As at 31 March 2012 notional outstanding for outstanding option contracts is ₹ 33,150,105 thousands (Previous year: ₹ 48,749,119 thousands).

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The fair value of the Exchange traded Options as at 31 March 2012 on a net basis is ₹ (1,250) thousands. As at 31 March 2012 notional outstanding for outstanding Exchange traded option contracts is ₹ 1,634,578 thousands (Previous year: NIL).

As at 31 March 2012 notional outstanding for outstanding Exchange traded currency futures is ₹ 5,606,476 thousands (Previous year: NIL).

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

Exchange Traded Interest Rate Derivatives entered during the year ended 31 March 2012 amounts to ₹ 510,000 thousands (Previous year: Nil). No Forward Rate Agreements and Currency Swaps were entered during the year ended 31 March 2012 (Previous year: Nil).

18.12.3 Risk exposure on derivatives

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

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

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

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

Quantitative disclosure:

(₹ in thousands)

Sl. No.	Particulars	Currency derivatives		Interest rate derivatives	
		As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
(i)	Derivatives (Notional Principal Amount) *				
	a) For hedging	15,257,816	13,527,739	-	-
	b) For trading	52,185,206	47,780,945	207,217,331	186,764,589
(ii)	Marked to Market Positions				
	a) Asset (+)	4,239,004	3,227,057	1,942,242	2,189,838
	b) Liability (-)	3,615,866	3,128,403	2,123,858	2,446,665
(iii)	Credit Exposure	8,763,270	8,723,282	3,624,795	4,003,632
(iv)	Likely impact of one percentage change in interest rate (100*PV01) #				
	a) on hedging derivatives	-	-	206,487	159,927
	b) on trading derivatives	2,690	20,350	32,279	744

NOTES TO ACCOUNTS

Sl. No.	Particulars	Currency derivatives		Interest rate derivatives	
		As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
(v)	Maximum and Minimum of 100*PV01 #				
	a) on hedging				
	- Maximum	-		207,612	334,086
	- Minimum	-		150,346	155,816
	b) on trading				
	- Maximum	76,697	49,907	86,420	86,446
	- Minimum	9.82	1.46	9.74	37.83

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.

18.13 Related party transactions

List of related parties

Related parties where control exists

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

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

ING Bank N.V. and its branches

ING Vysya Bank Staff Provident Fund

ING Vysya Bank Staff Gratuity Fund

ING Vysya Bank Superannuation Fund

ING Vysya Bank (Employees) Pension Fund

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

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

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

(₹ in thousands)

Items / Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Investment in Tier I Bonds	Maximum - (-) Outstanding - (-)	Maximum 1,451,852 (1,201,612) Outstanding 1,296,446 (1,126,132)	- (-) - (-)	Maximum 1,451,852 (1,201,612) Outstanding 1,296,446 (1,126,132)
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 4,378,147 (3,623,533) Outstanding 3,909,510 (3,395,919)	- (-) - (-)	Maximum 4,378,147 (3,623,533) Outstanding 3,909,510 (3,395,919)
Deposits kept with Bank including lease deposit	Maximum 87,027 (71,304) Outstanding 45,405 (30,435)	Maximum 602,740 (588,470) Outstanding 127,953 (587,841)	- (-) - (-)	Maximum 689,767 (659,774) Outstanding 173,358 (618,276)

NOTES TO ACCOUNTS

Items / Related Party	Related parties where control exists	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Deposit kept with other banks	Maximum - (-) Outstanding - (-)	Maximum 1,360,043 (1,164,120) Outstanding 78,043 (14,831)	- (-) - (-)	Maximum 1,360,043 (1,164,120) Outstanding 78,043 (14,831)
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 23,088,850 (19,446,300) Outstanding 22,132,611 (19,446,300)	- (-) - (-)	Maximum 23,088,850 (19,446,300) Outstanding 22,132,611 (19,446,300)
Call borrowing	Maximum - (-) Outstanding - (-)	Maximum - (917,600) Outstanding - (-)	- (-) - (-)	Maximum - (917,600) Outstanding - (-)
Lending	Maximum - (-) Outstanding - (-)	Maximum 4,070,000 (3,225,960) Outstanding 4,070,000 (1,783,800)	- (-) - (-)	Maximum 4,070,000 (3,225,960) Outstanding 4,070,000 (1,783,800)
Interest paid	1,992 (1,286)	2,378,823 (1,664,586)	- (-)	2,380,815 (1,665,872)
Interest received	- (-)	1,121,361 (588,126)	- (-)	1,121,361 (588,126)
Charges Paid	- (-)	58 (269)	- (-)	58 (269)
Interest accrued but not due (payable)	1,474 (638)	84,672 (58,169)	- (-)	86,146 (58,807)
Interest accrued but not due (receivable)	- (-)	14 (16)	- (-)	14 (16)
Dividend Received	2,211 (5,528)	- (-)	- (-)	2,211 (5,528)
Purchase of securities	- (-)	528,465 (491,185)	- (-)	528,465 (491,185)
Sale of securities	- (-)	2,703,830 (-)	- (-)	2,703,830 (-)
Reimbursement received	- (-)	16,495 (6,520)	- (-)	16,495 (6,520)
Reimbursement paid	- (-)	12,755 (22,010)	- (-)	12,755 (22,010)
Receiving of services	231,219 (407,918)	- (-)	- (-)	231,219 (407,918)
Receiving of services – outstanding	20,762 (47,560)	- (-)	- (-)	20,762 (47,560)
Contribution to employee welfare funds - Paid	- (-)	1,052,104 (932,915)	- (-)	1,052,104 (932,915)

NOTES TO ACCOUNTS

(₹ 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
Contribution to employee welfare funds- Payable	- (-)	1,465,570 (725,119)	- (-)	1,465,570 (725,119)
Managerial remuneration	- (-)	- (-)	20,076 (14,969)	20,076 (14,969)
Bank guarantees Received	- (-)	- (1,928,942)	- (-)	- (1,928,942)
Bank guarantees- Issued	- (-)	9,011,724 (-)	- (-)	9,011,724 (-)
Derivative transactions - notional outstanding	Maximum - (-) Outstanding - (-)	Maximum 96,105,121 (84,396,702) Outstanding 96,105,121 (82,385,030)	- - (-) - (-)	Maximum 96,105,121 (84,396,702) Outstanding 96,105,121 (82,385,030)
Forward transactions	Maximum - (-) Outstanding - (-)	Maximum 15,351,981 (52,336,653) Outstanding 227,542 (11,516,484)	- - (-) - (-)	Maximum 15,351,981 (52,336,653) Outstanding 227,542 (11,516,484)
Premium received	- (-)	- (3,442)	- (-)	- (3,442)
Premium paid	- (-)	400 (15,865)	- (-)	400 (15,865)
Commission received	- (-)	24,745 (11,119)	- (-)	24,745 (11,119)
Loss on Liquidation	- (-)	(11,625) (133)	- (-)	(11,625) (133)

During the year 2011-12, 128 thousands (Previous Year: 700 thousands) 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 Key Ratios

18.14.1 Capital Adequacy Ratio

Particulars	As at 31 March 2012	As at 31 March 2011
Tier I capital (₹ in thousands)	38,498,314	24,636,576
Tier II capital (₹ in thousands)	9,460,844	9,439,547
Total capital	47,959,157	34,076,123
Capital ratios		
Tier I capital (%)	11.23%	9.36%
Tier II capital (%)	2.77%	3.58%
Total capital (%)	14.00%	12.94%
Percentage of shareholding of the Government of India	-	-
Amount of Innovative Perpetual Debt Instrument (₹ in thousands)	1,296,446	1,126,132
Amount of subordinated debt outstanding as Tier II capital (₹ in thousands)	7,549,510	7,815,919

NOTES TO ACCOUNTS

18.14.2 Business ratios and other information are set out below:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Interest Income as a percentage to working funds \$	9.24%	7.49%
Non-interest income as a percentage to working funds	1.60%	1.82%
Operating profit as a percentage to working funds \$	1.84%	1.77%
Return on assets @	1.09%	0.89%
Business (Deposits plus advances) per employee # ** (₹ in thousands)	55,977	67,479
Profit per employee # (₹ in thousands)	456	453

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

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

Productivity ratios are based on year-end employee numbers.

** During 2011-12, sales team employees migrated from the Bank's subsidiary, ING Vysya Financial Services Ltd. to the Bank. Excluding such employees, Business (Deposits plus advances) per employee for 2011-12 is ₹ 71,297 thousands.

18.14.3 Earnings Per Share ('EPS')

The details of EPS computation is set out below:

Particulars	As at 31 March 2012	As at 31 March 2011
Earnings for the year (₹ in thousands)	4,563,040	3,186,490
Basic weighted average number of shares (Nos)	143,275,876	120,456,832
Basic EPS (₹)	31.85	26.45
Dilutive effect of stock options (Nos)	1,395,734	2,320,887
Diluted weighted average number of shares (Nos)	144,671,610	122,777,719
Diluted EPS (₹)	31.54	25.95
Nominal value of shares (₹)	10.00	10.00

18.15 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 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 ₹ 5 crores and in respect of customers where average turnover in the last 3 years does not exceed ₹ 50 crores. Revenue of the retail banking segment includes interest earned on retail loans, fees and commissions for banking and advisory services, ATM Fees etc. Expenses of this segment primarily comprise 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.

NOTES TO ACCOUNTS

(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.

Segment Results for the year ended 31 March 2012

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012
Result	1,044,033	2,973,570	2,524,092	-	6,541,695
Unallocated expenses					-
Operating Profit					6,541,695
Taxes					1,978,655
Extraordinary profit/loss					-
Net Profit					4,563,040
Other Information	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012
Segment Assets	164,183,823	177,824,743	122,492,384	-	464,500,950
Unallocated Assets					5,504,444
Total Assets					470,005,394
Segment Liabilities	52,461,546	138,139,692	215,175,082	-	405,776,320
Unallocated Liabilities					24,431,138
Capital and Reserve & Surpluses					39,797,936
Total Liabilities					470,005,394

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 2011

(₹ 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
Result	769,720	2,532,679	1,536,249	-	4,838,648
Unallocated expenses					-
Operating Profit					4,838,648
Taxes					1,652,158
Extraordinary profit/loss					-
Net Profit					3,186,490

NOTES TO ACCOUNTS

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
Total Assets					390,139,703
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
Total Liabilities					390,139,703

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

18.16 Other Disclosures

18.16.1 Customer complaints and awards passed by Banking Ombudsman

1. Customer complaints:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
No. of complaints pending at the beginning of the year	44	80
No. of complaints received during the year	20,977	12,528
No. of complaints redressed during the year	20,882	12,564
No. of complaints pending at the end of the year	139	44

The above details are as certified by the management.

2. Awards passed by Banking Ombudsman:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
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.

18.16.2 Penalties levied by RBI on the Bank

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

18.16.3 Maturity profile of assets and liabilities

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

(₹ in thousands)

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	4,276,702	15,897,672	26,186,434	32,399,385	78,784,519	37,129,696	51,992,993	43,514,045	39,855,868	21,916,874	351,954,188
Advances	4,581,936	20,370,346	13,419,873	25,401,477	37,233,218	25,874,082	49,244,889	47,053,154	22,147,784	42,039,956	287,366,715
Investments	6,319,330	3,232,736	6,324,811	7,782,395	22,353,761	8,574,027	18,774,041	17,838,295	21,606,113	14,349,488	127,154,997
Borrowings	24,686	4,075,367	-	-	7,153,371	17,611,543	12,636,608	6,057,353	2,100,000	7,305,956	56,964,884
Foreign Currency assets	829,984	4,343,370	421,143	1,259,938	6,133,063	3,699,042	24,872	-	122,100	67,118	16,900,630
Foreign Currency liabilities	70,057	214,549	187,117	30,424	7,393,068	7,970,304	7,957,265	2,164,353	552,656	5,423,576	31,963,369

NOTES TO ACCOUNTS

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 2011 is set out below: (₹ in thousands)

	Day 1	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	4,130,754	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	6,321,161	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	110,582,722
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.

18.16.4 Letters of comforts issued by the Bank

The Bank has 641 (Previous year: 413) letter of comforts/ undertaking issued and outstanding as on 31 March 2012 amounting to ₹ 17,652,630 thousands (Previous year: ₹ 11,011,569 thousands).

18.16.5 Draw down from Reserves

The Bank has utilized the securities premium account for meeting direct expenses of ₹ 73,339 thousands relating to the QIP issue, as per the RBI mail box clarification dated 9 October, 2007.

18.16.6 Fees/remuneration received from Bancassurance business:

(₹ in thousands)

Sr. No.	Nature of Income	Year ended 31 March 2012	Year ended 31 March 2011
1	For selling life insurance policies	741,837	685,435
2	For selling non life insurance policies	28,009	11,474
3	For selling mutual fund products	288,410	300,790
4	Others	31,416	29,477
	TOTAL	1,089,672	1,027,176

18.16.7 Previous year's figures

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

Signatures to Schedules 1 to 18

Arun Thiagarajan
Chairman

Shailendra Bhandari
Managing Director

Aditya Krishna
Director

Vaughn Richtor
Director

Place: Mumbai
Date : 24 April 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in thousands)

PARTICULARS		31 March 2012		31 March 2011	
A)	Cash Flow from Operating Activities				
	Net Profit before Tax and Extraordinary Items	6,541,695		4,838,648	
	Adjustments for :				
	Depreciation charges	518,530		497,764	
	Employee compensation expense (ESOS)	(565)		(501)	
	Provision/write-off of Advances	807,382		1,561,000	
	(Profit)/Loss on revaluation of investment	548,958		975,170	
	Provision for Standard Assets	289,100		157,000	
	Other Provisions	37,641		(214,397)	
	Lease Adjustment Account	(20,455)		(20,455)	
	(Profit)/Loss on Sale of Assets (net)	(8,239)		(150,870)	
	Dividend received from subsidiary/others	(9,840)		(6,575)	
	Cash Generated from Operation	8,704,207		7,636,784	
	Less: Direct Taxes Paid	2,502,481		2,016,960	
			6,201,726		5,619,824
	Adjustments for :				
	Decrease / (Increase) in Advances	(52,152,741)		(52,510,460)	
	Decrease / (Increase) in Other assets	(4,353,257)		467,245	
	Non-Banking Assets sold	-		-	
	Decrease/ (Increase) in Investments	(17,121,232)		(6,495,200)	
	Increase / (Decrease) in Deposits	50,011,695		43,289,486	
	Increase / (Decrease) in Other liabilities	200,304		387,918	
	Net Cash flow from / (used in) Operating Activities		(17,213,505)		(9,241,187)
B)	Cash Flow from Investing Activities				
	Purchase of Fixed assets / leased assets	(496,998)		(797,108)	
	Sale of Fixed assets/ Leased assets	19,662		363,717	
	Dividend received from subsidiary/others	9,840		6,575	
	Net Cash flow used in Investing Activities		(467,496)		(426,816)
C)	Cash Flow from Financing Activities				
	Proceeds from issue of shares	291,371		10,202	
	Share premium collected	9,505,181		197,254	
	Dividend Paid	(519,962)		(350,887)	
	Increase/ (Decrease) in Borrowings	15,495,771		4,755,233	
	Net Cash Flow from Financing Activities		24,772,361		4,611,802
	Net Increase/ (Decrease) in Cash and Cash Equivalents		7,091,360		(5,056,201)
	Cash and Cash equivalents as at the beginning of the year (Including Money At Call and Short Notice)		25,214,243		30,270,444
	Cash and Cash equivalents as at the end of the year (Including Money at Call and Short Notice) (Refer Schedule 6 & 7)		32,305,603		25,214,243

As per our report of even date

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

Zubin Shekary
Partner
Membership No: 048814

Place : Mumbai
Date : 24 April 2012

For and on behalf of the Board

Arun Thiagarajan
Chairman

Aditya Krishna
Director

Place : Mumbai
Date : 24 April 2012

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 2012
3	Number of Equity Shares held by ING Vysya Bank Ltd. and/or its nominees in the subsidiary as on 31 March 2012	88,45,100 equity shares of ₹ 2.50 each fully paid up
4	Extent of interest of ING Vysya Bank Ltd. in the Capital of the Subsidiary	100%
5	Net Aggregate amount of profits / (Losses) of the Subsidiary so far as it concerns Members of the ING Vysya Bank Limited and is not dealt with in the Accounts of ING Vysya Bank Limited	
	a) for the financial year ended on 31 March 2012	₹ 28.08 lakhs
	b) for the previous financial years of the subsidiary since it became a subsidiary	₹ 604.59 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 2012	₹ 22.11 lakhs
	b) for the previous financial years of the Subsidiary since it became a Subsidiary	₹ 1,339.60 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 : Mumbai
Date : 24 April 2012



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 April 2011)

Mayank Verma
Company Secretary (from 20 Apr 2011)

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

Bankers
ING Vysya Bank Limited
Infantry Road,
Bangalore

ING Vysya Financial Services Limited

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

Registrars & Share Transfer (R&T) Agents

Karvy Computershare Private Limited
Unit : ING Vysya Financial Services Limited
17-24, Vittal Rao Nagar, Madhapur,
Hyderabad – 500 081
Ph : 040-4465 5116
Fax : 040-2342 0814

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the Twenty Fifth Annual Report of your Company together with the audited Statement of Accounts for the year ended 31 March 2012 and Auditors' Report thereon.

PERFORMANCE

Financial results of your Company for the year ended 31 March 2012 are as under:

(₹ in Lakh)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
GROSS INCOME	2,343.92	4,110.62
Administrative Expenses	2,297.99	4,067.43
Depreciation	0.01	0.02
OPERATING PROFIT (Profit before tax)	45.93	43.19
PROVISION FOR TAX	14.26	13.42
Deferred Tax Charge / (Credit)	3.59	1.29
PROFIT AFTER TAX	28.08	28.48

During the year under report, your Company recorded a total income of ₹ 2,343.92 Lakh as against ₹ 4,110.62 Lakh in the previous year. The Company has posted a Net Profit of ₹ 28.08 Lakh after providing ₹ 0.01 Lakh for depreciation and ₹ 17.85 Lakh for taxation.

DIVIDEND

The Board of Directors are pleased to recommend a dividend at the rate of 10% i.e. ₹ 0.25 per equity share of ₹ 2.50 on all the fully paid-up equity shares of the Company subject to the shareholders approval at the ensuing Annual General Meeting. The outflow on account of the proposed dividend, including the dividend tax, would be ₹ 25.70 Lakhs.

PERSONNEL

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

HUMAN RESOURCE

During the year, Induction programme was introduced for the sales teams. Employees were trained on Compliance, Product features and basics of selling skills. Rewards and recognition events were organized for performing employees.

Further, 1,682 employees of Liabilities team were migrated to ING Vysya Bank Limited.

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 20 April 2012 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 2012. A proposal to re-appoint Mr. Ashok Rao B as Managing Director & Chief Executive Officer, is being placed before the shareholders at the ensuing Annual General Meeting (AGM).
- Mr. M V S Appa Rao, 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 2011-12, four Board Meetings were held. The dates of the Board meetings held were: 19 April 2011, 16 July 2011, 14 October 2011 and 11 January 2012.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

DIRECTORS' REPORT

- (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 31 March 2012 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 March 2012 on a going concern basis.

AUDITORS

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

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 2012-13, for the second consecutive year. Shareholders are requested to appoint the said auditors and authorize the Board of Directors to fix their remuneration.

REGISTRARS AND SHARE TRANSFER (R&T) AGENTS

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

OUTLOOK

The main objective of the Company is to carry on business of non-fund / fee based activities of marketing and distribution of various financial products / services of ING Vysya Bank Limited, 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 : 20 April 2012

AUDITORS' REPORT

To

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

We have audited the attached Balance Sheet of **ING Vysya Financial Services Limited** ('the Company') as at 31 March 2012, Statement of Profit and Loss and the Cash Flow Statement of the Company 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.

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.

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Ministry of Corporate Affairs in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in 1 above, 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;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are prepared in compliance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors, as at 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
 - f. 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 and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
- (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

Zubin Shekary
Partner
Membership No. 048814

Place : Bangalore
Date : 20 April 2012

Annexure to the Auditors' Report

Annexure referred to in the Auditors' Report to the Members of ING Vysya Financial Services Limited ("the Company") for the year ended 31 March 2012. We report that:

- i.
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) No fixed assets have been disposed off during the period. Accordingly, clause 4(i)(c) of the Order is not applicable to the Company.
- ii. The Company is a service company, primarily rendering non-fund / fee based activities of marketing and distribution of various financial products / services. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventories and sale of goods. We have not observed any major weakness in the internal control system during the course of audit.

AUDITORS' REPORT

- v. In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- vi. The Company has not accepted any deposits from the public.
- vii. The Company has an internal audit system commensurate with the size and nature of its business.
- viii. The Central government has not prescribed maintenance of cost records under section 209(1) (d) of the Act for the services rendered of the Company.
- ix. a) According to the information and explanations given to us and on the basis of examination of records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including, Provident Fund, Employees' State Insurance, Income-tax, Service tax and other material statutory dues have regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales-tax, Wealth tax, Custom duty, Excise Duty and Investor Education and Protection Fund during the year

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

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

Name of the Statute	Nature of the Dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Service Tax Act	Non-payment of service tax under Business Ancillary Services	2,333,991	FY 2003-2004	CESTAT
Service Tax Act	Non-payment of service tax under Business Ancillary Services	1,702,793	FY 2004-2005	CESTAT
Service Tax Act	Irregular availment of CENVAT credit of service tax	144,391	FY 2006-2007	Commission (Appeals)
Service Tax Act	Irregular availment of CENVAT credit of service tax	94,602	FY 2007-2008	Commission (Appeals)
Service Tax Act	Irregular availment of CENVAT credit of service tax	91,560	FY 2007-08	Commission (Appeals)
Service Tax Act	Irregular availment of CENVAT credit of service tax	38,358	FY 2008-09	Commission (Appeals)
Service Tax Act	Irregular availment of CENVAT credit of service tax	23,174	FY 2009-10	Commission (Appeals)
Income Tax Act, 1961	Income tax / Interest demanded	816,352	FY 1995-96	CIT (Appeals)
Income Tax Act, 1961	Income tax / Interest demanded	40,344	FY 2005-06	CIT (Appeals)

- x. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company did not have any term loans outstanding during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to companies /firms /parties covered in the register required to be maintained under Section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of the audit.

For B S R & Co.
Chartered Accountants
Firm Registration Number: 101248W

Zubin Shekary
Partner
Membership No.: 048814

Place : Bangalore
Date : 20 April 2012

BALANCE SHEET FOR THE YEAR ENDED 31 MARCH 2012

(Amount in ₹)

	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share capital	2.1	22,112,750	22,112,750
Reserves and surplus	2.2	60,697,147	60,459,005
		82,809,897	82,571,755
NON CURRENT LIABILITIES			
Long term provisions	2.3	588,733	592,535
		588,733	592,535
CURRENT LIABILITIES			
Trade payables		7,661,714	11,739,825
Other current liabilities	2.4	2,064,506	5,601,551
Short-term provisions	2.5	3,170,904	3,578,446
		12,897,124	20,919,822
TOTAL		96,295,754	104,084,112
ASSETS			
NON CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	-	628
Intangible assets	2.6	-	-
Deferred tax asset	2.7	1,105,407	1,464,378
Long term loans and advances	2.8	25,933,216	22,962,142
Other non-current assets	2.9	274,890	273,716
		27,313,513	24,700,864
CURRENT ASSETS			
Trade receivables	2.10	20,761,895	47,560,331
Cash and bank balance	2.11	45,727,851	30,635,443
Other current assets	2.12	2,492,495	1,187,474
		68,982,241	79,383,248
TOTAL		96,295,754	104,084,112
Significant accounting policies and notes to accounts	1 & 2		

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 B S R & Co.

Chartered Accountants

Firm Registration No.: 101248W

Zubin Shekary

Partner

Membership No: 048814

For ING Vysya Financial Services Limited

Ashok Rao

Managing Director & CEO

M V S Appa Rao

Director

Mayank Verma

Company Secretary

Place : Bangalore

Date : 20 April 2012

Place : Bangalore

Date : 20 April 2012

STATEMENT OF PROFIT AND LOSS

			(Amount in ₹)
	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Revenue from operations	2.13	231,219,092	407,918,306
Other income	2.14	3,173,199	3,144,216
Total revenue		234,392,291	411,062,522
EXPENSES			
Employee benefit expenses	2.15	222,579,230	396,857,652
Depreciation and amortization expense	2.6	628	2,390
Other expenses	2.16	7,219,180	9,883,311
Total expenses		229,799,038	406,743,353
Profit before tax		4,593,253	4,319,169
Tax expense:			
- Current tax		1,426,141	1,342,032
- Deferred tax		358,971	128,899
Profit for the year		2,808,141	2,848,238
Earning per equity share:			
Equity shares of par value of ₹ 2.50 each			
Basic		0.32	0.32
Diluted		0.32	0.32
Number of shares used in computing earnings per share			
Basic		8,845,100	8,845,100
Diluted		8,845,100	8,845,100
Significant accounting policies and notes to accounts	1 & 2		

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

As per our report attached

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

Zubin Shekary
Partner
Membership No: 048814

Place : Bangalore
Date : 20 April 2012

For ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Mayank Verma
Company Secretary

Place : Bangalore
Date : 20 April 2012

M V S Appa Rao
Director

CASH FLOW STATEMENT

(Amount in ₹)

	For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flow from operating activities		
Profit before tax	4,593,253	4,319,169
Adjustments:		
Depreciation	628	2,390
Interest income	(3,173,199)	(2,804,706)
Operating profit before working capital changes	1,420,682	1,516,853
Adjustments for :		
Long term loans and advances	21,720	21,720
Other current assets	304,558	728,624
Trade receivables	26,798,436	(13,518,058)
Trade payables	(4,078,111)	6,998,752
Other current liabilities and short term provisions	(3,948,389)	1,129,431
Cash generated from operations	20,518,896	(3,122,678)
Add: Net Income tax refund / (paid)	(4,418,935)	2,980,952
Net cash flow used in operating activities <i>a</i>	16,099,961	(141,726)
Cash flow from investing activities		
Interest received	1,562,446	1,772,025
Net cash flow from investing activities <i>b</i>	1,562,446	1,772,025
Cash flow from financing activities		
Dividend paid to shareholders	(2,211,275)	(5,528,188)
Tax on dividend paid	(358,724)	(918,163)
Net cash flow used in financing activities <i>c</i>	(2,569,999)	(6,446,351)
Net increase/ (decrease) in cash and cash equivalents <i>a+b+c</i>	15,092,408	(4,816,052)
Cash and bank balance as at the beginning of the year	30,635,443	35,451,495
Cash and bank balance as at the end of the year (Refer note 2.11)	45,727,851	30,635,443

The schedules referred to above and notes to accounts form an integral part of the Cash Flow Statement

As per our report attached.

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

Zubin Shekary
Partner
Membership No: 048814

Place : Bangalore
Date : 20 April 2012

For ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Mayank Verma
Company Secretary

Place : Bangalore
Date : 20 April 2012

M V S Appa Rao
Director

Company overview

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

1. Significant accounting policies.

1.1 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. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

1.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

1.3 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.

1.4 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%

1.5 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.

1.6 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.

1.7 Income taxes

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

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

1.8 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.

1.9 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.

1.10 Provisions

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

1.11 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

2.1 Share capital

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
Authorised capital		
40,000,000 (2011 - 40,000,000) equity shares of ₹ 2.50 each	100,000,000	100,000,000
Issued, subscribed and paid-up capital		
8,845,100 (2011 - 8,845,100) equity shares of ₹ 2.50 each	22,112,750	22,112,750
	<u>22,112,750</u>	<u>22,112,750</u>

Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
No of shares outstanding at the beginning of the year	8,845,100	8,845,100
Add: Additional shares issued during the year	-	-
No of shares outstanding at the end of the year	8,845,100	8,845,100

Note:

All the above shares are held by the holding company, ING Vysya Bank Limited and its nominees.

2.2 Reserves and surplus

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
General reserve		
Opening balance	23,858,514	23,787,308
Add: Transfer from profit and loss A/c	70,204	71,206
Closing balance	<u>23,928,718</u>	<u>23,858,514</u>
Surplus		
Opening balance	36,600,491	36,372,105
Add:- Net profit for the year	2,808,141	2,848,238
Less:- Appropriations		
a) Proposed dividend	2,211,275	2,211,275
b) Tax on proposed dividend	358,724	337,371
c) Transfer to reserves	70,204	71,206
Balance carried to balance sheet	<u>36,768,429</u>	<u>36,600,491</u>
	<u>60,697,147</u>	<u>60,459,005</u>

2.3 Long term provisions

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
Provision for employee benefits:		
Leave encashment	195,740	259,762
Gratuity	392,993	332,773
	<u>588,733</u>	<u>592,535</u>

NOTES TO THE FINANCIAL STATEMENTS

2.4 Other current liabilities

(Amount in ₹)		
Particulars	As at 31 March 2012	As at 31 March 2011
Other payables		
- Statutory liabilities	2,064,506	5,601,551
	<u>2,064,506</u>	<u>5,601,551</u>

2.5 Short term provisions

(Amount in ₹)		
Particulars	As at 31 March 2012	As at 31 March 2011
Provision for employee benefits:		
Leave encashment	184,539	299,191
Gratuity	416,366	709,256
Provision others:		
Provision for dividend	2,211,275	2,211,275
Provision for taxation	358,724	358,724
	<u>3,170,904</u>	<u>3,578,446</u>

2.6 Fixed assets

(Amount in ₹)										
Particulars	Gross block				Accumulated depreciation and amortisation				Net block	
	As at 1 April 2011	Additions	Deletions	As at 31 March 2012	As at 1 April 2011	For the year	Deduc- tions	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible assets:										
Computers	882,782	-	-	882,782	882,782	-	-	882,782	-	-
Office equipment	198,156	-	-	198,156	197,528	628	-	198,156	-	628
	1,080,938	-	-	1,080,938	1,080,310	628	-	1,080,938	-	628
Intangible assets:										
Computer software	41,548	-	-	41,548	41,548	-	-	41,548	-	-
	41,548	-	-	41,548	41,548	-	-	41,548	-	-
Total	1,122,486	-	-	1,122,486	1,121,858	628	-	1,122,486	-	628
Previous year	1,122,486	-	-	1,122,486	1,119,468	2,390	-	1,121,858	628	

2.7 Deferred tax asset

(Amount in ₹)		
Particulars	As at 31 March 2012	As at 31 March 2011
Leave encashment	117,506	185,670
Gratuity	250,092	346,136
Fixed assets	737,809	932,572
	<u>1,105,407</u>	<u>1,464,378</u>

2.8 Long term loans and advances

(Amount in ₹)		
Particulars	As at 31 March 2012	As at 31 March 2011
Other loans and advances		
- Advance income taxes	25,796,150	22,803,356
- Other loans and advances (staff loan)	137,066	158,786
	<u>25,933,216</u>	<u>22,962,142</u>

NOTES TO THE FINANCIAL STATEMENTS

2.9 Other non current assets

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Long term deposits	274,890	273,716
	<u>274,890</u>	<u>273,716</u>

2.10 Trade receivables

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Trade receivables outstanding for a period exceeding six months		
- Unsecured, considered good	-	-
Other debts*		
- Unsecured, considered good	20,761,895	47,560,331
	<u>20,761,895</u>	<u>47,560,331</u>

* Represents amount receivable from holding company ING Vysya bank limited.

2.11 Cash and bank balance

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Cash and cash equivalents		
- Balance with banks	5,727,851	4,861,354
Other bank balance		
- Bank deposit	40,000,000	25,774,089
	<u>45,727,851</u>	<u>30,635,443</u>

2.12 Other current assets

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Interest receivable on bank deposit	1,473,903	637,783
Income tax refund receivables	577,083	-
Others	441,509	549,691
	<u>2,492,495</u>	<u>1,187,474</u>

2.13 Revenue from operations

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Outsourcing income	231,219,092	407,918,306
	<u>231,219,092</u>	<u>407,918,306</u>

2.14 Other income

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Interest income	3,173,199	2,804,706
Recovery from leased assets	-	336,000
Miscellaneous income	-	3,510
	<u>3,173,199</u>	<u>3,144,216</u>

NOTES TO THE FINANCIAL STATEMENTS

2.15 Employee benefit expenses

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Salaries and bonus	201,399,642	359,793,026
Contribution to provident fund and other funds	21,108,886	37,014,282
Staff welfare expenses	70,702	50,344
	<u>222,579,230</u>	<u>396,857,652</u>

2.16 Other expenses

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Professional charges	4,542,262	5,894,570
Travelling and conveyance	533,620	521,228
Boarding and lodging charges	444,780	841,904
Insurance	427,069	670,573
Training expenses	426,286	479,709
Auditor's remuneration	300,000	345,000
Telephone	215,659	227,005
Printing and stationery	206,701	416,085
Postage and telegram	57,492	65,087
Rates and taxes	40,457	53,733
Interest on tax	9,780	188,459
Relocation charges	-	91,495
Repairs and maintenance		
- Others	8,153	39,456
Miscellaneous expenses	6,921	49,007
	<u>7,219,180</u>	<u>9,883,311</u>

2.17 Contingent liabilities and commitments

	(Amount in ₹)	
Particulars	As at 31 March 2012	As at 31 March 2011
Income tax demand for which appeals pending	856,696	856,696
Service tax demand for which appeals pending	4,428,870	8,826,935
	<u>5,285,566</u>	<u>9,683,631</u>

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2012 is ₹ Nil (31 March 2011 ₹ Nil)

2.18 Expenditure in foreign currency for the year 31 March 2012 ₹ Nil (31 March 2011 ₹ Nil)

2.19 Earnings in foreign currency for the year 31 March 2012 ₹ Nil (31 March 2011 ₹ Nil)

2.20 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.

2.21 Related party transaction

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

Transactions with the above related party during the year were:

	(Amount in ₹)	
Nature of transaction	As at 31 March 2012	As at 31 March 2011
Outsourcing income	231,219,092	407,918,306
Interest income	1,991,695	1,285,663
Dividend paid	2,211,275	5,528,188

NOTES TO THE FINANCIAL STATEMENTS

Balances receivables from related party for the year are as follows:

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
Receivables	20,761,895	47,560,331
Interest accrued on bank deposits	1,473,903	637,783

Cash and bank balance with related party for the year are as follows:

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
In current account	5,404,838	4,661,245
In deposit account	40,000,000	25,774,089

Key Managerial Personnel:

Ashok Rao	Managing Director and Chief Executive Officer
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The Company has no transactions with key managerial personnel during the year.

2.22 Earnings per share ('EPS')

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

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
Weighted average number of equity shares outstanding during the year for computation of basic earnings per share	8,845,100	8,845,100
Weighted average number of equity shares outstanding during the year for computation of diluted earnings per share	8,845,100	8,845,100
Basic and Diluted earnings per share of face value ₹ 2.50 each	0.32	0.32

2.23 Auditors' remuneration (excluding service taxes)

Particulars	(Amount in ₹)	
	As at 31 March 2012	As at 31 March 2011
Audit fees	300,000	300,000
Reimbursement of expenses	-	45,000
	300,000	345,000

2.24 Gratuity and leave benefit plans:

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

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

Details of provision for gratuity and leave benefits

Particulars	(Amount in ₹)			
	Gratuity		Leave	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Present value of obligation	809,359	1,042,029	380,279	558,953
Fair value of plan assets	-	-	-	-
Liabilities (assets)	809,359	1,042,029	380,279	558,953
Unrecognised past service cost	-	-	-	-
Liability (asset) recognized in the balance sheet	809,359	1,042,029	380,279	558,953

NOTES TO THE FINANCIAL STATEMENTS

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

(Amount in ₹)

Particulars	Gratuity		Leave	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Present value of obligation beginning of the period	1,042,029	1,164,456	558,953	222,350
Interest cost on benefit obligation	92,741	90,551	49,747	18,989
Current service cost	54,958	73,605	57,777	69,136
Benefits paid	-	(208,286)	-	-
Actuarial (gain) / loss on obligation	(380,369)	(78,297)	(286,198)	248,478
Present value of obligation at end of the period	809,359	1,042,029	380,279	558,953

Net employee benefit expense (recognised in Employee cost)

(Amount in ₹)

Particulars	Gratuity		Leave	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Current service cost	54,958	73,605	57,777	69,136
Interest cost on benefit obligation	92,741	90,551	49,747	18,989
Expected return on plan assets	-	-	-	-
Net actuarial (gain)/ loss recognised in the year	(380,369)	(78,297)	(286,198)	248,478
Net benefit expense	(232,670)	85,859	(178,674)	336,603

Experience adjustments

(Amount in ₹)

Particulars	Gratuity			Leave		
	31 March 2012	31 March 2011	31 March 2010	31 March 2012	31 March 2011	31 March 2010
Experience adjustment	(456,256)	(92,947)	814,740	(265,361)	226,002	(37,056)
Assumption change	75,888	14,650	(32,525)	(20,837)	22,476	(20,988)
Total	(380,368)	(78,297)	782,215	(286,198)	248,478	(58,044)

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

Assumptions for gratuity and leave benefits

Particulars	As at 31 March 2012	As at 31 March 2011
Discount rate per annum		
Gratuity-CTC	8.90%	8.54%
Gratuity-Others	8.94%	8.54%
Leave-CTC	8.90%	8.54%
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 per annum	10%	10%
Disability	Nil	Nil
Attrition per annum		
Gratuity-CTC	19%	19%
Gratuity-Others	75%	97%
Leave-CTC	19%	19%
Retirement	58 years	58 years

2.25 The Company has prepared these financial statements as per the format prescribed by revised schedule VI to the companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous periods' figures have been restated to conform to the classification required by the Revised Schedule VI.

As per our report attached

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

Zubin Shekary
Partner
Membership No: 048814

Place : Bangalore
Date : 20 April 2012

For ING Vysya Financial Services Limited

Ashok Rao
Managing Director & CEO

Mayank Verma
Company Secretary

Place : Bangalore
Date : 20 April 2012

M V S Appa Rao
Director

AUDITORS' REPORT

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

To
The Board of Directors of
ING Vysya Bank Limited

We have audited the accompanying consolidated Balance Sheet of ING Vysya Bank Limited ('the Bank') and its subsidiary (collectively known as 'the Group') as at 31 March 2012 and also the consolidated statement of Profit and Loss and the consolidated Cash Flow Statement of the Group for the year then ended, both annexed thereto. These financial statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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 misstatements. 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Bank's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

The consolidated Balance Sheet and the consolidated statement of Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211(1), (2) and (3C) of the Companies Act, 1956.

Without qualifying our opinion, we draw attention to Note 18.16 to the consolidated financial statements, which describes deferment of pension liability relating to existing employees of the Bank arising out of the opening of the II Pension Option, to the extent of Rs. 558,006 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.

Based on our audit and to the best of our information and according to the explanations given to us, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India and guidelines issued by Reserve Bank of India in relation to preparation of consolidated financial statements:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;
- (b) in the case of the consolidated statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

Zubin Shekary
Partner
Membership No.: 048814

Mumbai
24 April 2012

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2012	31 March 2011
CAPITAL AND LIABILITIES			
Capital	1	1,501,238	1,209,867
Employees' Stock Options Outstanding (Net)		15,865	18,796
Reserves and Surplus	2	38,347,255	25,080,345
Deposits	3	351,908,782	301,912,058
Borrowings	4	56,964,884	41,469,113
Other Liabilities and Provisions	5	21,277,427	20,456,374
TOTAL		470,015,451	390,146,553
ASSETS			
Cash and Balances with Reserve Bank of India	6	19,823,682	21,837,810
Balance with Banks and Money at call and short notice	7	12,482,244	3,376,633
Investments	8	127,134,009	110,561,734
Advances	9	287,366,715	236,021,355
Fixed Assets	10	5,010,356	5,030,743
Other Assets	11	18,198,445	13,318,278
TOTAL		470,015,451	390,146,553
Contingent Liabilities	12	1,225,690,926	584,096,568
Bills for Collection		53,798,305	39,555,957
Significant Accounting Policies	17		
Notes to Accounts	18		

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

As per our report of even date

For B S R & Co.

Firm Registration No. 101248W
Chartered Accountants

For and on behalf of the Board

Zubin Shekary
Partner
Membership No: 048814

Arun Thiagarajan
Chairman

Aditya Krishna
Director

Place : Mumbai
Date : 24 April 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in thousands)

PARTICULARS	SCHEDULE	31 March 2012	31 March 2011
INCOME			
Interest Earned	13	38,569,256	26,939,356
Other Income	14	6,695,354	6,547,186
TOTAL		45,264,610	33,486,542
EXPENDITURE			
Interest Expended	15	26,482,583	16,874,086
Operating Expenses	16	11,100,661	10,258,679
Provisions and Contingencies		3,117,726	3,169,641
TOTAL		40,700,970	30,302,406
PROFIT/(LOSS)			
Net Profit/(Loss) for the period		4,563,640	3,184,136
Consolidated Net Profit / (Loss) for the year attributable to the Group		4,563,640	3,184,136
Add: Brought forward consolidated profit / (loss) attributable to the Group		5,215,331	3,345,681
TOTAL		9,778,971	6,529,817
APPROPRIATIONS			
Transfer to Statutory Reserve		1,140,760	796,622
Transfer to Capital Reserves		4,174	75,566
Transfer to Revenue and Other Reserves		70	72
Transfer to / (from) Investment Reserve		2,154	(109,952)
Transfer to Special Reserve (u/s 36 (1) (viii) of Income Tax Act, 1961)		140,000	130,000
Dividend Paid (Refer Note No.18.15.b)		86,562	-
Proposed Dividend		600,495	362,960
Dividend Tax (Refer Note No.18.15.b)		109,333	59,218
Balance Carried to Consolidated Balance Sheet		7,695,423	5,215,331
TOTAL		9,778,971	6,529,817
Earnings Per Share (₹ Per Equity Share of ₹ 10 each)			
Basic		31.85	26.43
Diluted		31.55	25.93
Significant accounting policies	17		
Notes to Accounts	18		

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

As per our report of even date

For B S R & Co.

Firm Registration No. 101248W
Chartered Accountants

For and on behalf of the Board

Zubin Shekary
Partner
Membership No: 048814

Arun Thiagarajan
Chairman

Aditya Krishna
Director

Place : Mumbai
Date : 24 April 2012

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2012

(₹ in thousands)

PARTICULARS	31 March 2012	31 March 2011
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
350,000,000 (Previous year 350,000,000) Equity Shares of ₹10 each	3,500,000	3,500,000
100,000,000 (Previous year 100,000,000) Preference Shares of ₹ 10 each	1,000,000	1,000,000
ISSUED CAPITAL		
150,411,637 (Previous Year 121,275,144) Equity shares of ₹ 10 each	1,504,116	1,212,751
SUBSCRIBED AND CALLED UP CAPITAL		
150,123,831 (Previous Year 120,986,738) Equity shares of ₹ 10 each fully called and paid up (Refer Note No. 18.15.a)	1,501,238	1,209,867
TOTAL	1,501,238	1,209,867
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVE		
Opening balance	4,496,462	3,699,839
Additions during the year	1,140,760	796,623
TOTAL (A)	5,637,222	4,496,462
II. CAPITAL RESERVE		
(a) Revaluation Reserve		
Opening balance	1,042,271	1,080,202
Less: Revaluation reserve reversed consequent to sale of assets/ transfer of assets	(1,180)	(30,681)
Less: Depreciation transferred to Consolidated Profit and Loss Account	(6,707)	(7,250)
TOTAL (B)	1,034,384	1,042,271
(b) Capital Reserve on Consolidation		
Opening balance	1,125	1,125
Less: Deduction on disinvestment of Associate	-	-
TOTAL (C)	1,125	1,125
(c) Others		
Opening balance	1,244,328	1,168,761
Add: Transfer from Consolidated Profit and Loss Account	4,174	75,567
TOTAL (D)	1,248,502	1,244,328
TOTAL CAPITAL RESERVE (B+C+D)	2,284,011	2,287,724
III. SECURITIES PREMIUM		
Opening balance	12,054,183	11,846,348
Add: Additions during the year	9,580,886	207,835
Less: Deductions during the year	(73,339)	-
TOTAL (E)	21,561,730	12,054,183
IV. REVENUE AND OTHER RESERVES		
(a) SPECIAL RESERVE (u/s 36 (1) (VIII) of Income Tax Act, 1961)		
Opening balance	447,000	317,000
Add: Additions during the year	140,000	130,000
TOTAL (F)	587,000	447,000

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2012

(₹ in thousands)

PARTICULARS	31 March 2012	31 March 2011
(b) Revenue Reserves		
Opening Balance	579,645	579,573
Add: Additions on consolidation of subsidiary	70	72
TOTAL (G)	579,715	579,645
(c) Investment Reserve		
Opening Balance	-	109,953
Add: Additions during the year	2,154	-
Less: Deductions during the year	-	(109,953)
TOTAL (H)	2,154	-
TOTAL (IV) (F+G+H)	1,168,869	1,026,645
V. BALANCE IN CONSOLIDATED PROFIT AND LOSS ACCOUNT (I)	7,695,423	5,215,331
TOTAL (I to V)	38,347,255	25,080,345
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From banks	3,543,838	1,818,419
ii. From others	60,494,920	49,248,087
II. Savings Bank Deposits	56,429,076	53,515,041
III. Term Deposits		
i. From banks	75,954,140	61,027,083
ii. From others	155,486,808	136,303,428
TOTAL (I to III)	351,908,782	301,912,058
B. Deposits of branches in India	351,908,782	301,912,058
C. Deposits outside India	-	-
TOTAL	351,908,782	301,912,058
SCHEDULE 4 - BORROWINGS*		
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other banks	4,403,344	1,379,000
iii. Other institutions and agencies	23,696,723	16,121,762
II. Borrowings outside India	28,864,817	23,968,351
TOTAL (I to II)	56,964,884	41,469,113
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 ₹ 11,205,956 thousands as on 31 March 2012 (Previous year ₹ 10,522,051 thousands).		

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2012

(₹ in thousands)

PARTICULARS	31 March 2012	31 March 2011
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	3,681,163	4,385,882
II. Inter office adjustments (net)	173,880	287,851
III. Interest accrued	1,703,197	1,625,751
IV. Provision against Standard Assets	1,454,200	1,165,100
V. Others (including provisions)	14,264,987	12,991,790
TOTAL (I to V)	21,277,427	20,456,374
SCHEDULE 6- CASH AND BALANCE WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	3,864,699	3,999,906
II. Balances with Reserve Bank of India		
i. In current account	15,958,983	17,837,904
ii. In other accounts	-	-
TOTAL (I to II)	19,823,682	21,837,810
SCHEDULE 7- BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
a) In current accounts	1,671,386	1,057,655
b) In other deposit accounts	319,568	519,568
ii) Money at Call and Short Notice		
a) With banks	600,000	-
b) With other institutions	4,996,879	-
TOTAL (i to ii)	7,587,833	1,577,223
II. Outside India		
i) Balances with Banks		
a) In current accounts	800,500	2,231
b) In other deposit accounts	-	-
ii) Money at Call and Short Notice		
a) With Banks	4,093,911	1,797,179
b) With Others	-	-
TOTAL (i to ii)	4,894,411	1,799,410
GRAND TOTAL (I to II)	12,482,244	3,376,633
SCHEDULE 8 - INVESTMENTS (NET OF PROVISIONS)		
I. Investments in India		
i) Government securities # * \$ ^	89,688,804	82,291,774
ii) Other approved securities	-	-
iii) Shares	590,018	81,026
iv) Debentures and bonds	1,875,804	784,963
v) Others @	34,979,383	27,403,971
TOTAL	127,134,009	110,561,734

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2012

	(₹ in thousands)	
PARTICULARS	31 March 2012	31 March 2011
II. Investments outside India	-	-
GRAND TOTAL	127,134,009	110,561,734
GROSS INVESTMENTS	127,483,899	110,915,876
Less: Depreciation/Provision for Investments	(349,890)	(354,142)
NET INVESTMENTS	127,134,009	110,561,734

- # Includes securities costing ₹ NIL (Previous year ₹ 70,840 thousands) pledged for availment of telegraphic transfer discounting facility
- * Net of Repo borrowings of ₹ 38,476,901 thousands (Previous year ₹ 2,116,960 thousands) under the liquidity adjustment facility in line with Reserve Bank of India requirements.
- \$ Includes securities costing ₹ 1,365,054 thousands (Previous year ₹ 1,253,228 thousands) pledged for margin requirement
- ^ Includes securities costing ₹ 1,053,174 thousands (Previous year NIL) utilised for market repurchase transaction
- @ Includes deposits with NABARD, NHB and SIDBI of ₹ 31,489,763 thousands (Previous year ₹ 26,604,164 thousands), PTCs of ₹ 557,707 thousands (Previous year ₹ 799,807 thousands) and Certificate of deposit of ₹ 2,931,913 thousands (Previous year NIL)

SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)

A. i) Bills purchased and discounted	12,222,987	6,132,639
ii) Cash credits, overdrafts and loans repayable on demand	112,556,686	79,751,129
iii) Term loans	162,587,042	150,137,587
TOTAL	287,366,715	236,021,355
B. i) Secured by tangible assets*	253,493,320	203,401,560
ii) Covered by Bank/Government guarantees	1,585,707	2,178,200
iii) Unsecured	32,287,688	30,441,595
TOTAL	287,366,715	236,021,355
* Includes advances secured against book debts		
C. I. ADVANCES IN INDIA		
i) Priority sector	94,939,939	80,471,218
ii) Public sector	35,697	1,108
iii) Banks	28,411	22,959
iv) Others	192,362,668	155,526,070
II. ADVANCE OUTSIDE INDIA		
i) Due from Banks	-	-
ii) Due from Others		
(a) Bills purchased & discounted	-	-
(b) Syndicate loans	-	-
(c) Others	-	-
TOTAL (I to II)	287,366,715	236,021,355

SCHEDULE 10 - FIXED ASSETS

I. Premises		
i) At cost as on 31 March of preceding year (Including Revaluation)	4,089,653	2,106,371
ii) Additions during the year	9,326	2,202,534
	4,098,979	4,308,905
iii) Deductions during the year	(2,284)	(219,252)
iv) Depreciation to date	(384,120)	(329,774)
I. A. Capital work in progress	-	-
TOTAL (I)	3,712,575	3,759,879

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2012

(₹ in thousands)

PARTICULARS	31 March 2012	31 March 2011
II. Other Fixed Assets (Including Furniture and Fixtures)		
i) At cost as on 31 March of the preceding year	4,572,853	4,091,417
ii) Additions during the year	517,686	534,779
	5,090,539	4,626,196
iii) Deductions during the year	(51,475)	(53,344)
iv) Depreciation to date	(4,004,083)	(3,594,803)
II. A. Capital work in progress	105,816	135,831
TOTAL (II)	1,140,797	1,113,880
III. Lease Fixed Assets		
i) At cost as on 31 March of the preceding year	1,540,585	1,540,585
ii) Additions during the year	-	-
	1,540,585	1,540,585
iii) Deductions during the year	-	-
iv) Depreciation to date	(1,435,791)	(1,415,336)
v) Add: Lease adjustment account	289,838	269,384
vi) Less: Provision/ Write off of NPAs	(237,648)	(237,649)
TOTAL (III)	156,984	156,984
GRAND TOTAL (I to III)	5,010,356	5,030,743

SCHEDULE 11 - OTHER ASSETS

i) Inter-office adjustment (net)	-	-
ii) Interest accrued	2,248,027	2,051,636
iii) Tax paid in advance and tax deducted at source (net)	1,366,439	865,415
iv) Stationery and stamps	8,794	10,750
v) Non banking assets acquired in satisfaction of claims (net)	-	-
vi) Others #	14,575,185	10,390,477
TOTAL	18,198,445	13,318,278

Includes deferred tax assets of ₹ 1,400,247 thousands (Previous year ₹ 1,529,557 thousands). Refer Note No. 18.10

SCHEDULE 12 - CONTINGENT LIABILITIES

i) Claims against the bank not acknowledged as debts	1,986	50,577
ii) Liability for partly paid investments	-	-
iii) Liability on account of outstanding Forward Exchange contracts*	834,727,705	220,159,702
iv) Liability on account of outstanding Derivative Contracts* @	307,810,458	296,867,391
v) Guarantees given on behalf of constituents		
a) In India	54,538,671	42,524,507
b) Outside India	9,744,137	9,892,095
vi) Acceptances, Endorsements and Other Obligations	17,801,381	13,786,027
vii) Other items for which the bank is contingently liable	1,066,588	816,269
TOTAL	1,225,690,926	584,096,568

* Represent notional amounts

@ Long term forward exchange contracts amounting to ₹ 7,459,634 thousands (Previous year ₹ 5,158,139 thousands) are managed as derivatives and accordingly reflected under liability on account of derivative contracts.

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in thousands)

PARTICULARS	31 March 2012	31 March 2011
SCHEDULE 13 - INTEREST EARNED		
i. Interest/Discount on advances/bills	28,678,177	20,326,347
ii. Income on investments	9,818,651	6,462,988
iii. Interest on balances with RBI and other inter bank funds	5,800	20,508
iv. Others	66,628	129,513
TOTAL	38,569,256	26,939,356
SCHEDULE 14 - OTHER INCOME		
i. Commission, Exchange and Brokerage	4,689,755	4,188,795
ii. Profit/ (Loss) on sale of investments (net)	122,523	819,479
iii. Profit on revaluation of investments (net)	-	-
iv. Profit/ (Loss) on sale of land, buildings and other assets (net)	8,239	150,870
v. Profit on Exchange / Derrivative transactions (net)	1,471,404	1,021,167
vi. Income earned by way of dividends etc. from subsidiaries/companies and joint ventures abroad/in India	7,629	1,047
vii. Lease income	-	-
viii. Miscellaneous income #	395,804	365,828
TOTAL	6,695,354	6,547,186
# Includes recovery from written off accounts amounting to ₹ 256,110 thousands (Previous year ₹ 303,214 thousands)		
SCHEDULE 15 - INTEREST EXPENDED		
i. Interest on Deposits	21,528,260	13,566,170
ii. Interest on Reserve Bank of India/Inter-Bank borrowings	2,466,927	477,773
iii. Others (including interest on Tier II Bonds)	2,487,396	2,830,143
TOTAL	26,482,583	16,874,086
SCHEDULE 16 - OPERATING EXPENSES		
i. Payments and Provisions for Employees	6,732,886	6,453,444
ii. Rent, Taxes and Lighting	978,321	813,909
iii. Printing and Stationery	130,500	109,655
iv. Advertisement and Publicity	44,167	26,373
v. Depreciation on Bank's Property	498,076	476,986
vi. Director's Fees, Allowances & Expenses	4,957	5,188
vii. Auditors' Fees and Expenses (Including Branch Auditors Fees and Expenses)	6,425	7,060
viii. Law Charges	30,841	37,892
ix. Postage, Telegrams, Telephones	213,978	208,572
x. Repairs and Maintenance	313,195	276,758
xi. Insurance	305,776	258,291
xii. Other Expenditure	1,841,539	1,584,551
TOTAL	11,100,661	10,258,679

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

1 BACKGROUND

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

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

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

3 USE OF ESTIMATES

The preparation of the consolidated 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, the disclosure of contingent liabilities at the date of the consolidated 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 2012. 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 for on an accrual basis except as stated below:

Interest on advances, securities and other assets classified as Non-Performing Assets is recognized on realization in accordance with the guidelines issued by the RBI.

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

b. Income on assets given on lease

Finance income in respect of assets given on lease is accounted based on the interest rate implicit in the lease in accordance with the guidance note issued by the ICAI in respect of leases given up to 31 March 2001 and in accordance with AS 19 – “Leases” in respect of leases given from 1 April 2001.

c. 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. Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.

f. Commission on guarantees and letters of credit issued are amortised on a straight-line basis over the period of the respective guarantees/ letters of credit.

6 FOREIGN EXCHANGE TRANSACTIONS

a. Transactions denominated in foreign currencies are translated at the exchange rates prevailing on the date of the transaction.

b. Monetary assets and liabilities denominated in foreign currencies are translated into Indian Rupees at the rates of exchange prevailing at the balance sheet date as notified by Foreign Exchange Dealers Association of India (“FEDAI”) and resulting gains/losses are recognised in the profit and loss account.

c. Outstanding foreign exchange contracts and bills are revalued on the balance sheet date at the rates notified by FEDAI and the resultant gain/ loss on revaluation is included in the profit and loss account.

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

7 DERIVATIVE TRANSACTIONS

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

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

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

8 INVESTMENTS

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

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

a. “Held to Maturity” (HTM) comprises securities acquired by the Bank with the intention to hold them upto maturity. With the issuance of RBI Circular No. DBOD. BP.BC.37/21.04.141/2004-05 dated 2 September 2004, the investment in SLR securities under this category is permitted to a maximum of 25% of Demand and Time Liabilities.

b. “Held for Trading” (HFT) comprises securities acquired by the Bank 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 on a straight line basis. The discount, if any, being unrealised is ignored. Provisions are made for diminutions other than temporary in the value of such investments.
- b. Investments classified as HFT and AFS are revalued at monthly intervals as per RBI and FIMMDA valuation norms. These securities are valued scrip-wise and any resultant depreciation or appreciation is aggregated for each category. The net depreciation for each category is provided for, whereas the net appreciation for each category is ignored. The book value of individual securities is not changed consequent to periodic valuation of investments.
- c. In the event provisions created on account of depreciation in the "Available for sale" or "Held for trading" categories are found to be in excess of the required amount in any year, such excess is recognised in the profit and loss account and subsequently appropriated, from profit available for appropriation, if any, to Investment Reserve account in accordance with RBI guidelines after adjusting for income tax and appropriation to statutory reserve.
- d. Treasury bills and Commercial paper being discounted instruments are valued at carrying cost.
- e. REPO and Reverse REPO transactions conducted under LAF with RBI are accounted for on an outright sale and outright purchase basis respectively in line with RBI guidelines. The cost/income of the transactions upto the year end is accounted for as interest expense/income. However, in case of reverse REPO, the depreciation in value of security compared to original cost is provided for. Market REPO and Reverse REPO transactions are accounted as collateralised borrowings and lending respectively.
- f. The Bank follows settlement date method of accounting for purchase and sale of investments.

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, and the provisioning done is higher than the minimum prescribed under RBI guidelines.

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

- a) at 0.25% for loans to Small and Medium Enterprises and direct agricultural advances;
- b) at 1.00% on Commercial Real Estate (CRE) sector; and
- 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".

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

10 FIXED ASSETS

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

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

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

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

Depreciation on the following items of Fixed Assets is

charged over the estimated useful life of the assets on a straight line basis. The rates of depreciation are:

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

Depreciation on leased assets is provided on WDV method at the rates stipulated under Schedule XIV to the Companies Act, 1956. In case of IVFSL, depreciation on leased assets is charged over the primary lease period of the respective assets on a straight line basis.

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

Assets purchased during the year are depreciated on the basis of actual number of days the asset has been put to use in the year. Assets disposed 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. A retirement benefit 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.

SIGNIFICANT ACCOUNTING POLICIES

- 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. Compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- 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 valuation on projected on 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.

16 LEASE TRANSACTIONS

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss Account on a straight line basis over the lease term.

17 TAXES ON INCOME

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

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

18 NET PROFIT/ (LOSS)

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

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

19 EARNINGS PER SHARE ("EPS")

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTES TO ACCOUNTS

18 NOTES TO ACCOUNTS

18.1 List of subsidiary considered for consolidation

Sl. No.	Name	Country of incorporation	Extent of holding as on 31 March 2012	Voting Power
Subsidiary				
1	ING Vysya Financial Services Limited (IVFSL)	India	100%	100%

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 ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme was in force. These options 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 at the Annual General Meeting held on 22 September 2005. No further options have been granted under this scheme.

The movements in ESOS 2002 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	-	-	480	97.50
Less: Options exercised during the year	-	-	-	-
Less: Options forfeited	-	-	480	97.50
Stock options outstanding at the end of the year	-	-	-	-

ESOS 2005

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

The movements in ESOS 2005 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	263,419	172.98	430,864	170.13
Add: Options granted during the year	-	-	-	-
Less: Options exercised during the year	35,660	165.15	160,116	165.16
Less: Options forfeited	7,700	178.70	7,329	176.20
Stock options outstanding at the end of the year	220,059	174.05	263,419	172.98

NOTES TO 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 ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30% in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

The movements in ESOS 2007 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	6,065,000	250.02	6,994,599	243.81
Add: Options granted during the year	70,000	290.50	208,500	258.16
Less: Options exercised during the year	843,470	200.41	834,449	215.54
Less: Options forfeited	203,250	284.43	303,650	255.66
Stock options outstanding at the end of the year	5,088,280	257.43	6,065,000	250.02

ESOS 2010

The employee stock option scheme ("ESOS 2010" or "the scheme") of the Bank was approved by the Board of Directors at their meeting held on 29 April 2010 and by the shareholders at the last AGM held on 1 July 2010. A total of 1,15,00,000 equity shares of ₹ 10 each were earmarked under the scheme to be allotted during the period (extended or otherwise) during which the scheme is in force. These options vest over a period of three years from the date of grant i.e., 40% in 1st year; 30% in 2nd year and 30% in 3rd year at the end of each year from the date of grant. The vesting of options is linked to performance criteria and guidelines approved by the compensation committee of the Bank.

The movements in ESOS 2010 during the year ended 31 March 2012 and 31 March 2011 are as under:

Particulars	Year ended 31 March 2012	Weighted Average Price (In ₹)	Year ended 31 March 2011	Weighted Average Price (In ₹)
Stock options outstanding at the beginning of the year	3,595,500	358.78	-	-
Add: Options granted during the year	3,554,975	323.37	3,677,500	358.57
Less: Options exercised during the year	-	-	-	-
Less: Options forfeited	405,250	346.95	82,000	349.15
Stock options outstanding at the end of the year	6,745,225	340.83	3,595,500	358.78

The details of exercise price for stock options outstanding as at 31 March 2012 are:

Scheme	Range of exercise price (In ₹)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In ₹)
ESOS 2002 Tranche II	92.59-136.47	38,004	2.13	122.45
ESOS 2005 Tranche I	184.82	182,055	2.10	184.82
ESOS 2005 (Loyalty Options)	114.20-380.40	5,088,280	3.64	257.43
ESOS 2007 Tranche 1	322.55-403.95	6,745,225	5.70	340.83

NOTES TO ACCOUNTS

The details of exercise price for stock options outstanding as at 31 March 2011 are:

Scheme	Range of exercise price (In ₹)	Number of options outstanding	Weighted Average remaining contractual life of the options (in Years)	Weighted Average exercise price (In ₹)
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 weighted average share price for all options exercised during the year is ₹ 323.83 per share. (Previous Year: ₹ 357.09).

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 would have been recognized if fair value of options had been used is explained below:

Employee Compensation Cost

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Intrinsic Value	(565)	(501)
Fair value*	330,067	288,482
Excess to be Charged	330,632	288,983

Impact on Profit

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Declared Profit	4,563,640	3,184,136
Less: Adjustment for additional charge due to Fair Value	330,632	288,983
Adjusted Profit	4,233,008	2,895,153

Impact on Earnings Per Share

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Declared in the financial Statements		
Basic (₹)	31.85	26.43
Diluted (₹)	31.55	25.93
Revised EPS		
Basic (₹)	29.54	24.03
Diluted (₹)	29.26	23.58

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% - 8.38%
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%-38.72%
The price of the underlying share in market at the time of option grant (as per NSE) (₹)	162.6 - 260.65	262.60	114.20-380.40	322.55 - 403.95

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

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

NOTES TO ACCOUNTS

The call option values under Black- Scholes Model for option valuation under different schemes for outstanding options as on 31 March 2012 are:

Particulars	ESOS 2005		ESOS 2007	ESOS 2010
	Tranche I	Loyalty option		
Option price at the date of grant (₹)	58.33 - 180.50	118.92 - 135.34	36.25 - 153.16	90.44 - 195.82
Weighted average Fair Value of the options at the date of grant (₹)	83.09	127.64	102.23	115.13

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

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Provision for income tax (including deferred tax)	1,978,039	1,651,354
Provision for wealth tax	2,400	2,275
Provision/ write off of non performing advances	807,382	1,561,000
Depreciation/ write off (write back) of investments (net)	(4,252)	12,411
Provision/ write off of non performing investments	-	42,566
Provision for standard assets	289,100	157,000
Provision for restructured advances	(18,253)	(216,767)
Others *	63,310	(40,198)
Total	3,117,726	3,169,641

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

18.4 Details of provisions

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	405,389	428,040
Additions during the year	86,977	40,953
Reversals during the year	88,863	62,979
Amounts used	238	625
Closing Balance	403,265	405,389

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.

18.5 Provisions for income taxes during the year

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Provision for income tax (including deferred tax)	1,978,040	1,651,354

During the year ended 31 March 2012, the entire Special Reserve amount of ₹ 58.70 crores created under Section 36 (1) (viii) of the Indian Income Tax Act, 1961 (including ₹ 14.00 crores transferred in the current year) is treated as a deduction in the computation of current year's tax provision. This resulted in one time reduction in tax expense by ₹ 14.50 crores.

NOTES TO ACCOUNTS

18.6 Investments

18.6.1 Non-performing non SLR investments

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	300,481	415
Additions during the year	-	300,066
Reduction during the year	-	-
Closing balance	300,481	300,481
Total provisions held	300,481	300,481

18.6.2 Value of Investments

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Gross value of Investments		
a. In India	127,483,899	110,915,876
b. Outside India	-	-
Provisions for depreciation		
a. In India	349,890	354,142
b. Outside India	-	-
Net value of Investments		
a. In India	127,134,009	110,561,734
b. Outside India	-	-

18.6.3 Movement of provisions held towards depreciation on investments

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	354,142	41,165
Add: Provisions made during the year	-	312,977
Less: Write-off/write-back of excess provisions during the year	4,252	-
Closing balance	349,890	354,142

18.7 Advances

18.7.1 Information with respect to loan assets subjected to restructuring

(₹ in thousands)

Particulars		CDR Mechanism		SME Debt restructuring		Others	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Standard advances restructured	No. of Borrowers	6	2	-	-	1	1
	Amount outstanding	1,622,850	262,436	-	-	10,232	19,960
	Sacrifice*	45,925	37,864	-	-	625	1,490
Sub standard advances restructured	No. of Borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Doubtful advances restructured	No. of Borrowers	-	1	-	-	-	-
	Amount outstanding	-	359,186	-	-	-	-
	Sacrifice*	-	-	-	-	-	-
Total	No. of Borrowers	6	3	-	-	1	1
	Amount outstanding	1,622,850	621,622	-	-	10,232	19,960
	Sacrifice*	45,925	37,864	-	-	625	1,490

* Sacrifice is diminution in the fair value

NOTES TO ACCOUNTS

18.7.2 Movement of Gross NPAs

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Opening Gross NPAs*	1,553,873	2,345,106
Additions (fresh NPAs) during the year	1,728,349	2,360,155
Total (A)	3,282,222	4,705,261
Less:-		
(i) Upgradations	31,689	140,381
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,235,288	1,450,007
(iii) Write- offs (including technical write offs)	520,116	1,561,000
Total (B)	1,787,093	3,151,388
Closing Gross NPA* (A-B)	1,495,129	1,553,873

* After considering technical write offs. Gross NPAs before technical write offs – ₹ 5,628,716 thousands (Previous year – ₹ 5,532,400 thousands).

18.7.3 Movement in NPAs

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Opening Net NPAs *	917,856	2,218,267
Additions during the year	208,555	-
Reductions (including write offs) during the year	601,489	1,300,411
Closing Net NPAs*	524,922	917,856
NPAs to advances (%) #	0.18	0.39
Provisioning Coverage Ratio (%)#	90.67	83.41

* After netting off ECGC claims received and held pending adjustments of ₹ 599,971 thousands (Previous year : ₹ 636,017 thousands)

Provision held against the NPA sold of ₹ 50,500 thousands and ₹ 726 thousands during the year 2006-07 & 2007-08 respectively has not been reversed to profit and loss account in view of RBI Circular No DBOD.No.BP. BC.16/21.04.048/2005 dated 13 July 2005 and is retained as provision for NPA to be utilized to meet the shortfall / loss on account of sale of other non performing financial assets.

18.7.4 Movement in provisions for NPA

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening balance	-	-
Additions during the year *	890,352	1,561,000
Technical write-offs/write backs during the year	520,116	1,561,000
Closing Balance*	370,236	-

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

18.7.5 Provisions on standard asset

(₹ in thousands)

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Provision towards standard assets during the year	289,100	157,000
Cumulative provision for standard assets as at year end	1,454,200	1,165,100

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

NOTES TO ACCOUNTS

18.7.6 Purchase/ sale of non performing assets

The Bank did not purchase any non performing assets during the year ended 31 March 2012 (Previous year: Nil).

Details of non performing financial assets sold:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
No. of accounts sold	17	1
Aggregate outstanding, net of provisions/ write offs (₹ in thousands)	17	-
Aggregate consideration received (₹ in thousands)	27,500	15,200

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

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Total number of accounts	-	2
Total number of transactions	-	2
Book value (net of provisions) of accounts sold (₹ in thousands)	-	133,154
Aggregate consideration received (₹ in thousands)	-	135,330
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/ (loss) over net book value (₹ 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.

18.7.8 (a) Exposure to capital market

(₹ in thousands)

Sl. No.	Particulars	As at 31 March 2012	As at 31 March 2011
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	590,433	81,441
(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;	2,430,522	2,046,759
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	16,490	3,414
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	569,638	182,128
(vi)	loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows / issues;	350,000	-
(viii)	underwriting commitments taken up by banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market		3,957,083	2,313,742

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

NOTES TO ACCOUNTS

(b) Exposure to real estate sector

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
(a) Direct exposure		
(i) Residential mortgages (fully secured)		
Individual housing loans up to ₹ 25 lakhs	9,372,132	13,169,019
Others	28,845,866	30,353,730
(ii) Commercial real estate		
Fund Based	13,837,847	10,581,913
Non- Fund Based	385,346	455,887
(iii) Investment in mortgage backed securities and other securitised exposures		
a. Residential	576,483	824,268
b. Commercial real estate	-	-
(b) Indirect exposure		
Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	6,268,899	3,329,809
Non-Fund Based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	1,000,000	-
Total	60,286,573	58,714,626

18.7.9 Prudential exposure limits – quantitative disclosures

- During the year ended 31 March 2012, the Bank has complied with the Reserve Bank of India guidelines on single borrower and group borrower limit. As per the exposure limits permitted under the extant RBI regulation, the Bank with the approval of the Board of Directors can enhance exposure to a single borrower or group borrower by a further 5% of capital funds, subject to the borrower consenting to the Bank making appropriate disclosures in the Annual Report.
- During the year ended 31 March 2012, with the prior approval of Board of Directors, the Bank exceeded the single borrower limit of 20% of capital funds to Unitech Wireless (Tamilnadu) Pvt Ltd and Sistema Shyam Teleservices Ltd. As at 31 March 2012, the exposure to Unitech Wireless (Tamilnadu) Pvt Ltd and Sistema Shyam Teleservices Ltd as a percentage of capital funds was 24.95 % (Previous year: 24.98%) and 15.97 % (Previous year: 23.57%) respectively. However, this was within the additional 5% permitted by RBI as per para (a) above.

18.8 Leases

18.8.1 Operating leases

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

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
Not later than one year	54,623	41,066
Later than one year and not later than five years	104,145	46,361
Later than five years	-	-
Total minimum lease rental commitments	158,768	87,427

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 ₹ 717,529 thousands (Previous year: ₹ 587,924 thousands).

NOTES TO ACCOUNTS

18.8.2 Finance leases

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

18.9 Earnings Per Share ('EPS')

The details of EPS computation is set out below :

Particulars	As at 31 March 2012	As at 31 March 2011
Earnings for the year (₹ in thousands)	4,563,640	3,184,136
Basic weighted average number of shares (Nos)	143,275,876	120,456,832
Basic EPS (₹)	31.85	26.43
Dilutive effect of stock options (Nos)	1,395,734	2,320,887
Diluted weighted average number of shares (Nos)	144,671,610	122,777,719
Diluted EPS (₹)	31.54	25.93
Nominal value of shares (₹)	10	10

18.10 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 ₹ 129,309 thousands (Previous year ₹ 233,491 thousands) for the current year.

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

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
Deferred tax assets		
on account of provisions	744,083	567,288
on leave encashment	218,952	217,546
on investments	664,052	951,295
on pension fund	80,806	124,095
on Gratuity	250	346
Total deferred tax asset	1,708,143	1,860,570
Deferred tax liabilities		
on depreciation on fixed assets	154,463	173,928
on bad debts claim	153,431	157,085
Total deferred tax liability	307,894	331,013
Net deferred tax assets	1,400,249	1,529,557

18.11 Intangibles

(₹ in thousands)

Particulars	Gross block				Depreciation / Amortization				Net block
	As at 1 April 2011	Additions	Deletions	As at 31 March 2012	As at 1 April 2011	Charge for the year	Deletions	As at 31 March 2012	As at 31 March 2012
Intangible assets									
Application software*	898,985	110,437	-	1,009,422	766,257	109,139	-	875,396	134,026
Total	898,985	110,437	-	1,009,422	766,257	109,139	-	875,396	134,026
Previous year	797,766	101,219	-	898,985	658,000	108,257	-	766,257	132,728

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

18.12 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)

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

NOTES TO ACCOUNTS

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

(₹ in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Investment in Tier I Bonds	Maximum 1,451,852 (1,201,612) Outstanding 1,296,446 (1,126,132)	- (-) - (-)	Maximum 1,451,852 (1,201,612) Outstanding 1,296,446 (1,126,132)
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 4,378,147 (3,623,533) Outstanding 3,909,510 (3,395,919)	- (-) - (-)	Maximum 4,378,147 (3,623,533) Outstanding 3,909,510 (3,395,919)
Deposits kept with Bank including lease deposit	Maximum 602,740 (588,470) Outstanding 127,953 (587,841)	- (-) - (-)	Maximum 602,740 (588,470) Outstanding 127,953 (587,841)
Deposit kept with other banks	Maximum 1,360,043 (1,164,120) Outstanding 78,043 (14,831)	- (-) - (-)	Maximum 1,360,043 (1,164,120) Outstanding 78,043 (14,831)
Borrowing	Maximum 23,088,850 (19,446,300) Outstanding 22,132,611 (19,446,300)	- (-) - (-)	Maximum 23,088,850 (19,446,300) Outstanding 22,132,611 (19,446,300)
Call borrowing	Maximum - (917,600) Outstanding - (-)	- (-) - (-)	Maximum - (917,600) Outstanding - (-)
Lending	Maximum 4,070,000 (3,225,960) Outstanding 4,070,000 (1,783,800)	- (-) - (-)	Maximum 4,070,000 (3,225,960) Outstanding 4,070,000 (1,783,800)
Interest paid	2,378,824 (1,664,586)	- (-)	2,378,824 (1,664,586)
Interest received	1,121,361 (588,126)	- (-)	1,121,361 (588,126)

NOTES TO ACCOUNTS

(₹ in thousands)

Items / Related Party	Related parties with significant influence and with whom there are transactions during the year	Key Management Personnel	Total
Charges Paid	58 (269)	- (-)	58 (269)
Interest accrued but not due (payable)	84,672 (58,169)	- (-)	84,672 (58,169)
Interest accrued but not due (receivable)	14 (16)	- (-)	14 (16)
Purchase of securities	528,465 (491,185)	- (-)	528,465 (491,185)
Sale of securities	2,703,830 (-)	- (-)	2,703,830 (-)
Reimbursement received	16,495 (6,520)	- (-)	16,495 (6,520)
Reimbursement paid	12,755 (22,010)	- (-)	12,755 (22,010)
Contribution to employee welfare funds - Paid	1,052,104 (932,915)	- (-)	1,052,104 (932,915)
Contribution to employee welfare funds- Payable	1,465,570 (725,119)	- (-)	1,465,570 (725,119)
Managerial remuneration	- (-)	20,076 (14,969)	20,076 (14,969)
Bank guarantees Received	- (1,928,942)	- (-)	- (1,928,942)
Bank guarantees- Issued	9,011,724 (-)	- (-)	9,011,724 (-)
Derivative transactions - notional outstanding	Maximum 96,105,121 (84,396,702) Outstanding 96,105,121 (82,385,030)	- (-) - (-)	Maximum 96,105,121 (84,396,702) Outstanding 96,105,121 (82,385,030)
Forward transactions	Maximum 15,351,981 (52,336,653) Outstanding 227,542 (11,516,484)	- (-) - (-)	Maximum 15,351,981 (52,336,653) Outstanding 227,542 (11,516,484)
Premium received	- (3,442)	- (-)	- (3,442)
Premium paid	400 (15,865)	- (-)	400 (15,865)
Commission received	24,745 (11,119)	- (-)	24,745 (11,119)
Gain on Liquidation	(11,625) (133)	- (-)	(11,625) (133)

During the year 2011-12, 128 thousands (Previous Year: 700 thousands) number of stock options under "ESOS 2010" scheme have been issued to the MD & CEO.

(Previous year's figures are given in parentheses)

18.13 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 ₹ 5 crores and in respect of customers where average turnover in the last 3 years does not exceed ₹ 50 crores. Revenue of the retail banking segment includes interest earned on retail loans, fees and commissions for banking and advisory services, ATM Fees etc. Expenses of this segment primarily comprise 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 TO ACCOUNTS

Segment Results for the year ended 31 March 2012

(₹ in thousands)

Business Segments	Treasury	Corporate / Wholesale Banking	Retail Banking	Other Banking Operations	Total
Particulars	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012
Result	1,044,033	2,973,570	2,526,476	-	6,544,079
Unallocated expenses					-
Operating Profit					6,544,079
Taxes					1,980,439
Extraordinary profit/loss					-
Net Profit					4,563,640
Other Information	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012	As at 31 March 2012
Segment Assets	164,162,835	177,824,743	122,523,428	-	464,511,006
Unallocated Assets					5,504,445
Total Assets					470,015,451
Segment Liabilities	52,461,546	138,139,692	215,129,677	-	405,730,915
Unallocated Liabilities					24,420,178
Capital and Reserve & Surpluses					39,864,358
Total Liabilities					470,015,451

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 2011

(₹ 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
Result	769,718	2,532,679	1,535,368	-	4,837,765
Unallocated expenses					-
Operating Profit					4,837,765
Taxes					1,653,629
Extraordinary profit/loss					-
Net Profit					3,184,136
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
Total Assets					390,146,553
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
Total Liabilities					390,146,553

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

NOTES TO ACCOUNTS

18.14 Off Balance Sheet Items

18.14.1 Derivative contracts

Interest Rate Swaps

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
The notional principal of swap agreements	207,217,331	185,426,734
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	963,545	986,193
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with banks (74%)	Predominantly with Banks (73%)
The fair value of the swap book [asset / (liabilities)]	(181,615)	(256,872)

MTM netted off counterparty wise

Forward Rate Agreements (FRA)

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
The notional principal of FRA Agreements	-	1,337,885
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	-	2,693
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	-	Banks only (100%)
The fair value of the swap book [asset / (liabilities)]	-	45.35

MTM netted off counterparty wise.

Derivatives: Currency Swaps

(₹ in thousands)

Particulars	As at 31 March 2012	As at 31 March 2011
The notional principal of swap agreements	67,443,022	61,308,683
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements #	4,131,000	3,188,415
Collateral required by the bank upon entering into swaps	-	-
Concentration of credit risk arising from the swaps	Predominantly with Banks (73%)	Predominantly with Banks (86%)
The fair value of the swap book [asset / (liabilities)]	623,138	98,654

MTM netted off counterparty wise.

The Bank enters into derivative contracts such as Interest Rate Swaps ("IRS"), Forward Rate Agreements ("FRA"), Currency Swaps ("CS") and option agreements. Notional amounts of principal outstanding in respect of IRS, FRA and CS as at 31 March 2012 is ₹ 274,660,352 thousands (Previous year ₹ 248,073,272 thousands).

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

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

NOTES TO ACCOUNTS

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

Nature	Number	Notional Principal (₹ 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
	Total	95,390,000		

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

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

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

Nature	Number	Notional Principal (₹ 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
	Total	152,683,274		

The fair value of Rupee and FX IRS, CS and FRA contracts as at 31 March 2012 is ₹ 441,523 thousands (Previous year ₹ (158,173) thousands), which represents the net mark to market profit/(loss) on swap contracts. As at 31 March 2012 the exposure to IRS, CS and FRA contracts is spread across industries. However based on notional principal amount the maximum single industry exposure lies with Banks at 80.97% (Previous year 81.72%). In case of an upward movement of one basis point in the benchmark interest rates, there will be a positive impact of ₹ 2,414 thousands (Previous year: ₹ 1,810 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 2012 on a net basis is ₹ 145,778 thousands. As at 31 March 2012 notional outstanding for outstanding option contracts is ₹ 33,150,105 thousands (Previous year: ₹ 48,794,119 thousands).

The fair value of the Exchange traded Options as at 31 March 2012 on a net basis is ₹ (1,250) thousands. As at 31 March 2012 notional outstanding for outstanding Exchange traded option contracts is ₹ 1,634,578 thousands (Previous year: NIL).

As at 31 March 2012 notional outstanding for outstanding Exchange traded currency futures is ₹ 5,606,476 thousands (Previous year: NIL).

NOTES TO ACCOUNTS

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

Exchange Traded Interest Rate Derivatives entered during the year ended 31 March 2012 amounts to ₹ 510,000 thousands (Previous year: Nil). No Forward Rate Agreements and Currency Swaps were entered during the year ended 31 March 2012 (Previous year: Nil).

18.14.3 Risk exposure on derivatives

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

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

The Bank has established an organization structure to manage these risks that operates independent of investment and trading activities. Management of these risks is governed by respective policies approved by the Board of Directors. While expanding relationship-banking activities, the Bank has put in place a credit policy by defining the internal risk controls. The policy incorporates the guidelines issued by the RBI from time to time 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 a Asset-Liability Management Committee ("ALCO") and a Risk Management Review Committee ("RMRC"), which monitor the risk on an integrated basis. The market risk and credit risk management teams monitor compliance with the policies on a continuous basis and there is a clearly defined procedure of reporting and ratification of any limit breaches for derivative products.

Quantitative disclosure:

(₹ in thousands)

Sl. No	Particulars	Currency derivatives		Interest rate derivatives	
		As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
(i)	Derivatives (Notional Principal Amount) *				
	a) For hedging	15,257,816	13,527,739	-	-
	b) For trading	52,185,206	47,780,945	207,217,331	186,764,589
(ii)	Marked to Market Positions				
	a) Asset (+)	4,239,004	3,227,057	1,942,242	2,189,838
	b) Liability (-)	3,615,866	3,128,403	2,123,858	2,446,665
(iii)	Credit Exposure	8,763,270	8,723,282	3,624,795	4,003,632
(iv)	Likely impact of one percentage change in interest rate (100 X PV01) #				
	a) on hedging derivatives	-	-	206,487	159,927
	b) on trading derivatives	2,690	20,350	32,279	744
(v)	Maximum and Minimum of 100 X PV01 #				
	a) on hedging				
	- Maximum	-	-	207,612	334,086
	- Minimum	-	-	150,346	155,816
	b) on trading				
	- Maximum	76,697	49,907	86,420	86,446
	- Minimum	9.82	1.46	9.74	37.83

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.

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

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

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

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

18.16 Employee benefits

Provident fund plan

The Bank has a defined contribution plan in respect of provident fund. The contribution to the employees provident fund amounted to ₹ 124,180 thousands for the year ended 31 March 2012 (Previous year ₹ 109,646 thousands).

Gratuity, Pension and Leave Benefit plans

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

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

During the year 2010-2011, the Bank reopened the pension option for such of its employees who had not opted for the pension scheme earlier. As a result, the Bank incurred an additional liability of ₹ 1,217,310 thousands being ₹ 287,300 thousands on account of II Pension Option to retired/ separated employees and ₹ 930,010 thousands on account of II Pension Option to existing employees. Further, during the year 2010-2011, the limit of gratuity payable to the employees was enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result the gratuity liability of the Bank increased by ₹ 207,352 thousands.

In terms of Revised Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹ 1,424,663 thousands was required to be charged to the profit and loss Account. However, the Reserve Bank of India vide their letter dated 8 April 2011 ("the RBI Letter") on Re-opening of Pension Option to Employees and Enhancement in Gratuity Limits – Prudential Regulatory Treatment, permitted the Bank to amortise the additional liability on account of re-opening of pension option for existing employees who had not opted for pension earlier 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.

Accordingly, the Bank during the year 2010-11 charged the full impact of ₹ 287,300 thousands on account of II Pension Option to retired/ separated employees and ₹ 186,002 thousands representing one-fifth of the full impact of II Pension Option to the existing employees as required by the RBI letter. Also the Bank fully charged ₹ 207,353 thousands on account of amendment to the Payment of Gratuity Act although it was allowed to be amortized over a period of 5 years by the RBI letter.

During the current year, the Bank has provided ₹ 186,002 thousands (Previous year ₹ 186,002 thousands) representing one-fifth of the full impact of II Pension Option to the existing employees. In terms of the requirements of the RBI Letter, the balance impact of ₹ 558,006 thousands on account of II Pension Option to existing employees shall be provided over the next three years.

Had the RBI Letter not been issued, the profit of the Bank in the current year would have been lower by ₹ 558,006 (Previous year ₹ 744,008 thousands) pursuant to application of the requirements of Revised AS 15.

Disclosures under AS -15

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

NOTES TO ACCOUNTS

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
1. Current service cost	98,080	93,626	258,990	276,820
2. Interest cost on benefit obligation	80,724	51,674	299,920	132,968
3. Expected return on plan assets	(73,123)	(61,623)	(217,265)	(164,833)
4. Net actuarial (gain)/ loss recognized in the year	76,012	86,312	44,187	1,213,144
5. Past service cost	-	207,353	-	-
6. Net expenses (1+2+3+4+5)	181,693	377,342	385,832**	1,458,099*
Actual return on plan assets	84,085	46,500	231,336	1,064,051#

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

* Amount of ₹ 714,091 thousands charged to profit and loss account. The balance amount of ₹ 744,008 thousands being four fifth of the impact of II Pension Option to existing employees, to be provided over the next four years.

includes employee contribution of ₹ 160,436 thousands and transfer of Bank's contribution to Provident fund amounting to ₹ 733,215 thousands.

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
1. Current service cost	27,525	25,899	28,690	22,789
2. Interest cost on benefit obligation	38,876	31,811	19,585	14,582
3. Net actuarial (gain)/ loss recognized in the year	(75,539)	(6,577)	(19,196)	11,733
4. Past service cost	-	-	-	-
5. Net expenses recognised in profit and loss (1+2+3+4)	(9,138)	51,133	29,079	49,104

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Present value of obligation	1,114,155	965,628	3,642,317	3,684,462
Fair value of plan assets	(931,421)	(608,017)	(2,358,671)	(2,215,334)
Liability (Assets)	182,734	357,611	1,283,646	1,469,128
Liability (Asset) recognized in the Balance Sheet	182,734	357,611	1,283,646	1,469,128

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Present value of obligation	425,722	434,860	249,132	220,053
Fair value of plan assets	-	-	-	-
Liability (Assets)	425,722	434,860	249,132	220,053
Liability (Asset) recognized in the Balance Sheet	425,722	434,860	249,132	220,053

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Opening defined benefit obligation	965,628	669,785	3,684,462	2,045,609
Interest cost	80,724	51,674	299,920	132,968
Current service cost	98,080	93,626	258,990	276,820
Past service cost	-	207,353	-	-
Benefits paid	(117,250)	(127,999)	(659,313)	(883,297)
Actuarial (gains) / losses on obligation	86,973	71,189	58,258	2,112,362
Closing defined benefit obligation	1,114,155	965,628	3,642,317	3,684,462

NOTES TO ACCOUNTS

(₹ in thousands)

Particulars	Leave Encashment		Leave Availment	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Opening defined benefit obligation	434,860	383,727	220,053	170,949
Interest cost	38,876	31,811	19,585	14,582
Current service cost	27,525	25,899	28,690	22,789
Benefits paid	-	-	-	-
Actuarial (gains) / losses on obligation	(75,539)	(6,577)	(19,196)	11,733
Closing defined benefit obligation	425,722	434,860	249,132	220,053

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

(₹ in thousands)

Particulars	Gratuity		Pension	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Opening fair value of plan assets	608,017	689,308	2,215,334	1,254,852
Expected return	73,123	61,623	217,265	164,834
Contributions by employer	356,569	-	571,314	779,729
Benefits paid	(117,250)	(127,790)	(659,313)	(883,297)
Actuarial gains / (losses)	10,962	(15,124)	14,071	899,217
Closing fair value of plan assets	931,421	608,017	2,358,671	2,215,334

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 2012	31 March 2011	31 March 2012	31 March 2011
Investments with insurer	100%	100%	100%	100%
Investment in Government/ PSU bonds/securities	-	-	-	-

Experience Adjustments

(₹ in thousands)

Particulars	Gratuity		
	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligations	1,114,155	965,628	669,785
Plan assets	931,421	608,017	689,308
(Surplus) / deficit	182,734	357,611	(19,523)
Experience adjustments on plan liabilities	101,481	84,928	(35,624)
Experience adjustments on plan assets	10,962	(5,393)	13,915

(₹ in thousands)

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

(₹ in thousands)

Particulars	Leave Encashment and availment		
	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligations	674,475	654,914	554,676
Plan assets	-	-	-
(Surplus) / deficit	674,475	654,914	554,676
Experience adjustments on plan liabilities	(62,820)	36,761	(30,944)
Experience adjustments on plan assets	-	-	-

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

NOTES TO ACCOUNTS

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

Particulars	Gratuity			
	31 March 2012		31 March 2011	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.90 (IBA, CTC), 8.95 (Others)	8.90 (CTC), 8.94 (Others)	8.53	8.54 (CTC), 8.54 (Others)
Expected rate of return on assets (%)	9.50	-	9.50	-
Employee turnover (%) p.a.	1 (IBA), 28 (CTC) 55 (Others)	19 (CTC), 75 (Others)	1 (IBA) 27 (CTC)	19 (CTC) 97 (Others)
Salary Escalation Rate (%) p.a	3 (IBA), 12 (CTC) 12 (Others)	10.00	3 (IBA) 13 (CTC)	8.00

Particulars	Pension			
	31 March 2012		31 March 2011	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.94	-	8.29	-
Expected rate of return on assets (%)	9.50	-	9.50	-
Employee turnover (%) p.a.	1 (IBA)	-	1 (IBA)	-
Salary Escalation Rate (%) p.a	3.00	-	3.00	-

Particulars	Leave Encashment			
	31 March 2012		31 March 2011	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.94	-	8.29	-
Expected rate of return on assets (%)	N.A	-	N.A	-
Employee turnover (%) p.a.	1 (IBA), 28 (CTC)	-	1 (IBA), 27 (CTC)	-
Salary Escalation Rate (%) p.a	3 (IBA), 12 (CTC)	-	3 (IBA), 13 (CTC)	-

Particulars	Leave Availment			
	31 March 2012		31 March 2011	
	IVB	IVFSL	IVB	IVFSL
Discount rate (%) p.a.	8.90	8.90	8.53	8.70
Expected rate of return on assets (%)	N.A	N.A	N.A	N.A
Employee turnover (%) p.a.	1 (IBA), 28 (CTC)	19.00	1 (IBA), 27 (CTC)	19.00
Salary Escalation Rate (%) p.a	3 (IBA), 12 (CTC)	10.00	3 (IBA), 13 (CTC)	10.00

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

With respect to defined benefit plans, the Bank is yet to determine the contributions expected to be paid to the plans during the annual period beginning 1 April 2012.

18.17 Additional Disclosure

Additional statutory information disclosed in separate financial statements of the parent and subsidiaries having no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

NOTES TO ACCOUNTS

18.18 Other Disclosures

18.18.1 Draw down from Reserves

The Bank has utilized the securities premium account for meeting direct expenses of ₹ 73,339 thousands relating to the QIP issue, as per the RBI mail box clarification dated 9 October 2007.

18.18.2 Fees/remuneration received from Bancassurance business:

(₹ in thousands)

Sr. No.	Nature of Income	31 March 2012	31 March 2011
1	For selling life insurance policies	741,837	685,435
2	For selling non life insurance policies	28,009	11,474
3	For selling mutual fund products	288,410	300,790
4	Others	31,416	29,477
	TOTAL	1,089,672	1,027,176

18.18.3 Penalties levied by RBI on the Bank

RBI imposed an aggregate penalty of ₹ 1,000 thousands vide its letter DBS.CO.FBMD.14714 / 17.04 .009 / 2010.11 dated 26 April 2011 for non adherence to directions / guidelines issued by RBI while carrying out derivative transactions during 2006-07 and 2007- 08. The Bank paid the penalty on 3 May 2011.

18.18.4 Letters of Comforts issued by the Bank

The Bank has 641 (Previous year: 413) letter of comforts/ undertaking issued and outstanding as on 31 March 2012 amounting to ₹ 17,652,630 thousands (Previous year: ₹ 11,011,569 thousands).

18.18.5 Previous year's figures

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

Arun Thiagarajan
Chairman

Aditya Krishna
Director

Place : Mumbai
Date : 24 April 2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in thousands)

PARTICULARS		31 March 2012	31 March 2011
(A)	Cash Flow from Operating Activities		
	Net Profit before Tax	6,546,288	4,842,966
	Adjustments for :		
	Depreciation charges	518,531	497,767
	Employee compensation expense (ESOS)	(565)	(501)
	Provision/write off of Advances	807,382	1,561,000
	(Profit)/Loss on revaluation of investment	548,958	975,171
	Provision for Standard Assets	289,100	157,000
	Other Provisions	34,468	(214,184)
	Lease Adjustment Account	(20,455)	(20,455)
	(Profit)/Loss on Sale of Assets (net)	(8,239)	(150,870)
	Dividend received from subsidiary/others	(9,840)	(6,575)
	Cash Generated from Operation	8,705,628	7,641,319
	Less: Direct Taxes Paid	2,506,900	2,013,979
		6,198,728	5,627,340
	Adjustments for :		
	Decrease / (Increase) in Advances	(52,152,741)	(52,510,743)
	Decrease / (Increase) in Other assets	(4,326,132)	453,727
	Non-Banking Assets sold	-	-
	Decrease/ (Increase) in Investments	(17,121,232)	(6,495,200)
	Increase / (Decrease) in Deposits	49,996,726	43,294,499
	Increase / (Decrease) in Other liabilities	192,277	395,832
	Net Cash flow from / (used in) Operating Activities	(17,212,374)	(9,234,545)
(B)	Cash Flow from Investing Activities		
	Purchase of Fixed assets / leased assets	(496,998)	(797,108)
	Sale of Fixed assets/ Leased assets	19,662	363,717
	Dividend & Interest received from subsidiary/others	11,402	6,575
	Net Cash flow used in Investing Activities	(465,934)	(426,816)
(C)	Cash Flow from Financing Activities		
	Proceeds from issue of shares	291,371	10,203
	Share premium collected	9,505,181	197,254
	Dividend Paid	(522,532)	(357,333)
	Increase/ (Decrease) in Borrowings	15,495,771	4,755,233
	Net Cash Flow from Financing Activities	24,769,791	4,605,357
	Net Increase/ (Decrease) in Cash and Cash Equivalents	7,091,483	(5,056,004)
	Cash and Cash equivalents as at the beginning of the year	25,214,443	30,270,447
	(Including Money At Call and Short Notice)		
	Cash and Cash equivalents as at the end of the year	32,305,926	25,214,443
	(Including Money At Call and Short Notice) - Refer Schedule 6 & 7		

As per our report of even date

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

Zubin Shekary
Partner
Membership No.: 048814

Mumbai
24 April 2012

For and on behalf of the Board

Arun Thiagarajan
Chairman

Aditya Krishna
Director

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1. Scope of application

ING Vysya Bank is a Commercial Bank, originally incorporated on 29 March 1930 as "The Vysya Bank Ltd." The name of the Bank was changed to "ING Vysya Bank Limited" (IVBL) and fresh certificate of the change in name was given on 1 November 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 ₹ 350 Crore consisting of 35 Crore equity shares of ₹ 10/- each. As of 31 March 2012, the issued capital stood at ₹ 150.41 Crore consisting of 15.04 Crore of equity shares of ₹ 10/- each. The subscribed and paid up share capital is ₹ 150.12 Crore consisting of ₹ 15.01 Crore equity shares of ₹ 10/- each. The equity share capital of the Bank is as per the provisions of the Companies Act, 1956 and any other applicable laws or regulations.

The debt capital of the Bank includes perpetual debt that qualifies as Tier 1 capital and subordinated and upper tier 2 debt that qualifies for inclusion as Tier 2 capital. The tier 1 perpetual bonds are non-cumulative and perpetual in nature and carry a call option after 10 years with an interest step up of 100 bps. The interest on these bonds is payable quarterly. The Upper tier 2 bonds are cumulative in nature with an original maturity of 15 years and a call option after 10 years. There is an interest step up option after 10 years of 100 bps.

The repayment of principal and payment of interest on all the types of bonds mentioned above are as per the RBI regulations issued in this regard.

Capital Funds

	(₹ in Crore)
Tier I Capital (unadjusted)	4951.33
Tier I Capital	
Paid-up Capital	150.12
Reserves and Surplus	3724.43
Innovative Perpetual Debt Instruments	129.64
Total Tier I Capital (Unadjusted)	4004.19
Deductions	
Investments in Subsidiaries	1.05
Deferred Tax Asset	139.91
Other Intangible Assets	13.40
Total Deductions	154.37
Total Tier I Capital (Adjusted)	3849.83

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2012

Capital Funds

(₹ in Crore)

Tier II Capital	
Upper Tier II Bonds	390.95
Subordinated Debt eligible for Lower Tier II	364.00
Revaluation Reserves	46.55
General Provisions and loss Reserves	145.42
Others	0.22
Tier II Capital (Unadjusted)	947.14
Deductions	
Investments in Subsidiaries	1.05
Total Deductions	1.05
Total Tier II Capital (Adjusted)	946.09
Tier I & Tier II Capital (Adjusted)	4795.92

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

(₹ in Crore)

	Tier 1	Upper Tier 2	Lower Tier 2
Total amount outstanding as at 31 March 2012 – INR and Foreign currency	129.64	390.95	600.00
Amount raised during the year – INR and Foreign currency	Nil	Nil	Nil
Amount eligible to be reckoned as capital funds - INR	129.64	390.95	364.00

Notes:

1. Foreign Currency amounts are reported in INR at the forex rate as at 31 March 2012.
2. For calculating amount to be considered as Capital Funds, value of instruments is discounted at different rates based on residual maturity.

3. Capital adequacy

The Capital adequacy assessment process of the Bank is intended to ensure that adequate level of capital and an optimum mix of the different components of capital is maintained by the Bank to support its strategy. This is integrated with the Bank's annual planning process that takes into consideration the growth assumptions across business segments and mapping of the relevant risk weights to this projected growth so that adequate capital is maintained to cover the minimum regulatory requirement and a reasonable cushion over the regulatory minimum.

Capital is actively managed at an appropriate level of frequency and regulatory ratios are a key factor in the Bank's budgeting and planning process with updates of expected ratios reviewed regularly during the year by Asset and Liability Committee (ALCO). The Bank's ALCO has set internal triggers and target ranges for capital management, and oversees adherence with these on an ongoing basis. The Board also oversees the capital adequacy of the Bank on a quarterly basis.

Summary of the Bank's capital requirement as at 31 March 2012 is presented below:

(₹ in Crore)

Capital requirements for Risk Types		Amount
A	Capital requirements for Credit Risk	2,753.89
	Portfolios subject to standardized approach	2,752.85
	Securitization exposures	1.04
B	Capital requirements for Market Risk	117.95
	Standardized duration approach	
	Interest rate risk	106.51
	Foreign exchange risk (including gold)	9.00
	Equity risk	2.44
C	Capital requirements for Operational Risk	
	Basic Indicator approach	212.21
D	Total Capital requirements for above Risk types	3,084.05
E	Total Risk Weighted Assets	34,267.27
F	Total Available Capital Funds of the Bank	4,795.92
	Capital Adequacy Ratio of the Bank – Total (F / E)	14.00%
G	Total Tier I Capital Available	3,849.83
	Capital Adequacy Ratio of the Bank - Tier I (G / E)	11.24%

4. Credit risk – General disclosures

Credit risk management – Policy framework

For the identification, measurement, mitigation, monitoring and governance of Credit Risk, the Bank has laid down various Policies like Credit Risk Policy, Country Risk Policy, Counterparty Risk Policy, Customer Appropriateness and Suitability Policy, and Break Clause Policy. Other documents related to the New Capital Adequacy Framework implementation in the Bank like Stress Testing Policy, ICAAP Policy, Credit Risk Mitigation and Collateral Management Policy have also been laid down. The policies generally define :

- Exposure Norms,
- Underwriting standards,
- Regulatory requirements, and
- Negative list and restricted exposures.

These policies are reviewed annually or more frequently if required. Exhaustive Credit Risk manuals and guidelines detailing the mode of implementation of the policies have also been put into practice.

Credit risk management – Structural framework

The Bank manages its Credit portfolio strictly within the regulatory guidelines and requirements. The Credit risk management within the Bank is organized as below:

Risk Management and Review Committee (RMRC) of the Board is primarily responsible for owning and managing Credit Risk through Policies, Processes and Controls in the Bank. The committee meets at least once in a quarter and is also responsible for approvals of various returns.

The Chief Risk Officer (CRO) manages the Risk Policies and Processes, Credit MIS & Infrastructure, Credit Risk Assessment and Credit Approvals. Credit Risk Assessment as well as Credit Approvals are bifurcated Business Unit wise (Wholesale and Retail) to provide specialty support to Businesses.

CRO also oversees the Loan Review function (LRD) which is responsible to conduct Portfolio reviews; sample reviews of approvals and Asset classification. Further, Special Loans Monitoring Group (SLMG) which manages irregular accounts also reports into CRO. The CRO is assisted by other executives at Corporate Office and Zonal / Regional Offices to carry out the above mentioned functions.

The organization structure further consists of:

- Credit Policy Committee (CPC) – It reports into RMRC. CPC is involved in formulating all relevant policy guidelines and procedures and ensuring compliance to Reserve Bank of India ('RBI') guidelines on credit related matters;
- Board Credit Committee (BCC) - It approves Credit exposures beyond ₹150 Cr. for Wholesale Bank and ₹100 Cr. for Retail Bank.
- Joint Monthly Meeting (JMM) – It is responsible for monitoring and review of health of Portfolio at Corporate Office and Zonal Offices level. However, the JMMs have no credit approval powers.
- Operations function – It is responsible to assure high standards of loan documentation, security creation and compliance with pre-disbursal terms and conditions;
- Asset Recovery Management Committees (ARMC's) – These committees functioning at the Corporate and Zonal offices are responsible to discuss and take action on irregular accounts. They also monitor delinquencies, identify 'Watch List' accounts, and give guidance on remedial management.
- Debt Management and SLMG – Function is involved in recovery and management of delinquent accounts, including enforcement of securities, legal action through Debt Recovery Tribunal (DRT) or other processes. SLMG also computes the loan loss provisions as per regulatory requirements;

Credit Approval

The Bank dispensed with the Committee approach except at the highest level and switched over to Signature Approval Process (SAP). Business Units and Credit Approval functions accord sanctions jointly. Credit Risk function deals with the Risk profiling of the Client, provides credit rating for the client, and also suggests mitigants.

Credit risk management models / methods / processes

The Credit Risk Policy is a business oriented statement, within the purview of regulatory requirements. It is one of the core Credit Risk Management documents, and is reviewed at least once in a financial year, or more frequently if necessitated by the changing business environment. The policy describes attributes of an "Acceptable Borrower / Facility" for the Bank. It also defines the financial requirements of the borrower, and specifies the exposure and the product lending norms. The exposure

norms - prudential, industry, sector are also outlined in this document. The policy 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 are those to which the Bank does not take exposures as they 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. Different rating models, depending upon the type and size of borrower are prescribed. For Corporates, commodity traders, banks & financial institutions, appropriate Basel Compliant Rating Models (developed originally by ING) are followed. For emerging corporate, Business Banking and certain types of Agriculture exposures, an internally developed rating model is in place. Certain template products under Business Banking are put through score card based selection methods.
- Exposure and tenor caps based on risk rating of the borrower as prescribed in Credit policy. Further, individual and Group exposure norms, as per the 'Prudential Norms' of RBI are followed. These guidelines ensure that there is no credit concentration on any individual corporate or group. Apart from this, a Risk-grid has been established, where individual exposure limits and tenors are capped based on risk rating of the company/borrower. To ensure dispersal of credit risk across different industries / segments, the Bank has prescribed specific ceilings on those industries where it has substantial exposures.
- There is emphasis on efficient credit administration, covering obtaining proper legal documentation, follow up on covenant compliance, day-to-day transactions, periodical unit visits /security verification, monitoring & follow-up and recovery.
- Country and Counter party risks are reviewed by specialized functions and deviations from established procedures or limits are reviewed on a regular basis at JMM, RMRC or other forums.
- Credit Audit is conducted at various offices which act as dispensation points / approval authorities in addition to vertical audit of various credit products. Process Audit is also conducted for processes which are critical. Risk based audit of branches also addresses credit risk aspects at the time of audit of branches / offices.

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

Stress testing and scenario analysis

Stress testing framework and a process of stress testing have been elaborated in the Stress testing policy of the Bank. The Policy applicable to the Bank is in accordance with the RBI circular DBOD.No.BP.BC.101/21.04.103/2006-07 on stress testing.

Significant Risk Factors affecting the Bank in the preceding year with respect to default levels and economic conditions and management reactions to the same

CRMD constantly reviews credit growth, portfolio concentrations, delinquencies, NPA accretions, etc., at regular intervals. Based on this, decisions like tightening product norms, discontinuing certain products in specified geographies, moderating sector exposures, exiting potential problem accounts, etc., are taken. These are reviewed at Zonal and Corporate Office levels.

The Executive Asset Recovery Management Committee (EARMC) at the Corporate Office (for outstanding of \geq ₹ 1 crore) and Zonal EARMCs (for outstanding of $<$ ₹ 1 crore) are the acting bodies for reviewing irregular accounts and suggest strategies for recovery. Portfolio / Industry / 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 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 volatility in 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. The Bank did not take any additional exposures on MFI's in the current financial year in view of these uncertainties.

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

Definitions of "past due" and "impaired" within the Bank

Bank follows the prudential norms prescribed by RBI and the definitions of 'Past due', 'Out of Order' and 'Overdue' are as under:

• ***Impaired / Non – Performing Assets (NPAs)***

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank. A NPA is a loan or an advance where:

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

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- **Out of order / past due status**

An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits for a continuous period of 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are also regarded as 'out of order'.

- **Overdue**

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

Details of Credit risk exposure

Gross Credit Risk / Exposures as on 31-03-12	₹ in Crore
Fund based exposure	44,296.26
Non- Fund based exposure	12904.48
Total	57200.74

Notes :

1. Fund based exposures include Funded Advances outstanding of ₹ 28,737 cr., Investments of ₹ 12715.5 cr., Balances with RBI & Banks of ₹ 2,844 cr., and excludes Cash in hand.
2. Non fund based exposures include Letter of Credit & Bank Guarantees of ₹ 8208 cr. and the Loan Equivalent Factor ('LEF') of ₹ 4,696.06 cr. LEF portion includes positive MTM without benefit of Bilateral netting in line with RBI's guidelines on Capital Adequacy.
3. The above numbers exclude fixed assets and other assets, although they have been reckoned as exposures and capital maintained for the same.

Distribution of credit risk exposure by Industry type

(₹ in Crore)

Industry classification	Total Fund based Outstanding (excluding investments)
Agri and allied activities	3903.00
Industry – Micro, Small, Medium & Large	12393.20
Services (excluding Trade, CRE & NBFC detailed below)	2932.87
Trade	2825.46
Commercial Real Estate	1177.17
NBFC	930.76
Consumer Finance	4877.17
Total	29039.63

Note: The above numbers are the Gross Advances outstanding as reported to RBI for the reporting Friday i.e. 23 March 2012.

The Bank has exposures in the domestic segment only.

Residual contractual maturity breakdown of assets

(₹ in Crore)

Maturity Bucket	Cash and Balances with Banks	Investments	Advances	Other Assets including Fixed Assets
1- 14 days	1785.7	1587.7	3837.2	188.3
15 to 28 days	131.1	778.2	2540.1	1.3
29 days to 3 months	394.5	2235.4	3723.3	24.2
Over 3 months and up to 6 months	145.9	857.4	2587.4	173.8
Over 6 months and up to 1 year	262.0	1877.4	4924.5	637.4
Over 1 year and up to 3 years	182.5	1783.8	4705.3	288.2
Over 3 years and up to 5 years	181.2	2160.6	2214.8	285.4
Over 5 years	147.7	1434.9	4204.0	719.2
Total	3230.6	12715.5	28736.7	2317.8

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2012

Movement of NPAs and Provision for NPAs – net of provision

Amount of NPAs (Gross) :

(₹ in Crore)

	Year ended 31 March 2011	Year ended 31 March 2012
Substandard	38.40	54.60
Doubtful 1	92.83	76.41
Doubtful 2	24.15	18.50
Doubtful 3	0.00	0.00
Loss	0.00	0.00
Gross NPA	155.38	149.51

Net NPAs:

(₹ in Crore)

	Year ended 31 March 2011	Year ended 31 March 2012
Net NPA	91.8	52.5

NPA Ratios:

	Year ended 31 March 2011	Year ended 31 March 2012
Gross NPAs to gross advances	0.66%	0.52%
Net NPAs to net advances	0.39%	0.18%

Movement of NPAs (Gross):

(₹ in Crore)

	Financial year 2010-2011	Financial year 2011-2012
Opening balance	234.51	155.38
(+) Additions	236.02	172.83
(-) Reductions	315.15	178.70
Closing balance	155.38	149.51

Movement of provisions for NPAs:

(₹ in Crore)

	Financial year 2010-2011	Financial year 2011-2012
Opening balance	Nil	Nil
(+) Provisions made during the period	156.10	89.03
(-) Write-off	156.10	52.01
Closing balance	Nil	37.02

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

Amount of provisions held for non-performing investments:

(₹ in Crore)

	Financial year 2010-2011	Financial year 2011-2012
Opening balance	0.04	30.05
(+) Provisions made during the period	30.01	-
(-) Write-off/Write-back of excess provisions	-	-
Closing balance	30.05	30.05

Amount of non-performing investments: ₹ 30.05 cr. as on 31 March 2012

Movement of provisions for depreciation on investments

(₹ in Crore)

	Financial year 2010-2011	Financial year 2011-2012
Opening balance	4.12	35.41
(+) Provisions made during the period (incl. provision for NPA investments)	31.29	-
(-) Write-off/Write-back of excess provisions	-	0.42
Closing balance	35.41	34.99

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 (₹ Crore) as on 31-03-12
Below 100% risk weight	36,148.8
100% risk weight	17,591.0
More than 100% risk weight	3,460.9
Deducted	2.10

6. Credit Risk Mitigation: Disclosures for Standardized Approaches

Policies & Procedures

The Credit Risk Mitigation and Collateral Management Policy approved by the Board sets the framework for collateral acceptability, valuation and management within the Bank. This covers the types of collateral taken by the Bank and defines the process for valuation and management of these collaterals. This covers collateral management on a Macro level and from the point of view of the new capital adequacy framework (Basel II).

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

A system of physical verification / periodical updation of the valuation of the collateral (within a period not exceeding three years) is followed. For Housing Loans, the frequency of valuation has been decided as once in 5 yrs. Periodicity for unit visits also is prescribed in the Credit Risk Policy and the Credit Risk Manuals. The Bank has set up Credit Operations Team/s (Business Banking and Agri & Rural Banking Operations, General Lending Operations, Consumer Finance Operations) at all important centers to ensure perfection of documentation and to comply with charge registration matters. Electronic filing of Charge Registration with ROC in digital format is ensured by Operations. Insurance of securities is also assured. The Bank complies with RBI requirements for collateral eligibility to be treated as a Credit Risk mitigant.

Types of collateral taken by the Bank

The main types of collateral taken by the Bank are Current Assets, Plant and Machinery, Land and Building, Liquid Assets like gold, cash or fixed deposits with the Bank, Capital Market related collaterals, Guarantees provided by promoters, Central Government, State Government, Banks, Financial Institutions, Other Corporates, or by Export Credit Guarantee Corporation (ECGC).

- the exposure (after on- or off-balance sheet netting where applicable) that is fully covered by eligible financial collateral after the application of haircuts – ₹ 1371.9 cr.

Type of Guarantor / Counterparty and their Credit Worthiness

The types of guarantees recognized for credit risk mitigation are guarantees by Central Government, State Governments, ECGC, Banks and Corporates. The effect given for these guarantees are in line with RBI stipulations.

- For each separately disclosed credit risk portfolio, the total exposure* (after on- or off-balance sheet netting where applicable) that is covered by guarantees / credit derivatives (where specifically permitted by RBI) = ₹ 1830.56 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 has outstanding investment in ICICI PTC where the Bank's role is limited as an investor. The Bank monitors market risk on the securitization exposures mainly through daily calculation of mark to market and Value at Risk (VaR) measures.

BASEL II PILLAR 3 DISCLOSURES - 31 MARCH 2012

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 purchased loans through direct assignments. The main portfolios that are purchased are Road Transport Operator loans, Loan for purchase of Agricultural implements. These buy-outs are as per the Portfolio Buy-out Policy of the Bank.

Quantitative Disclosures – Banking book

- 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.

(All figures in ₹ crore)

Risk Type	Book value
Exposure	57.65
Rating	AAA
RWA	11.53
Capital Charge	1.04

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

- 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 31 March 2012

(₹ in Crore)

Sl. No	Type of securitization	Book value
Securities purchased		
1.	Home and Home equity loans	57.65
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

(₹ in Crore)

Sl. No	Type of securitization	Book value
Securities purchased		
1.	Home and Home equity loans	57.65
2.	Liquidity facility	Nil
3.	Credit enhancement	Nil
4.	Other commitments	Nil

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

(₹ in Crore)

Risk weight bands	Amount
Less than 100%	57.65
100%	-
More than 100%	-
Deductions	
-Entirely from Tier I capital	-
-Credit enhancing Interest Only Strips deducted from Total Capital	-
-Credit enhancement (cash collateral)	-

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

8. Market risk in trading book

Market risk management – Policy framework

The basis for management of Market Risk is the RMRC (of 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 RMRC of the Board has approved the Investment Policy for the financial year 2011-12. The policy is reviewed on a half-yearly basis or more frequently, as deemed appropriate.

Market Risk Management – Governance framework

The Market Risk Management Department (MRMD) reports to the CRO. MRMD identifies, measures, reports and controls the market risk exposures in the Bank. The market risk due to the volatility of market variables is managed by active monitoring of Board-approved limits. Further to limit setting and monitoring, the Bank's market risk is monitored through statistical tools like VaR, Basis Points Value (BPV), Present Value 01 and event risk calculations on all trading portfolios.

The Board and senior management are kept informed of the market risk issues and exposures on a regular basis. The Board approves the objectives, processes and policies of the Market Risk Function. At regular intervals, notes are placed before the senior management and Board to assess the treasury operations and market risks inherent in such operations. The treasury review is placed on a monthly basis and includes a separate section on market risk. Any approval for limit excesses is sent to the appropriate authority (including the Board, if required) as per the Investment Policy on delegated authority.

ALCO actively meets and discusses the investment, interest rate risk and liquidity issues besides looking into Asset Liability Management (ALM) and investment policies related matters. The Financial Markets (FM) function, on behalf of ALCO, manages the day-to-day operations. ALCO reports to the Board through the RMRC.

MRMD 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 (FM Ops) 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.

In order to further strengthen the control environment, Bank has set up Financial Market Mid Office (FM Mid office). It operates independently of the dealing room and involves activities such as exception analyses, Forex off-market trade analyses, deal data base monitoring including deletions, modification of deals, completeness of deal processing, static data maintenance and folder monitoring.

Market risk management models/ methods/ processes

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

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

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, mostly the result of restructuring package approved through Corporate Debt Restructuring ('CDR') 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.

Stress test limits, set up under Basel II prescribe that risk exposure should not result in a loss which is more than 20% of the Bank's capital in a stressed scenario. In line with this principle, other risk limits have been derived and are monitored.

Portfolios covered by standardized duration approach

The following portfolios are covered by the standardized duration approach:

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

The market risk positions subject to capital charge requirement are:

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

Capital requirements for Market Risk

(₹ in Crore as of 31st March 12)

Interest Rate (a+b)	106.51
a. General Market Risk	80.89
b. Specific Risk	25.62
Equity(c+d)	2.45
c. General Market Risk	1.22
d. Specific Risk	1.22
Foreign Exchange and Gold	9.00
Total Capital Charge for Market Risk	117.95
RWA for market risks	1,310.60

9. Operational risk

The Bank has defined operational risk as "The Risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition includes legal risk, but excludes strategic and business risks.

For effective management of the Bank's Operational Risk, the Bank has developed a comprehensive Operational Risk Management Framework (ORMF), supporting the process of identifying, measuring and monitoring Operational, Information and Security risks. The Bank's ORMF is well embedded in the day-to-day business management through various policies such as Anti-Fraud, IT Security, Business Continuity, Personal Security, Physical Security, etc. and supporting minimum standards.

In order to make the operational risk management process more effective and integrated for the business units, legal, compliance and operational risk functions in the Bank work in an integrated manner with similar processes for identifying and measuring the risks.

Operational Risk - Management framework

For effective management of the Bank's operational risk exposure, the Bank has set up an independent Operational Risk Management (ORM) function. The function reports to the CRO and is responsible for development of specific policies, frameworks, minimum standards and risk management processes for effective management of the Bank's Operational, Information and Security risks.

The Bank's ORMF is aligned with the COSO Enterprise Risk Management Framework. The ORMF aims to integrate the management of operational risk in daily business activity. The Bank's ORMF is approved and reviewed on a periodic basis by the Board.

Operational Risk - Management structure

Within the Bank's overall risk governance, ORM forms part of the Bank's Non Financial Risk Governance. Internally, the risks managed under Non Financial Risk include Operational, Legal and Compliance risk. The Bank has a well defined operational risk management structure with Non Financial Risk committees (NFRCs) being set up at Country and Business Line (Retail, Wholesale and Private Banking) level. The core members of the committee include representatives from Business, Operations, IT, HR and Risk

Management functions. The business line NFRCs are set up for Wholesale, Retail, and Private Banking functions of the Bank and meet periodically to discuss Operational Risk issues, and take necessary steps to mitigate the risks. The Country NFRC is held on a quarterly basis and is chaired by the Managing Director & Chief Executive Officer (MD & CEO).

In addition to the NFRCs, the Risk Management and Review Committee (RMRC) at the 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.

Operational Risk - Reporting

The Bank uses the Non-Financial Risk Dashboard (NFRD) as an operational risk reporting tool. The NFRD provides a clear overview to the management on the key operational risk issues along with their risk rating, thereby enabling the management to prioritize and take effective decisions on risk mitigation. The report also provides an overview on the progress of the mitigation plans along with a due date and person to act for the identified operational risks. The NFRDs are published for the Board, Senior Management, and Business Managers on a periodic basis, and forms as a key source of information for management discussions at the NFRCs.

Operational Risk - Strategies and Processes

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

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

The operational risk assessment has been made an integral part of the Bank's risk management process through assessment of outsourced activities, product reviews, product approval, and project risk assessment. The Bank uses various tools and processes for identification, assessment and monitoring of operational risk. The table below gives a general 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
	- Scenario Analysis
Risk Monitoring	- Audit Findings Action Tracking
	- Key Risk Indicator reporting
	- Non Financial 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.

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 RBI.

10. Interest Rate Risk (IRR) in the banking book

Changes in interest rates affect a Bank's earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. For the purpose of monitoring and management, interest rate risk is separated into four sources: re-pricing risk, yield curve risk, basis risk, and optionality.

Identification, measurement, mitigation, monitoring and governance of IRR are prescribed in and followed as per the directions in the Market Risk Measurement Policy and the Investment Policy.

Interest rate risk arising due to re-pricing of those assets and liabilities which do not have a maturity date (e.g. Current 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 deposit 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.

Market risk manages the interest rate risk of the banking books by pro-actively and periodically employing the tools as mentioned above. Managing and monitoring the interest rate risk exposure arising out of normal business activity is executed within the following risk limits / framework:

- Mismatch per bucket (cumulative and normal gap limits);
- Earnings at Risk limit;
- VaR limit for ALM book and fraction VaR limit for the Capital book;
- Event risk limit; and
- Duration mismatch.

The type and level of structural and mismatch interest rate risk of the Bank is managed and monitored from two perspectives, being an economic value perspective and an earnings perspective.

Economic Value perspective involves analyzing the impact of changes in interest rates on expected cash flows on assets, minus the expected cash out-flows on liabilities, plus the net cash flows of off-balance sheet items.

Earning perspective involves analyzing the impact of changes in interest rates on accruals or reported earnings in the following year. This is measured by Net Interest Income (NII) or Net Interest Margin (NIM).

The Bank combines both methodologies to analyze both effects simultaneously.

Earnings impact perspective

(Original Currency in Crores as of 31 March 2012)

	TOTAL (INR)	INR	EUR	USD	GBP	JPY
EaR -100 bps parallel (year 1)	(33.67)	(42.36)	0.113	0.018	0.001	0.000
EaR - 100 bps parallel (year 2)	(26.84)	(28.2)	0.002	0.023	0.001	0.000
EaR - 100 bps parallel (year 3)	(33.1)	(33.98)	0.002	0.015	0.000	0.000

Foreign currency numbers have been rounded off to nearest decimal

Economic Value perspective

(INR in Crores as of 31 March 2012)

NPV Impact	Total	INR	EUR	USD	GBP	JPY
+ 50 bps	(89.04)	(93.45)	0.01	0.06	0.00	(0.00)
+100 bps	(178.08)	(186.90)	0.01	0.12	0.00	(0.00)

Foreign currency numbers converted to INR have been rounded off to nearest decimal



ING VYSYA BANK

Regd. & Corporate Office, 'ING VYSYA House', No. 22, M. G. Road, Bangalore 560 001, India.
www.ingvysyabank.com

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	: Friday, 29 June 2012
Time	: 11.00 A.M.

NOTICE

Notice is hereby given that the 81st 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 Friday, 29 June 2012, at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31 March 2012, 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 March 2012.
3. To appoint a Director in place of Mr. Vaughn Nigel Richtor who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Santosh Ramesh Desai who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Peter Henri Maria Staal who retires by rotation and being eligible, offers himself for re-appointment.
6. 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 applicable provisions of the Companies Act, 1956 and of the Banking Regulation Act, 1949, M/s. BSR & Co., Chartered Accountants, (Firm Registration No. 101248W), be and are hereby re-appointed as Statutory Auditors of the Bank for the financial year 2012-13, in terms of approval of the Reserve Bank of India, vide its letter No. DBS.ARS.No14607/08.30.005/2011-12 dated 22 May 2012 under Section 30(1A) of the Banking Regulation Act, 1949, to hold office from the conclusion of the 81st Annual General Meeting till the conclusion of the next Annual General Meeting of the Bank under Section 224(1) of the Companies Act, 1956, on a remuneration (including the terms of payment) to be fixed by the Board of Directors of the Bank, based on the recommendation of the Audit Committee, plus service tax and such other tax(es), as may be applicable, and re-imbursement of out-of-pocket expenses as may be agreed to by the said Board in connection with the audit of the accounts of the Bank for the year ending 31 March 2013.

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 are hereby authorized to appoint branch auditors, as and when required, in consultation with the statutory auditors, to audit the accounts of the Bank's branches/ offices for the year ending 31 March 2013 and to fix their remuneration (including the 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 as may be agreed to by the said Board in connection with the said audit."



SPECIAL BUSINESS

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

“RESOLVED THAT Mr. Lars Kramer, whose term of office is up to the date of this AGM by virtue of the fact that he was appointed in the casual vacancy arising out of resignation of Mr. Wilfred Nagel who would have held the office as Director till the date of this AGM, be and is hereby appointed as a Director subject to retirement by rotation”

By Order of the Board

Place : Bangalore

Date : 22 May 2012

M V S Appa Rao

Company Secretary

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, 16 June 2012 to Friday, 29 June 2012 (both days inclusive).

Dividend for the year ended 31 March 2012, if declared at the Meeting, will be paid on and from Friday, 29 June 2012 but not beyond Thursday, 28 July 2012:

- (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, 15 June 2012 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, 15 June 2012; 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, 15 June 2012.

In terms of the directive of Securities and Exchange Board of India (SEBI), 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 April 2012 to 15 June 2012 including equity shares allotted under the ING Vysya Bank Employees Stock Option Schemes (ESOS) and members whose name is appearing in the Register of Members as on the date of commencement of Book Closure i.e. on 16 June 2012, 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 March 2012, 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 year ended up to 31 March 2004 has been transferred, and no unclaimed and unpaid dividend is required to be transferred to the IEPF for the financial year ended 31 March 2005 as no dividend was declared for the financial year 2004-05.

Members who have not yet encashed their dividend warrant(s) for any subsequent financial year(s) 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 as per 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 when made by DPs 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 it by visiting the Bank's website, under the section 'Information to Shareholders' (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).
8. Legal heirs of deceased Shareholders (who were members as on record date i.e. 28 February 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 Bank has sent an e-mail communication on 18 May 2011 to all the shareholders who have registered their e-mail address to support the "Green Initiative in Corporate Governance" taken by the Ministry of Corporate Affairs to receive all communications from the Bank including Annual Report in electronic mode. We request all the shareholders to register their e-mail address with our R & T Agents and with your DP if not already done, at an early date, to be part of this green initiative.
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.
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 : 22 May 2012

M V S Appa Rao
Company Secretary



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

ITEM NO. 7

Mr. Lars Kramer was appointed by the Board under Section 262 of the Companies Act, 1956, as a Director in a Casual Vacancy caused by the resignation of Mr. Wilfred Nagel, effective 28 April 2010 to hold office up to the date of the 81st Annual General Meeting of the Bank, whereby the original director would have held the office, if he had not vacated as aforesaid. The Bank has received a notice from a member under Section 257 of the Companies Act, 1956 in respect of Mr. Lars Kramer proposing his appointment as a Director of the Bank, along with the requisite deposit.

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

It is now proposed to appoint Mr. Lars Kramer as a Director of the Bank, liable to retire by rotation.

None of the Directors, except Mr. Lars Kramer, is, either directly or indirectly, concerned or interested in this resolution. However, Messrs Vaughn Nigel Richtor, Richard Cox, Peter Henri Maria Staal and Mark Edwin Newman being in the employment of ING and Mr. Meleveetil Damodaran acting as an 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.

Annexure to Notice dated 22 May 2012

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. Vaughn Nigel Richtor

Mr. Vaughn Nigel Richtor (age: 56) was appointed as an Additional Director on the Board effective 01 June 2009. Shareholders appointed him as a Director at the 78th AGM.

Mr. Vaughn Nigel Richtor holds a First class (Honours) Bachelor's Degree in Business Studies from London South Bank, and Diploma in Corporate Finance from London Business School. He was the Managing Director and Chief Executive Officer of the Bank with effect from 7 February 2006 and on expiry of his initial tenure of 3 years, RBI accorded its approval for extension of his tenure as Managing Director and CEO of the Bank for a period of two months effective 07 February 2009. Upon completion of his initial tenure and two months extension on 06 April 2009, he also ceased to be a Director as his directorship was co-terminus with his term as Managing Director and CEO. Mr. Vaughn Nigel Richtor is currently the CEO, Banking Asia, ING Bank N.V. and member of ING Bank Senior Leadership Team.

Mr. Vaughn Nigel Richtor started his career as Business Analyst at SKF, UK, subsequent to which he worked in Rank Xerox Limited as Senior Treasury Dealer/ Assistant Treasurer and Treasury Analyst. He has also worked in Sedgwick Group as an Assistant Treasurer, International. Further, he has worked in ABN Bank, UK / ABN AMRO, as Head of Special Projects/ Head of Corporate and Commercial Banking. During his association with ING Group since 1991, he had held positions of Chief Executive Officer of ING Bank (Australia); General Manager, International and Corporate Banking at ING Mercantile Mutual Bank, Deputy General Manager and Head of Corporate Banking at ING Bank (UK), General Manager at ING Bank (Dublin) and Head of Corporate Banking at ING Bank (UK).

His areas of expertise include Banking, Economics, Marketing, Risk Management, Strategic Planning, Treasury Operations and Agriculture & Rural Economy.



Mr. Vaughn Nigel Richtor did not hold any shares of the Bank as on 31 March 2012.

Directorships of other Companies: Nil

Committee Membership in other Companies: Nil

(2) Santosh Ramesh Desai

Mr. Santosh Ramesh Desai (age: 49) was appointed as an Additional Director on the Board effective 29 April 2008. Shareholders appointed him as a Director at the 79th AGM.

Mr. Santosh Ramesh Desai is currently the Managing Director and CEO of Future Brands Ltd. Before taking up this assignment, he was the President of McCann-Erickson, one of India's premier advertising agencies. He did his MBA from IIM Ahmedabad and also has an Economics Degree from M.S. University, Vadodara. He has spent 21 years in Advertising and has been strategically involved in building key brands for a range of local and multinational clients.

His principal area of interest lies in studying the relationship between culture and brands. In this context, he has been responsible for initiating projects that seek a fundamental understanding of the Indian consumer as a product of his/ her cultural context. He has conducted workshops on a broad range of subjects in marketing and teaches at several educational Institutions. He writes regularly on contemporary Indian society and on subjects related to Marketing in leading business and general interest publications.

His areas of expertise include Marketing, Branding and Strategic Planning.

Mr. Santosh Ramesh Desai holds 550 shares of the Bank as on 31 March 2012.

Directorships of other Companies:

- Future Brands Limited
- Future Consumer Products Limited
- Amar Chitra Katha Pvt. Ltd.
- Mumbai Business School

Committee Memberships in other Companies: Nil

(3) Peter Henri Maria Staal

Mr. Peter Henri Maria Staal (age: 46) was appointed as an Additional Director on the Board effective 21 January 2010. Shareholders appointed him as a Director at the 79th AGM.

Mr. Peter Henri Maria Staal is Country CEO, ING Bank in Spain, leading the Retail and Wholesale Banking business in the country.

Mr. Peter Henri Maria Staal has more than 20 years of Banking experience. He started his career in Amro Bank in March 1990 and joined ING Bank in February 1992. He has held senior positions as Head of Power Finance, Director - ING Barings, Global Head of Credit Risk Restructuring – ING Barings, Managing Director and Head of Corporate Credit Risk and Managing Director and Head of Credit Risk, Asia, and General Manager CCRM, Head of Credit Risk, ING Group reporting to Chief Risk Officer from March 2005 till January 2010. From there and until 01 March 2012, he held the position of Head of Banking Asia, America and UK, responsible for international operations of ING in Wholesale Banking in these regions and for the ING shareholdings in notably Asian universal banking operations in India, Thailand and China. He was also the Director of our Bank from October 2003 to September 2005.



He has rich experience in the areas of Corporate Credit Risk Management especially in Wholesale and Retail Banking, Structured Finance, Portfolio setting in notably Retail, Credit Risk Reporting (Infrastructure), Modelling (Basel and Economic Capital) and Research (scenario – analysis).

His areas of expertise include Agriculture and Rural Economy, Banking, Finance, Economics, Risk Management, Strategic Planning, Treasury Operations and Credit Recovery.

Mr. Peter Henri Maria Staal did not hold any shares of the Bank as on 31 March 2012.

Directorships of other Companies: Nil

Committee Memberships in other Companies: Nil

(4) Mr. Lars Kramer

Mr. Lars Kramer (age: 44) was appointed as a Director on the Board effective 28 April 2010, as a result of the casual agency caused by the resignation of Mr. Wilfred Nagel to hold office upto the date of the 81st AGM.

Mr. Lars Kramer is a Chartered Accountant (SA) and obtained his Masters of Business Administration (MBA) Finance Stream (INSEAD affiliated) from Graduate School of Business (UCT). He did his Post Graduate Diploma in Accounting from University of Cape Town and Bachelor of Accounting Sciences (Bcompt) from University of South Africa.

Before joining ING Bank N.V., he worked for about 11 years with companies like Coopers & Lybrand, Swiss Bank Corporation, Hambros Bank and Credit Suisse First Boston.

Mr. Lars Kramer joined ING Bank N.V. in 1998 as Regional Head of Asian Equity Derivatives Product Control located in Hong Kong. In 2000 he took over as Regional Head of Business Aligned Finance and in March 2003 he became Deputy-CFO for the Asia Region. He held the position of CFO of the Asia Region from May 2003 to April 2008. He was on the Board of our Bank from 17 October 2003 to 01 May 2008.

He was CFO for ING Direct N.V. and ING's Retail Banking International division from May 2008 to April 2012. He has recently been appointed as CFO for ING's Commercial Banking division with effect from May 2012.

His areas of expertise include Accountancy, Banking, Economics, Finance and Strategic Planning.

Mr. Lars Kramer did not hold any shares of the Bank as on 31 March 2012.

Directorships of other Companies: Nil

Committee Memberships in other Companies: Nil



INVITATION TO PARTICIPATE IN THE 'GREEN INITIATIVE'

Dear Shareholders,

We gratefully acknowledge those shareholders who have participated in our 'Green Initiative' advised by the Ministry of Corporate Affairs (MCA) and have received our communications, primarily 80th Annual General Meeting (AGM) Notice and Annual Report 2010-11, electronically through their e-mail address.

It is encouraging to see more and more shareholders are expressing their desire to participate in this initiative. We also invite all other shareholders to register their e-mail id with their Depository Participants (DP) in case shares are held in demat mode and with our Registrars and Share Transfer Agents, Karvy Computershare Private Limited in case shares are held in physical mode.

Many shareholders have already been enjoying the benefits of electronic credit of dividend directly to their Bank account as the mode of receiving dividend through dividend warrant suffers from the following limitations:

1. There may be delay in delivering the warrant by the postal authorities/ courier agency or the warrant may get lost in transit. There may also be delay in collection by your banker when you deposit the warrant.
2. There is a possibility of fraudulent encashment of the warrant.
3. The validity of the warrant is only three months. In our busy life, we tend to postpone deposit of the warrant and end up requesting for revalidation once initial validity period is over. We very often receive such requests for re-validation.

If you are holding shares in demat mode and have already opted for electronic mode for dividend payment but continue to get the dividend warrant instead of direct credit to your account, it may be due to some error in your bank details available with your DP.

The inconsistency in the Bank Account Details with your DP may be on account of the following:

1. The Bank Account details might not have been given to your DP at the time of opening the demat account.
2. The existing bank account details furnished to the DP may be incorrect, incomplete or outdated.
3. You may have discontinued your existing bank account and opened a new account with another bank and the new bank details might not have been updated with your DP.

In all the above cases, we send the dividend only through physical mode – dividend warrants which has all the aforesaid limitations. If you receive dividend warrants in spite of the fact that you are a shareholder holding demat shares, we request you to check with your DP and update your current Bank name & address, savings account number and MICR no. of the branch.

If you are holding shares in Physical mode, please fill up the Electronic Clearing Service (ECS) application form on the next page for receiving direct credit of dividend to your bank account and send it to our Registrars and Share Transfer Agents - Karvy Computershare Private Limited, Unit-ING Vysya Bank Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

We thank you in anticipation of your whole-hearted participation in the 'Green Initiative' by choosing communications through e-mail id and electronic credit of dividend.

We appreciate your contribution in saving our environment!

With Best Regards,

M V S Appa Rao
Corporate Secretary



REQUEST FOR REGISTRATION OF E-MAIL ID FOR RECEIVING COMMUNICATIONS IN ELECTRONIC FORM
(For shares held in physical form)

To
Karvy Computershare Pvt. Ltd.,
Unit : ING Vysya Bank Ltd.,
Plot No. 17 - 24, Vittal Rao Nagar,
Madhapur,
Hyderabad – 500 081.

Date:

Please register my e-mail id, as per the details given below, for receiving future communications including Notice/ Annual Report in the electronic form.

Company Name	ING Vysya Bank Ltd
Folio No.	
Name (1 st / Sole holder)	
E-mail Id	
Signature of the shareholder	



ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORM
(For shares held in physical form)

To
The Manager,
Karvy Computershare Pvt. Ltd,
Unit: ING VYSYA BANK
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081.

Registered Folio No.:

I hereby give my mandate to credit my dividend on the shares held by me with respect to aforesaid folio number direct to my bank account through Electronic Clearing Service (ECS) . The details of the bank account are given below:

Particulars of Bank Account:

1. Bank Name :
2. Branch Name & Address :
3. 9 Digit Code number of the Bank &
Branch name appearing on the MICR cheque :
4. Account type (Savings/ Current) :
5. Account No. as appearing on the cheque book :

(Please attach a blank "cancelled" cheque or photocopy thereof or a certificate from Bank)

Signature of the sole/ first holder
(as per the specimen registered with the Company)

Name :
Address :

(As address proof, I am attaching herewith a copy of any of the following documents viz. Passport copy, Voters ID, Driving Licence, Front page of bank Passbook or Ration Card)

Place:

Date:

(Please tear along the dotted line)





ING VYSYA BANK LIMITED - 81st AGM

ATTENDANCE SLIP

Sl. No. :
Folio / Id No. :
Name :
No. of Shares :

This slip is to be
handed over at the
Registration Counter

Signature of the Member / Proxy



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

ADMISSION SLIP

81st ANNUAL GENERAL MEETING
FRIDAY, 29-JUN- 2012
AT 11.00 A.M.
AT THE AUDITORIUM
'ING VYSYA HOUSE',
NO. 22, M.G. ROAD,
BANGALORE - 560 001.

Folio / Id No. :

No. of Shares :

This slip is to be shown at the entrance of the meeting hall and also retained till the end of the meeting.
I hereby register my presence at the meeting.

Name of the Member / Proxy

Signature of the Member / Proxy



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

PROXY FORM

Folio / Id No. :
No. of Shares :

I/We _____ of
_____ in the district of _____ being member(s) of ING VYSYA BANK LIMITED
hereby appoint _____ of
_____ or failing him _____ of _____
as my / our proxy to vote for me / us and on my / our behalf at the 81st Annual General Meeting of the Bank to be held at
11.00 A.M. on Friday, 29-Jun- 2012 and at any adjournment thereof.

FOR OFFICE USE ONLY

PROXY No.	DATE OF RECEIPT

THE PROXY, IN ORDER TO BE EFFECTIVE, SHOULD BE DULY STAMPED, COMPLETED AND SIGNED BY A MEMBER AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE BANK AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING i.e. 11.00 A.M. ON WEDNESDAY, 27-JUN-2012.

SIGNATURE _____

AFFIX
₹ 1/-
REVENUE
STAMP

Signed this _____ day of _____ 2012