

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



## Ten years at a glance

(All Figures in Rs. Crore except as stated otherwise)

Year	Deposits and Accounts	Total Advances	Investments	Gross Earnings	Net Profits	Paid up Capital	Reserves	Dividend (%)	No. of Employees	No. of Branches	No. of Extension Counters
2001-02	8068.28	4418.33	3597.20	1203.93	68.75	22.62	663.72	35	5647	380	96
2002-03	9186.62	5611.61	3640.54	1262.83	86.35	22.62	684.35	40	5334	379	64
2003-04	10478.07	6936.73	4085.24	1287.41	59.00	22.65	724.67	50	4959	373	61
2004-05	12569.31	9080.59	4195.89	1113.25	(38.18)	22.71	686.69	Nil	4963	370	56
2005-06	13335.26	10231.53	4372.34	1412.75	9.06	90.72	928.95	Nil	5312	377	56
2006-07	15418.59	11976.17	4527.81	1595.69	88.91	90.90	1012.38	6.5	5341	400	40
2007-08	20498.06	14649.55	6293.22	2099.01	156.93	102.47	1433.18	15	5852	407	39
2008-09	24889.92	16750.93	10495.54	2787.56	188.78	102.60	1600.29	20	6227	455	37
2009-10	25865.30	18507.19	10472.92	2853.11	242.22	119.97	2210.95	25	6249	482	13
2010-11	30194.25	23602.14	11020.67	3349.02	318.65	120.99	2503.30	30*	7041	511	13

\* Subject to approval of shareholders



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

Venue	:	The Auditorium, "ING Vysya House", No. 22, M G Road, Bangalore - 560 001
Day/Date	:	Wednesday, 07-Sep-2011
Time	:	11.00 A.M.

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## BOARD OF DIRECTORS

Arun Thiagarajan  
Chairman (from 09-Aug-2010)

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

Shailendra Bhandari  
Managing Director and CEO

## OTHER DIRECTORS

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

## CORPORATE SECRETARY

M V S Appa Rao

## STATUTORY AUDITORS

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

## ING VYSYA BANK LIMITED

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

## REGISTRARS & SHARE TRANSFER (R&T) AGENTS

### Karvy Computershare Private Limited

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



## SENIOR MANAGEMENT TEAM

Shailendra Bhandari  
Managing Director & CEO

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

Janak Desai  
Country Head – Wholesale Banking

Jayant Mehrotra  
Chief Financial Officer

Jan Van Wellen  
Chief Risk Officer

Meenakshi A  
Head – Operations

Manjunatha M S R  
Chief Audit Executive

Prasad C V G  
Chief Information Officer

Prasad J M  
Chief – Human Resources

Samir Bimal  
Country Head – Private Banking

Uday Sareen  
Country Head – Retail Banking

M V S Appa Rao  
Corporate Secretary

## DIRECTORS' REPORT

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

### Financial and Business Performance

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

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

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

### Paid up-capital and Capital Adequacy Ratio

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

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

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

### Appropriation of Profits and Dividend

In compliance with the requirement under the Banking Regulation Act, 1949 and the guidelines issued thereunder by the RBI, the Directors propose to transfer Rs.79.66 Crore (previous year Rs. 60.55 Crore) to Statutory Reserve and Rs.7.56 Crore (previous year Rs. 7.02 Crore) to Capital Reserve for the year ended 31 March 2011. Further, Directors also propose to transfer an amount of Rs. 11.00 Crore from Investment Reserve for the year ended 31 March 2011 as against transfer of Rs. 0.87 Crore to Investment Reserve during the previous year.

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

The dividend recommended, on approval would be paid to all those shareholders whose names appear as Beneficial Owners as at the end of 12-Aug-2011 as per the list to be furnished by Depositories (viz., NSDL and CDSL) in respect of the shares held in electronic form and those shareholders whose names appear in the Register of Members of the Bank as members after giving effect to all valid transfers of shares in physical form which will be lodged with the Bank on or before 12-Aug-2011.

### Consolidated Financial Statements

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

### Employee Stock Option Scheme

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

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

The eligible employees were vested with 23,17,403 options under ESOS 2007 and 4,625 options under ESOS 2005.

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

## DIRECTORS' REPORT

### Capital Raising

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

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

### Statutory Disclosures

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

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

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

### Subsidiaries

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

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

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

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

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

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

### Directors

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

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

### Part-time Chairman

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

## DIRECTORS' REPORT

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

### Retirement of Directors by rotation

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

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

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

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

### Auditors

The Statutory Auditors viz. M/s. S R Batliboi & Co., Chartered Accountants, who were first appointed as auditors of the Bank at the 76th Annual General Meeting (AGM) held on 28-Jun-2007 and re-appointed at the successive AGMs thereafter would be retiring at the conclusion of the forthcoming AGM. They have been the Statutory Auditors for four consecutive years, which is the maximum term for Statutory Auditors of banking companies as per the directives issued by the Reserve Bank of India.

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

### Other Reports

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

### Directors' Responsibility Statement

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that they had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for the year under review;
- (iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (iv) that they had prepared the accounts for the financial year ended 31-Mar-2011 on a going concern basis.

### Acknowledgements

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

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

For and on behalf of the Board

Place : Bangalore  
Date : 18-Jul-2011

Arun Thiagarajan  
Chairman

## ANNEXURE - I TO DIRECTORS' REPORT

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

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

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

Particulars	2010-2011	2009-10
Mr. Ashok Rao B	40,000	30,000
Mr. Janak Desai	55,000	90,000
Mr. Jan Van Wellen	-	-
Mr. Jayant Mehrotra	50,000	125,000
Mr. Manjunatha M S R	50,000	-
Ms. Meenakshi A	35,000	25,000
Mr. Prasad C V G	25,000	25,000
Mr. Prasad J M	40,000	30,000
Mr. Samir Bimal	37,500	35,000
Mr. Shailendra Bhandari	700,000	-
Mr. Uday Sareen	65,000	62,110
Mr. Appa Rao M V S	-	10,000
Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during the year.	Nil	Nil
Identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (exclude outstanding warrants and conversions) of the company at the time of grant.	Nil	Nil

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



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### MACRO ECONOMIC AND BANKING INDUSTRY DEVELOPMENTS

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

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

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

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

### BANKING INDUSTRY DEVELOPMENT

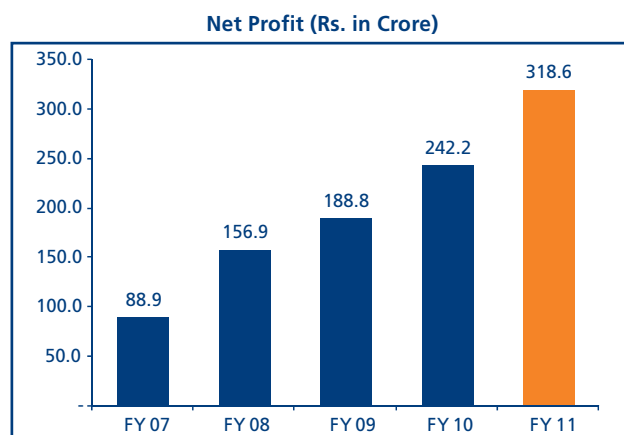
In financial year 2010-11, the repo and the reverse repo rates have been raised by 175 basis points and 225 basis points, respectively in a calibrated manner, as part of the normalization of policy. The increase in Cash Reserve Ratio (CRR) in February and April 2010 contributed to the gradual tightening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

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

### OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE

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

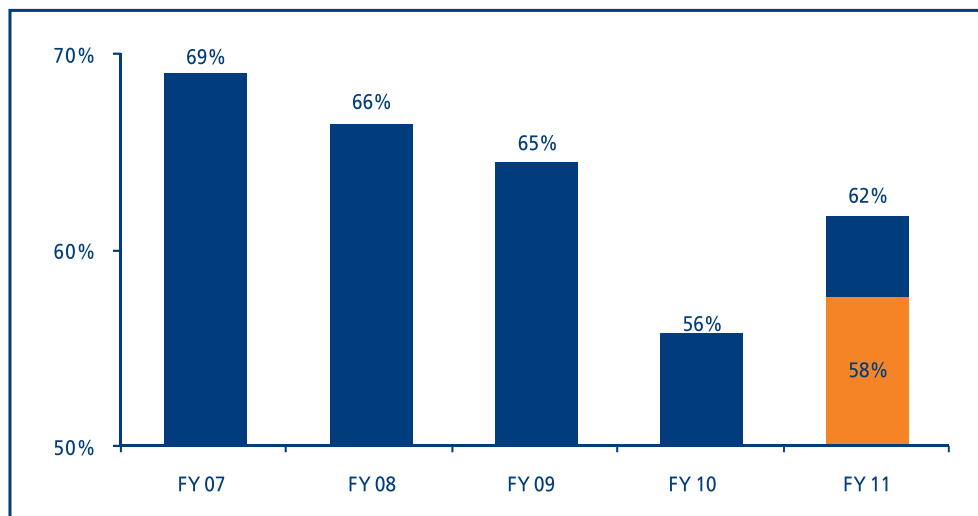
The Bank recorded a net Profit After Tax (PAT) of Rs. 319 Crore for the year 2010-11, an increase of 32% from Rs.242 Crore reported in the previous year.



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

Cost to Income Ratio



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

Return on Average Assets

