

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

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.

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

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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.

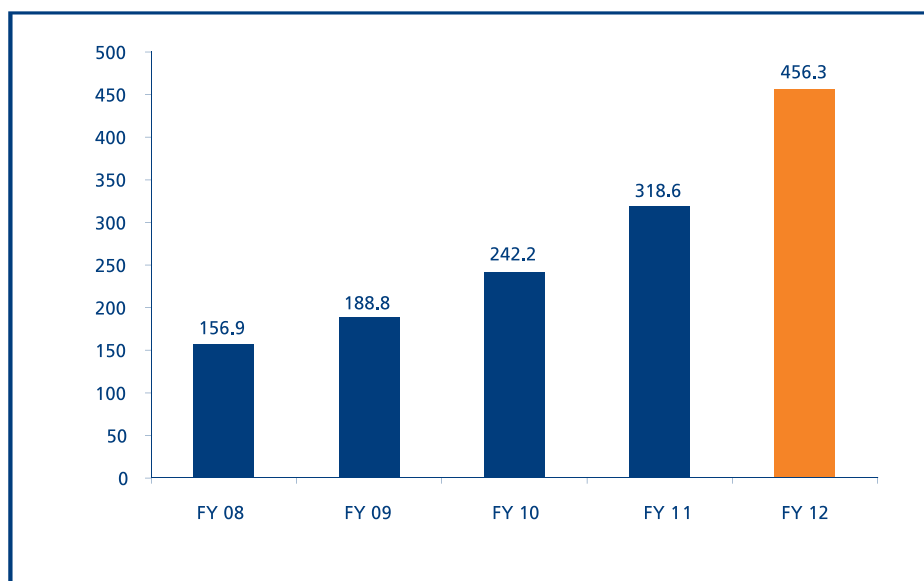
OVERVIEW OF FINANCIAL AND BUSINESS PERFORMANCE

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

