

BASEL II PILLAR 3 DISCLOSURES – 30th SEPTEMBER 2010

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BASEL II PILLAR 3 DISCLOSURES – 30th SEPTEMBER 2010

1. Scope of application

ING Vysya Bank is the controlling entity for the group, which includes its wholly owned subsidiary ING Vysya Financial services Limited (IVFSL). IVFSL is engaged in touch point verification for liability products on behalf of the Bank. The consolidation with the subsidiary ING Vysya Financial Services Limited is as per Accounting Standard 21 (AS-21). While computing the consolidated Bank’s Capital to Risk Weighted Assets Ratio (CRAR), the Bank’s investment in the equity capital of the wholly owned subsidiary is deducted 50% from Tier 1 capital and 50% from Tier 2 capital. The subsidiary of the Bank is not required to maintain any regulatory capital. The Bank has no interest in any insurance entity.

2. Capital Structure

The authorized share capital of the Bank is Rs.450 Crore consisting of 35 Crore equity shares of Rs.10/- each and 10 Crore preference shares of Rs.10/- each. As of 30 September 2010, the issued capital stood at Rs.120.77 Crore consisting of 12.077 Crore of equity shares of Rs.10/- each. The subscribed and called up share capital is Rs.120.45 Crore consisting of 12.045 Crore equity shares of Rs. 10/- each. The equity share capital of the Bank is as per the provisions of the Companies Act, 1956 and any other applicable laws or regulations.

The debt capital of the Bank includes perpetual debt that qualifies as Tier 1 capital and subordinated and upper tier 2 debt that qualifies for inclusion as Tier 2 capital. The tier 1 perpetual bonds are non-cumulative and perpetual in nature and carry a call option after 10 years with an interest step up of 100 bps. The interest on these bonds is payable quarterly. The Upper tier 2 bonds are cumulative in nature with an original maturity of 15 years and a call option after 10 years. There is an interest step up option after 10 years of 100 bps. The interest on these bonds is payable quarterly. The Lower tier 2 bonds are cumulative and have an original maturity between 9-10 years. The interest on these bonds is payable annually

The repayment of principal and payment of interest on all the types of bonds mentioned above are as per the RBI regulations issued in this regard.

Capital Funds

(Rs. in Crore)

Tier I Capital	2150.84
Total Capital Funds	3090.86
Tier I Capital	
Paid-up Capital	120.45
Reserves and Surplus	2098.79
Innovative Perpetual Debt Instruments	112.40
Total Tier I Capital (Unadjusted)	2331.64

<u>Deductions</u>	
Investments in Subsidiaries	1.05
Deferred Tax Asset	165.69
Other Intangible Assets	14.06
Total Deductions	<u>180.80</u>
Total Tier I Capital (Adjusted)	2150.84
Less: Liquidity and credit spread adjustment	-
Tier I Capital	2150.84
Tier II Capital	940.02
Upper Tier II Bonds	338.95
Subordinated Debt eligible for Lower II	442.00
Revaluation Reserves	48.31
General Provisions and loss Reserves (Provision towards Standard Assets)	100.81
Others	11.00
Total Tier II Capital (Unadjusted)	941.07
<u>Deductions</u>	
Investments in Subsidiaries	1.05
Total Deductions	1.05
Total Tier II Capital (Adjusted)	940.02
Tier I & Tier II Capital	3090.86
Total Risk Weighted Assets	22898.33
Capital Adequacy Ratio of the Bank – Total	13.50%
Capital Adequacy Ratio of the Bank - Tier I	9.39%

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

(Rs. in Crore)

	Tier 1	Upper Tier 2	Lower Tier 2
Total amount outstanding as at 30 September 2010 – INR and Foreign currency	112.40 (JPY 2.09 bin)	338.95 (JPY 6.31 bin)	600.00
Amount raised during the year – INR and Foreign currency	Nil	Nil	Nil
Amount eligible to be reckoned as capital funds - INR	112.40	338.95	442.00

Note: Foreign Currency amounts are reported in INR at the forex rate as at 30 September 2010.

3. Capital adequacy

Summary of the Bank's capital requirement as at 30 September 2010 is presented below:

	Capital requirements for Risk Types	Capital Amount (In Rs. Crore)
A	Capital requirements for Credit Risk	
	Portfolios subject to standardized approach	1826.03
	- Of which Securitization exposures	1.72
B	Capital requirements for Market Risk	
	Standardized duration approach	59.24
	Interest rate risk	43.05
	Foreign exchange risk (including gold)	13.50
	Equity risk	2.70
	Credit Spread Adjustment and Liquidity Adjustment	-
C	Capital requirements for Operational Risk	
	Basic Indicator approach	175.57
	Capital Adequacy Ratio of the Bank – Total	13.50%
	Capital Adequacy Ratio of the Bank - Tier I	9.39%

4. Credit risk – General disclosures

Credit risk exposure

Gross Credit Risk / Exposures as on 30-09-10	Rs. in Crore
Fund based exposure	31,129.90
Non- Fund based exposure	8,492.97
Total	39,622.87

Note:

1. Fund based exposures include Funded Advances outstanding of Rs. 20,241.59 cr, Investments of Rs.- 10,242.53 cr. and balances with Banks – Rs. 645.77 cr
2. Non fund based exposures include Letter of Credit & Bank Guarantees of Rs. 5719.87 cr and LEF for derivatives of Rs.2773 cr..
3. The above numbers excludes Cash in hand, balances with RBI, other assets and fixed assets, although they have been reckoned as exposures and capital maintained for the same.

Distribution of credit risk exposure by Industry type

(Rs. in Crore)

Industry classification	Total Fund based advances (excluding investments)
Agri and allied activities	1700.07
Industry – Micro, Small, Medium & Large	6759.19
Services	2094.83
Trade	2447.51
Commercial Real Estate	845.56
NBFC	1512.26
Consumer Finance	4546.21
Others	335.96
Total	20,241.59

The Bank has exposures in the domestic segment only.

Residual contractual maturity breakdown of assets

Rs. In Crores

Maturity Bucket	Cash and Balances with Banks	Investments	Advances	Other Assets including Fixed Assets
1- 14 days	1,486.20	1,468.51	3,829.79	11.80
15 to 28 days	158.32	680.06	1,423.08	30.50
29 days to 3 months	358.19	1,700.01	2,152.35	65.03
Over 3 months and up to 6 months	184.64	827.92	1,571.93	92.54
Over 6 months and up to 1 year	274.85	1,399.16	2,062.37	430.29
Over 1 year and up to 3 years	143.75	1,393.65	4,722.58	390.82
Over 3 years and up to 5 years	186.24	1,290.78	1,125.23	284.13
Over 5 years	147.45	1,482.44	3,354.26	625.14
Total	2,939.64	10,242.53	20,241.59	1,930.25

Movement of NPAs and Provision for NPAs

Amount of NPAs (Gross)

(Rs. in crs)

	30.09.2010	31.03.2010
Substandard	212.16	221.80
Doubtful 1	158.33	149.47
Doubtful 2	91.25	56.40
Doubtful 3	13.77	18.02
Loss	125.96	111.51
Gross NPA	601.47	557.20

Net NPAs:

(Rs. in crs)

	30.09.2010	31.03.2010
NET NPA	163.89	221.83

NPA Ratios:

	30.09.2010	31.03.2010
Gross NPAs to gross advances	2.91%	2.96%
Net NPAs to net advances	0.81%	1.20%

Movement of NPAs (Gross)

(Rs. in crs)

	30.09.2010	31.03.2010*
Opening bal.	557.20	313.20
(+) Additions	157.72	410.03
(-) Reductions	113.45	166.03
Closing bal.	601.47	557.20

Movement of provisions for NPAs

(Rs. in crs)

	30.09.2010	31.03.2010*
Opening bal	322.69	103.81
(+) Provisions made during the period	112.00	229.63
(-) Write-off	27.17	10.75
(-) Write-back of excess provisions	0.00	0.00
Closing bal	407.52	322.69

**In respect of Mar 10, position is year-on-year while for Sep it is half yearly position*

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

Amount of Non-Performing Investments: Nil

Amount of provisions held for non-performing investments: Nil

Movement of provisions for depreciation on investments

	(Rs.in crs.)	
	30.09.2010	31.03.2010
Opening balance	4.12	5.88
(+) Provisions made during the period	-0.56	-
(-) Write-off/Write-back of excess provisions	-	1.76
Closing bal.as on 31.03	3.56	4.12

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

Details of Gross credit exposure based on Risk Weight

Risk bucket	Amount outstanding (Rs. Crore) as on 30-09-10
Below 100% risk weight	24904.54
100% risk weight	12707.38
More than 100% risk weight	2010.95
Deducted	2.10

Note:

1. The above excludes exposure to Other assets and Fixed assets.

2. In respect of derivatives LEF amount has been taken of Rs. 2773 cr.

- (1) For each separately disclosed credit risk portfolio, the total exposure (after where applicable on- or off-balance sheet netting) that is covered by eligible financial collateral after the application of haircuts = **INR 813.13 cr**
- (2) For each separately disclosed credit risk portfolio, the total exposure (after where applicable on- or off-balance sheet netting) that is covered by guarantees / credit derivatives (where specifically permitted by RBI) = **INR 1772.12 cr**.

* exposure in case of non-fund based refers to outstanding adjusted for Credit Conversion factor.

6. Securitization: Disclosure for Standardized Approach

In respect of securitization transactions, the bank’s role is limited as an investor. The outstanding book value of securitized exposure as on 30 September’10 was Rs 95.73 Crores (with the highest credit quality “AAA”). The Bank monitors market risk on the securitization exposures mainly through daily calculation of mark to market and Value at Risk measures.

Quantitative Disclosures – Banking book

- a) Aggregate amount of securitization exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach

Risk Type	In Cr.
Exposure	95.73
Rating	AAA
RWA	18.96
Capital Charge	1.71

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 I/Os 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 30th September 2010

(Rs. in Crore)

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

c) Aggregate amount of securitization exposures retained or purchased separately for:

- Securitization exposures retained or purchased subject to Comprehensive Risk Measure for specific risk; and

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

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

(Rs. in Crore)

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

7. Market risk in trading book

Capital requirements for Market Risk

(Rs. in Crore as of 30 Sep 2010)

<u>Interest Rate (a+b)</u>	<u>43.05</u>
a. General Market Risk	40.61
b. Specific Risk	2.43
<u>Equity(a+b)</u>	<u>2.70</u>
a. General Market Risk	1.35
b. Specific Risk	1.35
<u>Foreign Exchange and Gold</u>	<u>13.50</u>
Total Capital Charge for Market Risk	59.24
RWA for market risks	658.27

8. Interest Rate Risk (IRR) in the banking book

Earnings impact perspective

(Org cur in mln as of 30-Sep-10)

	TOTAL (INR)	INR	EUR	USD	GBP	JPY
Net Interest Income year 1						
EaR +100 bps parallel (ramped)	(2.9)	(16.2)	0.1	0.2	0.0	0.0
Net Interest Income year 2						
EaR +100 bps parallel (ramped)	(75.8)	(119.9)	0.5	0.3	0.0	0.0
Net Interest Income year 3						
EaR +100 bps parallel (ramped)	(118.8)	(158.9)	0.5	0.2	0.0	0.0

Economic value perspective

(INR in mln as of 30-Sep-10)

NPV Impact	Total	INR	EUR	USD	GBP	JPY
+ 50 bps	(723.4)	(740.7)	5.2	10.7	1.4	0.0
+100 bps	(1446.7)	(1481.3)	10.5	21.5	2.7	0.0