

**BASEL II PILLAR 3 DISCLOSURES – 30<sup>th</sup> September 2011**

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**BASEL II PILLAR 3 DISCLOSURES – 30<sup>th</sup> September 2011**

**1. Scope of application**

ING Vysya Bank is a Commercial Bank, originally incorporated on March 29, 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 Nov1, 2002. ING Vysya Financial services Limited (IVFSL) is the wholly owned subsidiary of IVBL. IVFSL is engaged in marketing of IVBL products as well as providing referral services for the Bank. The consolidation with the subsidiary ING Vysya Financial Services Limited is as per Accounting Standard 21 (AS-21). While computing the consolidated Bank’s Capital to Risk Weighted Assets Ratio (CRAR), the Bank’s investment in the equity capital of the wholly owned subsidiary is deducted 50% from Tier 1 capital and 50% from Tier 2 capital. The subsidiary of the Bank is not required to maintain any regulatory capital. The Bank has no interest in any insurance entity.

**2. Capital Structure**

The authorized equity share capital of the Bank is Rs.350 Crore consisting of 35 Crore equity shares of Rs.10/- each. As of September 2011, the issued capital stood at Rs.150.09 Crore consisting of 15.01 Crore of equity shares of Rs.10/- each. The subscribed and paid up share capital is Rs.149.80 Crore consisting of 14.98 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.

<b>Capital Funds</b>	<b>in Rs. Cr.</b>
<b>Tier I Capital (unadjusted)</b>	<b>3,623.60</b>
<b>Total Capital Funds (unadjusted)</b>	<b>4,408.93</b>
<b>Tier I Capital</b>	
Paid-up Capital	149.80
Reserves and Surplus	3,340.17
Innovative Perpetual Debt Instruments	133.63

Basel II Pillar 3 Disclosures as of 30th September 2011

<b>Total Tier I Capital (Unadjusted)</b>	<b>3,623.60</b>
<b><u>Deductions</u></b>	
Investments in Subsidiaries	1.05
Deferred Tax Asset	143.57
Other Intangible Assets	13.69
<b>Total Deductions</b>	<b>158.31</b>
<b>Total Tier I Capital (Adjusted)</b>	<b>3,465.28</b>
<b>Tier I Capital (Adjusted)</b>	<b>3,465.28</b>
<b>Tier II Capital (Unadjusted)</b>	<b>1237.84</b>
Upper Tier II Bonds	402.95
Subordinated Debt eligible for Lower II	600.00
Revaluation Reserves	103.89
General Provisions and loss Reserves	130.99
<b>Deductions</b>	<b>294.19</b>
Subordinated Debt eligible for Lower II	236.00
Revaluation Reserves	57.14
Investments in Subsidiaries	1.05
<b>Total Tier II Capital (Adjusted)</b>	<b>943.65</b>
<b>Tier I &amp; Tier II Capital (Adjusted)</b>	<b>4,408.93</b>

Total Risk Weighted Assets	29389.06
Capital Adequacy Ratio of the Bank – Total	15.00%
Capital Adequacy Ratio of the Bank - Tier I	11.79%

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

(Rs. in Crore)

	<b>Tier 1</b>	<b>Upper Tier 2</b>	<b>Lower Tier 2</b>
Total amount outstanding as at 30 September 2011 – INR and Foreign currency	133.63	402.95	600.00
Amount raised during the year – INR and Foreign currency	Nil	Nil	Nil
Amount eligible to be reckoned as capital funds - INR (See Note 2)	133.63	402.95	364.00

Notes:

1. Foreign Currency amounts are reported in INR at the forex rate as at 30 September 2011.
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

Summary of the Bank's capital requirement as at 30 September 2011 is presented below:

	Capital requirements for Risk Types	Capital Amount (In Rs. Crore)
A	<b>Capital requirements for Credit Risk</b>	
	Portfolios subject to standardized approach	<b>2373.01</b>
	- Of which Securitization exposures	1.24
B	<b>Capital requirements for Market Risk</b>	
	Standardized duration approach	<b>59.79</b>
	Interest rate risk	43.87
	Foreign exchange risk (including gold)	13.50
	Equity risk	2.42
C	<b>Capital requirements for Operational Risk</b>	
	Basic Indicator approach	<b>212.21</b>
	<b>Total Capital Requirements</b>	<b>2645.01</b>
	<b>Available Capital</b>	<b>4,408.93</b>
D	<b>Capital Adequacy Ratio</b>	
	Total for the Bank as a whole	15.00%
	Tier I ratio for the Bank	11.79%

### 4. Credit risk – General disclosures

#### Credit risk exposure

Gross Credit Risk / Exposures as on 30-09-11	Rs. in Crore
Fund based exposure	36516.73
Non- Fund based exposure	11475.46
<b>Total</b>	<b>47992.19</b>

Note:

1. Fund based exposures include Funded Advances outstanding of Rs. 24,859.14 cr, Investments of Rs.- 11,495.36 cr. and balances with Banks – Rs. 162.23 cr
2. Non fund based exposures include Letter of Credit & Bank Guarantees of Rs. 7701.84 cr. and LEF for derivatives of Rs.3773.62 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 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**

(in Rs. Crore)

Industry classification	Total Fund based advances (excluding investments)
Agri and allied activities	2632.46
Industry – Micro, Small, Medium & Large	9876.38
Services	1446.38
Trade	4136.13
Commercial Real Estate	891.24
NBFC	912.01
Consumer Finance	4611.61
<b>Total</b>	<b>24,506.21</b>

Note: The above numbers are the Gross Advances outstanding as reported to RBI for the reporting Friday i.e.23.09.2011.

The Bank has exposures in the domestic segment only.

**Residual contractual maturity breakdown of assets**

In Rs. Crores

Maturity Bucket	Cash and Balances with Banks & RBI	Investments	Advances	Fixed & Other Assets
1day	688.65	152.34	494.52	142.11
2 to 7 days	125.13	670.52	2110.66	1.29
8 to 14 days	97.87	558.20	1504.41	1.47
15 to 28 days	69.73	353.80	2216.04	0.19
29 days to 3 months	371.31	2030.58	3447.10	15.49
Over 3 months and up to 6 months	178.11	881.42	2978.16	19.88
Over 6 months and up to 1 year	294.07	1440.68	2442.52	655.37
Over 1 year and up to 3 years	259.11	2213.47	3776.09	428.22
Over 3 years and up to 5 years	191.53	1545.02	1720.82	310.63
Over 5 years	139.32	1649.34	4168.82	751.20
<b>Total</b>	<b>2,414.83</b>	<b>11,495.36</b>	<b>24,859.14</b>	<b>2,325.87</b>

**Movement of NPAs and Provision for NPAs**

**Amount of NPAs (Gross)**

(in Rs. Crore)

	31.03.2011	30.09.2011
Substandard	38.40	32.01
Doubtful 1	92.83	62.09
Doubtful 2	24.15	47.15
Doubtful 3	0.00	0.00
Loss	0.00	0.00
<b>Gross NPA</b>	<b>155.38</b>	<b>141.25</b>

**Net NPAs:**

(in Rs. Crore)

	31.03.2011	30.09.2011
<b>NET NPA</b>	91.78	77.66

**NPA Ratios:**

(in Rs. Crore)

	31.03.2011	30.09.2011
<b>Gross NPAs to Gross advances</b>	0.66%	0.57%
<b>Net NPAs to Net advances</b>	0.39%	0.31%

**Movement of NPAs (Gross)**

(in Rs. Crore)

	31.03.2011	30.09.2011
<b>Opening bal. as on</b>	<b>234.51</b>	<b>155.38</b>
(+) Additions	236.02	40.60
(-) Reductions	315.15	54.73
<b>Closing bal. as on</b>	<b>155.38</b>	<b>141.25</b>

**Movement of provisions for NPAs**

(in Rs. Crore)

	31.03.2011	30.09.2011
<b>Opening bal as on</b>	Nil	Nil
(+) Provisions made during the period	156.10	5.25
(-) Write-off	156.10	5.25
<b>Closing bal as on</b>	Nil	Nil

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

**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:

	31.03.2011	30.09.2011
Opening bal.as on	-	30.01
(+) Provisions made during the period	30.01	0.05
(-) Write-off/Write-back of excess provisions	-	-
<b>Closing bal. as on</b>	<b>30.01</b>	<b>30.06</b>

Amount of non-performing investments: Rs. 30.06 crs as on 30 September 2011

Movement of provisions for depreciation on investments

(in Rs. crs.)

	31.03.2011	30.09.2011
Opening bal.as on	4.12	35.41
(+) Provisions made during the period (incl. provision for NPA investments)	31.29	0.22
(-) Write-off/Write-back of excess provisions	-	-
<b>Closing bal.as on</b>	<b>35.41</b>	<b>35.63</b>

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

Details of Gross credit exposure based on Risk Weight

Risk bucket	Amount outstanding (in Rs. Crore) as on 30-09-11
Below 100% risk weight	30254.52
100% risk weight	14835.06
More than 100% risk weight	2902.62
Deducted	2.10

- (1) For each separately disclosed credit risk portfolio, the total exposure (after on- or off-balance sheet netting where applicable) that is covered by eligible financial collateral after the application of haircuts = **INR 1063.33 cr**
- (2) 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) = **INR 1911.98 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' 11 was Rs 69.04 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 Rs. Cr.
Exposure	69.04
Rating	AAA
RWA	13.81
Capital Charge	1.24

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 30th Sep 11  
(in Rs. Crore)

S. No	Type of securitization	Amount (in Rs Cr.)
Securities purchased at Book value		
1.	Home and Home equity loans	69.04
2.	Liquidity facility	Nil
3.	Credit enhancement	Nil
4.	Other commitments	Nil

Basel II Pillar 3 Disclosures as of 30th September 2011

- c) Aggregate amount of securitization exposures retained or purchased separately for:
- Securitization exposures retained or purchased subject to Comprehensive Risk Measure for specific risk;

S. No	Type of securitization	Amount (in INR Cr.)
<b>Securities purchased</b>		
1.	Home and Home equity loans	69.04
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 Rs. Crore)

Risk weight bands	Amount
Less than 100%	69.04
100%	-
More than 100%	-
<b>Deductions</b>	
-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.

## 7. Market risk in trading book

### Capital requirements for Market Risk

(in Rs. Crore as of 30 Sep 2011)

<u>Interest Rate (a+b)</u>	<u>43.87</u>
a. General Market Risk	36.41
b. Specific Risk	7.46
<u>Equity(a+b)</u>	<u>2.42</u>
a. General Market Risk	1.21
b. Specific Risk	1.21
<u>Foreign Exchange and Gold</u>	<u>13.50</u>
<b>Total Capital Charge for Market Risk</b>	<b>59.79</b>
<b>RWA for market risks</b>	<b>664.33</b>

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

### Earnings impact perspective

(Org cur in Crores as of 30-Sep-11)

	TOTAL (INR)	INR	EUR	USD	GBP	JPY
<b>Net Interest Income year 1</b>						
EaR +100 bps parallel (Year 1)	-15.58	-22.45	0.03	0.09	0.002	0.00
<b>Net Interest Income year 2</b>						
EaR +100 bps parallel (Year 2)	-16.73	-22.06	0.05	0.03	0.002	0.00
<b>Net Interest Income year 3</b>						
EaR +100 bps parallel (Year 3)	-29.99	-30.88	0.01	0.01	0.001	0.00

### Economic value perspective

(INR in Crores as of 30-Sep-11)

NPV Impact	Total	INR	EUR	USD	GBP	JPY
+ 50 bps	-79.4	-80.6	0.01	0.01	0.003	-0.00
+100 bps	-158.8	-161.2	0.01	0.02	0.01	-0.00